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Dina & David Johnson

Choosing the right operating structure

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Many farmers are signing agreements or considering their options for 2016-17, and with the continued uncertainty of milk price, getting this right is vital. Whether you are a farm owner considering changing your level of

involvement on the farm, or a manager or sharemilker looking at options for the coming season, there will be a lot to think about.

How does each option fit with your goal? What is your appetite for risk? These are the questions that need answering as farmers go about securing a sustainable business structure for the coming season.

We all have different appetites for risk and taking time to weigh those up and the benefits of different structures will pay off in the future. But where do you start?

AgFirst director James Allen has developed decision support trees which help guide farmers to a structure which will suit their individual needs. Suitable ownership possibilities are suggested by following through a series of

questions on the amount of available equity, level of risk a farmer is comfortable with, and the desired level of involvement in farm operations. There are five types of farm ownership: herd owning sharemilking, variable order sharemilking, lease, contract milker, equity partnerships and farm management.

There are separate decision trees for farm owners and farmers wanting to progress further in the industry. This work was part of a project gathering information on the types of progression paths in dairying which was funded by DairyNZ in 2012. The project is being updated this year which will give the industry further insight into how people progress their careers and what strategies they employ to protect themselves from milk price fluctuations.



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The decision support trees, along with other tools and resources can be found online. DairyNZ and Federated Farmers are hosting a 'What are my options?' event in Cambridge on March 18 for farm owners and sharemilkers to help them plan a path forward over the next year.

Information will include working through sharemilking agreements, ways to protect your business, progression strategies and options for getting through a tough financial season.