

What makes a high performing farm?

High-performing dairy farms are more likely to benchmark their business against others and be run by confident decision-makers who had a strong dairying background while at school.

These qualities of high-performing farm businesses are among seven characteristics identified in a DairyNZ study of 150 farms in the Waikato and Canterbury, earlier this year.

DairyNZ economist Matthew Newman says using the top quartile of dairy farm businesses involved – ranked on operating profit per hectare – the survey identified common characteristics between them.

“The business skills of farm managers is crucial in terms of high performance and profitability of a farm,” says

Matthew. “It’s not animal husbandry, feed or people management – the biggest skill gap is in the business area.

“Benchmarking came through as a much higher attribute of top farm businesses – they were more likely to be benchmarking their performance against other farms.”

“The business skills of farm managers is crucial in terms of high performance and profitability of a farm.”

Those same farmers also believed they had a more reliable plant and equipment, were more likely to be involved in networking and mentoring with other farmers, were more assured and had a system for assessing opportunities and risks.

The survey took place from March to May and aimed to test what factors contributed to highly profitable farm businesses in the 2010-11 season.

Matthew says experience proved to be a significant factor in the most profitable dairy farm businesses.

“Based on the farms’ operating profit per hectare, the results showed that a higher proportion of the high performing farms had

managers with more than 15 years’ experience in dairying,” says Matthew.

“Top performers were also likely to have a family background in dairying and more than five years’ experience on dairy farms, growing up on them during their school years.”



AERU study

Run by DairyNZ and Lincoln University's AERU (Agribusiness Economics Research Unit), the study involved 75 farms in the Waikato and 75 in Canterbury, milking over 450 cows. Farm managers and their employees were surveyed for age, years farming and qualifications. Each farm's financials were run through DairyNZ's DairyBase.

"High-performing farms tended to have a higher proportion of farm managers aged between 45-59 than the other farms and two-thirds had more than 15 years' experience. This suggests that experience counts for something."

Dairy farm employees are considerably younger than managers, with an average age of 25-29 years. In fact, a quarter of farm employees are in the 20-24 age group. This demonstrates a generational gap between farm managers and employees.

The development of dairying in the South Island has been rapid and large. As a result, more than 5000 dairy employees have been required over the last decade.

To fill this gap, migrant workers have been trained and employed. Now more than one in four employees on Canterbury farms are migrants on temporary work visas.

A second phase of the study may be developed, to verify the information and potentially look at other regions.

Through this study, seven characteristics were identified as more often associated with the top quartile group of farms.

Benchmarking

The use of benchmarking against other farm businesses was the strongest difference between the top quartile farms and the low and middle groups.

Reliable plant and equipment

Fifty-five percent of the top quartile farms were more likely to describe their dairy shed as more up-to-date and reliable, than average, in their district.

Budgeting

Eighty-five percent of farm managers in the top quartile group were more likely to have a budget. They were also more likely to check actual expenditure against expected expenditure and only buy supplies as required.

Networking

Farm managers in the top quartile group were more likely to catch up with other farmers to swap ideas; help other farmers to improve their practices and be a source of advice for others. Fifty-nine percent also participated in DairyNZ discussion groups.

Confident decision-making

The farm managers were more likely to run their farm the way they want to, regardless of what others said. The top quartile managers also found planning easier and were less likely to use an advisor or business planner.

Dairying background

Managers of top quartile farms were more likely to have had experience on a dairy farm while at school and, more likely, over five years experience during that time.

Couples as managers

A greater proportion of the top quartile farms were managed by couples.

For more information about how to do business benchmarking through the DairyBase programme, visit DairyNZ's dairybase.co.nz.

Alternatively, visit the DairyNZ website's 'farming resource centre' for additional tools and information: dairynz.co.nz.