

Strong leadership key in farming corporation's success

Strong leadership has been critical to the success of Wairarapa Moana Incorporation.

Led by chairman Kingi Smiler, WMI is owned by 3500 shareholders and is governed by a committee of management. What this committee lacked in farming expertise, it made up for in good governance practice, general manager Nick Hume says.

As well as WMI, the business supports and funds Wairarapa Moana Trust, which awards scholarships and grants to its members.

There has been strong leadership from WMI's board. What its members lacked in farming expertise, they made up for in good governance practice, Hume said.

Before Smiler became chairman, WMI's farms needed a lot of work. There had been significant expenditure on new milking sheds and yards, effluent ponds, new staff housing and amalgamations to improve the farms.

Ultimately, WMI wants to be fully self contained. This season, the 12 farms are run by nine managers and three

Moana Incorporation milks 10,500 cows across 12 dairy farms, producing an average of 4.3 million kilograms of milk solids.

sharemilkers, who will be replaced by managers after their contracts expire.

WMI is a founding member of Miraka, owning just over 32 per cent of the processing company which is located north of Taupo. Hume says the two companies possessed similar vision and values.

"The board developed a strategic plan five years ago and part of it was to partake in the value chain, and not just be a farm that receives a commodity but to add value all of the way along and bank on that value."

That strategic plan was based on WMI's need to protect, enhance and grow its asset base, be an industry leader, pay a dividend to its shareholders and act in a way that encourages shareholder participation and gives them pride in their asset.

There were individual strategies around each of these aspects, he said.

"One of these strategies will be in what we do with Healthy Rivers [Plan for Change]. We have always said we want to be a leader, and to be recognised as an industry leader."

Beneath Hume are two

operations managers, David March, who oversees the nine managed farms and Phil McKinnon, who is in charge of the sharemilked and support farms.

Each farm has an individual business plan and key performance indicators.

While the farms collectively are run under a similar best practice policy, there is also flexibility to reflect each one's special circumstances.

The managers' autonomy allows them to formulate their own way of achieving the farm's business plan.

WMI's managers and sharemilkers meet every 10 days when data from all of the farms is submitted and discussed. The managers and sharemilkers also outline the farm's current situation. Having that data lets Hume know if any of the farms are in trouble and need assistance.

"The big benefit for us is that because we are in such a cluster, we can meet face-to-face. The guys know each other well and they are all facing similar problems."

The dairy herd consists of 10,500 milking cows spread across the farms, ranging from 650 to 1200 cows per farm. Production on the System 3 farms averaged 4.3 million kilograms of milk solids over the past three to four seasons, with 10-20 per cent of the feed imported.

Three years ago WMI's committee decided to de-intensify from a system 4-5. The farms all sit on light, brown pumice soils that grow between 11 and 14 tonnes of dry matter a year. The stocking rate is 2.5-3 cows a hectare.

At that stage, the payout forecast was still high, but WMI expected the milk price would drop. It wanted its business to be economically sustainable over the long term but to be flexible for when the payout lifted, Hume said.

"We felt that a lower cost structure was going to be a key driver of that.

"It means that if you are having a very good payout year, you have the opportunity to bring in more feed through the gate to capitalise on it, but if you set your system up to be at the top end of it, it's

almost impossible to turn it off once the payout crashes."

If the milk price fell further, WMI had the option of moving to an even lower input system, which they had done to help get through the slump in milk price.

Hume said the principles of dealing with a low payout were the same for WMI as for any farmer.

"You just have to think big - it's as simple as that. But some people do struggle to think big."

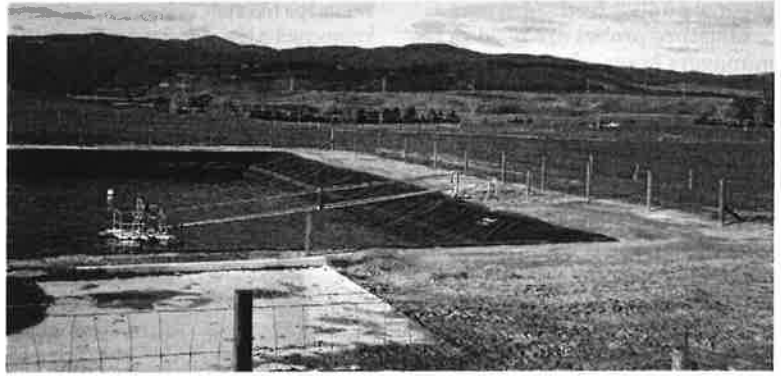
Following existing farming policies well is also key during the current payout, so they can benchmark across their farms and see which ones can be improved.

"Where there is a good execution on one farm we try to replicate that across the others."

One farm managed to reduce its costs during calf rearing without compromising on quality by working together and doing the basics well. This was then extrapolated across the other farms, he said

"I would like to think they are

Wairarapa Moana Incorporation has heavily invested in new infrastructure on its 12 farms including new milking sheds, effluent ponds, yards and staff housing over the past several years.



all pretty good. They are not in the top 10 per cent of dairy farms in the country, but they would be in the top 25 [per cent], with a goal of being in the top 10 per cent for the region."

One part of the business WMI did not cut back on was its training and development. "For us to achieve our strategic goals, we have got to have good, trained people."

It believed in internal promotion and promoted its own staff when possible. It strove to bring in good, young people in

entry level positions and encourage their progression through the ranks.

"It's starting to pay off. This year we have had four internal promotions with people who have stepped up."

One thousand hectares of land across multiple farm boundaries is irrigated from a combination of 17 centre pivots and k-line. Water comes from the Waikato and Mangakino Rivers and a third take is from a nearby stream.

The irrigation system is in its third season and is used primarily

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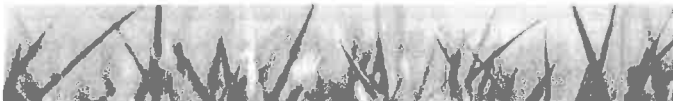


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to grow quality feed.

Moisture probes are used so the managers know when to shut it off. During summer droughts, half the stock, usually older, higher-producing cows, on the irrigated land. The rest stay on the dryland area, where the lower stocking rate allows the managers to maintain the cows' production and body condition score.

"In summer we have dryland and wetland [irrigated pasture] so we know how much we are growing every 10 days on each land class and at that point, we know it's time to move the stock around a little bit."

Chicory, plantain and turnips are also grown as summer feed crops on majority of the farms.

In winter, WMI will graze at least 80 per cent of their cows for six weeks on kale or swedes in an effort to protect pastures.

The managers know how much grass is grown on their farms and how it slows down over winter, so they aim to maintain a balance between feeding the cows enough and ensuring they do not eat into

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the spring pasture.

Plate metering is done every 10 days throughout the year to read their pasture lengths. Historic data going back at least six years helps the managers see trends.

"It's not rocket science, but for us, it's about focusing on the execution."

Having scale gives WMI the advantage of flexibility during a summer drought. The managers shift cows around to other farms

within the other managed farms that are not as badly affected or move the cattle to irrigated pastures.

The managers support this approach because their KPIs and business plans have a group focus as well as an individual farm focus, he says.

"We have a set of values that we adhere to and one of those values is working together."

Calving begins on August 1 for the main herd. WMI has a strict policy of rearing calves to 100kg

before sending them to the support farms.

"They understand that they have a job of getting it to 100kg as soon as they can, so it can be sent and then returned in 18 months time as a 450-500kg in-calf heifer. They know there's a bit of teamwork there. If you give someone an average calf, you're going to get an average heifer in two years time."

WMI also winter milks 450 empty carry-over cows to take advantage of the premium offered by Miraka and to help the company produce its UHT product. Those cows are mated to a beef bull in the autumn and the calves are sold for the beef market.

Hume says WMI will continue to support Miraka and its aspirations as well as look to refine the system change by focusing on execution.

"For us it's about not accepting the status quo. It's about always asking the question, 'Can we do better and what are the lessons we have learned?'"



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