

People focus brings business success

By CARLENE DOWIE

STEPHEN AND KAREN FISHER

KEY POINTS

Togari, Tas
Dairy Business of Year awards
Trans-Tasman winner
Supreme Australian winner
Supreme dryland winner
Tasmanian winner
Medium concentrate winner

DAIRYFARMING has proved a great business to be in for the winners of the 2008 Australian Dairy Business of the Year (DBOY) award. Just four years ago Stephen and Karen Fisher invested their savings – \$160,000 – into buying stock for a sharefarming position at Togari, Tasmania. Since then they have grown their net worth (equity) by 100% every year.

That spectacular achievement hasn't been easy. The Fishers have carried a high debt load and budgets have been extremely tight.

Their success is based on excellent pasture and grazing management, good financial planning and budgeting, rearing replacements and building stock numbers and first-class labour management.

Their performance in 2006-07 on which the award was judged was outstanding. They milked 830 cows off an effective milking area of 279 hectares. In that drought-affected year, with high grain prices and fodder shortages, the Fishers achieved a return on assets of 9.7%, an operating profit margin on 28.5% and an operating profit of \$2011 a hectare.

They have also shown their faith in the future of the dairy industry, investing in both a run-off block and another dairy farm in the past four years.

Background

Mr Fisher grew up on his family's dairy farm at Wilmot, Tas. After leaving school he worked for 15 years with Clements and Marshall dealing with onions and merchandise, before completing a two-year Associate Diploma of Agriculture at Burnie TAFE. Mrs Fisher, a self-confessed 'townie', managed a hydro-therapy pool and was a youth worker running children's holiday camps.

In 1996 they took on their first dairy-



The winners of the 2008 Dairy Business of the Year award Stephen and Karen Fisher with Dairy Australia's manager of industry relations John McKew (at left) and National Australia Bank general manager agribusiness Khan Horne (at right).

farming job as sharefarmers with the Van Diemen's Land Company (VDL) at Woolnorth milking 700 cows. They farmed in partnership with Stephen's brother Andrew for two years, a steep learning curve as they had not experienced large herds before. Stephen and Karen then worked for three years as independent sharefarmers on a fixed-rate agreement.

In 2001 they decided to take a break from farming and spent three years travelling around Australia with their three children doing farm work, volunteer work and managing a campsite in Victoria for a Christian organisation.

Pendulum Park

In July 2004 they applied for their current sharefarming position at Pendulum Park, Togari, Tas, then owned by Carolyn and Bob Campbell and Cecily and Rhys Palmer.

One of the requirements of the position was that they had the capacity to buy 800 cows plus replacements and machinery with a total cost of \$660,000. Despite having only \$160,000 themselves, they managed to find the money from several sources: the ANZ bank, their family, stock vendor finance, the farm owners and through cow leasing.

Mr Fisher said they were happy with the sharefarming arrangement. "We liked the owners – they were prepared to leave

you to your own devices, but still took a close interest in the farm," Mr Fisher said.

The first six months were tough. The business required strict budgeting, they drew no wages, deferred fertiliser payments, were granted a milk payment advance from Bonlac and reached their overdraft limit.

"If it didn't contribute to feeding the cows better, it was hard to justify the spending," Mr Fisher said. "We worked long hours – that year Karen reared 360 calves with a 50-teat feeder – that was all we could afford. With no herd bulls and no money for them, the answer was to rear 100 extra Friesian bulls to raise the finance."

In that first season, a turnaround in seasonal conditions and an improved milk price saw them achieve great success. They had budgeted on achieving 155,000 kilograms of milk fat at \$5.70/kg, but actually produced 177,000kg at \$7.80/kg. By July 2005 the couple had grown their equity to \$480,000.

At this time the farm was sold to new owners Mason Topp and Toby Sutherland, who operate from New Zealand as an equity partnership.

Early in 2006 the couple bought a half share in a 160-hectare run-off block with Mr Topp and Mr Sutherland, to ensure they had a stake in the rising farm property market.

Key performance indicators for 2006-07 Dairy Business of Year Award

Effective milking area (ha):	179
Cows:	830
Production (kg MS/ha):	1352
Production (kg MS/cow):	454
Return on assets:	9.7%
Operating profit margin:	28.5%
Cost/kg milk solids:	\$3.14
Pasture harvest (t DM/ha):	12.6
Core per cow costs:	\$430
Labour efficiency (cows per full-time staff equivalent):	168

In July last year they used the increased value of the run-off block help them fund the purchase of a 150ha, 450-cow dairy farm at Togari in a 50:50 equity partnership with Mr Topp and Mr Sutherland.

This month they plan to buy out their partners and take full ownership of the farm. The managers who were appointed to that farm last year are now on a fixed-rate sharefarming agreement. Mr Fisher said initially they had been quite involved in that farm but once the managers there “were comfortable in their role, we backed out of it”.

Pasture management

Pasture and grazing management has been one of the keys to the Fishers’ success. For the DBOY competition year the Fishers harvested 12.6 tonnes of dry matter/ha on the 100% dryland farm.

Mr Fisher applies the three-leaf stage grazing principles to the perennial ryegrass/white clover pastures. He aims to grow as close to the third-leaf stage as possible for most of the year except in the spring when it is closer to the two-leaf stage because of the amount of leaf coverage.

He assesses pastures each week and carefully monitors residuals after he takes cows out of a paddock. “We will put another mob in if needed to clean up a paddock,” he said.

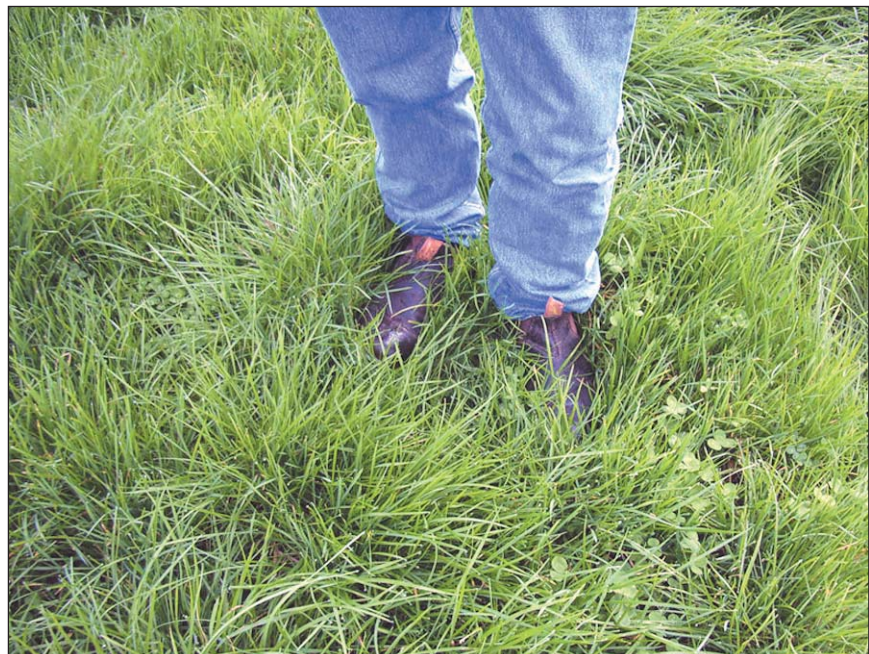
Mr Fisher said when he first started at Pendulum Park he walked every paddock every week to determine leaf stage. But now he has a better feel for the leaf emergence rate. “There are a couple of paddocks close to house that I will go and work out an actual growth rate and keep a handle on it that way,” he said.

Spring surplus is conserved as silage. They have used nitrogen in the past to create extra surplus but Mr Fisher is not sure whether that will be economic this season given the high price of the fertiliser.

Pasture renovation is a 10-year program with turnips used as pasture renovation tool and to provide additional summer feed. Last year the turnips averaged 12 tonnes/ha dryland.



The Fishers see cows are their major asset and have used them to build wealth.



Pasture and grazing management has been one of the keys to the Fishers' success.

A grader is used to hump and hollow a paddock when it comes out of turnips to improve drainage before the paddock is planted down to ryegrass and clover.

Financial planning

Mr Fisher said financial planning rolled from one season into the next. They update their feed budgets and cashflow budgets and assess these through the season.

They feed moderate levels of grain – about 1.5 tonnes a cow a year. “We use grain as management tool to manage stocking rates, pasture growth rates, to maximise rotation length and cow lactation days and to maintain cow condition,” he said.

Rearing replacements

Rearing replacements and extra stock have

been an important financial strategy for the Fishers, both in building equity and for cashflow. In their first season at Pendulum they raised bull calves for extra cash.

In 2006-07 they reared 500 calves – 300 as replacements. They also mated suitable heifers to Wagyu for the Dairy Beef Alliance.

Mr Fisher said they had now moved away from rearing bull calves and the Wagyu, primarily because the value of milk that was being fed to them has gone up but the calves had not gone up in value.

But they still rear surplus heifers as they provide an opportunity to either expand the herd size or to sell to overseas dairy heifer markets.

Mr Fisher said cows were their major



Stephen and Karen Fisher have built a successful dairy business in just four years.

◀ asset. “We utilise every calf that we get,” he said.

They are now using sexed semen in best heifers and AI Jerseys over rest. They have also invested in registered bulls to clean up after AI as they see opportunities down the track in the export heifer market.

Mr Fisher said they used sexed semen for the first time last year. The results were not outstanding but were “good enough to say give it another go”. Last year they used 40 straws and produced 17 calves of which 15 were heifers. Heifers are reared on the run-off block.

Labour management

One of the other outstanding features of the Fisher operation is their labour management. For the DBOY competition year they had 168 cows per full-time staff equivalent, among the best of the finalists. They rated extremely highly in the competition not just on labour efficiency but the way in which they managed staff.

Mr Fisher spoke about his approach to labour management at the DBOY seminar in June. He said their aim with labour was not to be the most efficient. “Our aim with labour is to give us lifestyle, but we also want to be the preferred employer in the district,” he said. “Sometimes to aim for the bottom figure and have the best efficiency and being the preferred employer don’t go hand in hand.”

The Fishers philosophy on labour management was pretty simple – “to treat people the way that we want to be treated ourselves”, Mr Fisher said.

It was critical to have respect for employees. “The rate at which we can grow our business is related to our labour input,” he said.

The Fishers seek to share some of lifestyle advantages that have drawn them to farming with their staff.

They often give the young single men who work for them an evening meal, especially during calving. “It’s a great time for communication, for them to get to understand us and us to understand them,” Mr Fisher said.

They employ people based on attitude not skill. “What we find is if we put a bad egg in with a good bunch it can cause us trouble,” he said.

They have written employment agreements for all staff that are given to them to read and sign before they start work. These outline conditions, wages, occupational health and safety (OHS) issues that they need to be aware of and, in the case of senior staff, detailed information about what they are expected to do.

The Fishers previously offered a quality bonus but have now built that into the overall package. “We figured if we had to pay that bonus (to get quality milk) we didn’t need those blokes anyway,” Mr Fisher said. They also offer a financial incentive to senior staff if they commit to staying for the next 12 months and then do that.

Staff work a 10-day on and four-day off roster year round. Mr Fisher said that way staff knew in advance and could plan activities for their time off.

They work a 40-hour week with work duty rosters, detailing milkings and other tasks required, set monthly. But they are flexible with this – allowing staff to change around the roster if they need time off for some reason. “If something crops up and they can’t do a night milk, they can tell us and have time off. That doesn’t leave us in lurch (as it would) if they just didn’t turn up,” Mr Fisher said. “Flexibility means a lot to them and it doesn’t cost us.”

Staff are usually rostered to do only one milking a day. With 850 cows, milking can take a long time and they have found that if staff milk twice a day it “burns them out”.

The Fishers conduct annual reviews of all staff. Mr Fisher said these were similar to an informal interview. They are planning to move to written reviews to try to get more feedback from their staff. Mr Fisher said they wanted to know about each employee’s job satisfaction, their goals, staff relationships and any underlying issues of which they needed to be aware. “How we can do things better,” he said.

All full-time staff have completed or are doing a farm traineeship. They are also encouraged to do other training including 20/12 pastures training.

“As employers I see that we hear a lot about labour and the labour shortage in the dairy industry,” Mr Fisher said. “But I see a lot of that responsibility comes back to us as employers. I see that we’ve got to see our employees as the future of the dairy industry and not see them as slaves to milk our cows.”

“The farms where our employees work have got to be a place where we can build passion into them and that they can actually see that they can achieve some things. And they’ve got to be able to see that the dairy industry is actually a place where dreams can come true.”

Future plans

The Fishers are now planning to consolidate. They will continue sharefarming at Pendulum Park with plans to calve down 950 cows this year with the aim to milk 900 through.

They will consider opportunities as they come along. Mr Fisher said he was not necessarily seeking opportunities but the “brain is always in gear” as to what opportunities might come out of something.

He said they did not plan to become owners of multiple farms. “We are contented with what we’ve got,” he said. “Long term we don’t want a noose around our necks. We want to be a bit freer. This is a good farm and a good job that provides us with pretty good cash flow.” **D**