

Future-proofing a dairy business

be bigger the farming business, the sharper hunger for diverse skills. **Andrea Fox** asks a banker who answered a Waikato milky's call and unchained a whole new areer.



Todd Hagan left a senior rural banking career to help the overall performance of dairy farming.

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TODD HAGAN



Jim and Debra Kirkham's six-farm, 1.2 million kg annual milk solids enterprise in Waikato.

As a senior ASB banker, Todd Hagan overawed the financial health of North and farming businesses with a net worth of \$20 million and 20 million.

It was challenging, well-warded work, a career heighted after 17 years with the bank.

But mid-last year he took a leap and swapped corporate rural banking for a job helping the future of Waikato farming dairy farming cluster, the Kirihama Group.

This isn't to suggest Hagan had sudden urge to get up at 4.30am and milk cows. He didn't and isn't. But his new job(s) as general manager, operations manager and administrator for Jim and Debra Kirkham's six-farm, 2 million kg annual milk solids enterprise means he is now up close and personal with the Kirihama farms' dairy business, staff, infrastructure and practices.

Hagan says the decision to exit career he'd begun as a Massey University graduate was a risk but had a long history with the Kirihamas as their bank manager up till about seven years ago when promotion meant he no longer really managed clients. He had so previously invested in dairy farms with the Te Awamutu couple and had been invited to sit on their advisory board two years ago.

He was open to a new challenge and saw a longer term opportunity for setting up his own business in a growing market – expanding farming enterprises at big enough to require a business disciplines around finance and investment strategy, variance and management.

So he set up SCM Agri – which stands for 'strategy, growth, management' – and contracted himself to present challenges around staff and more wear and tear on infrastructure but we think as we've already outlined the capital for infrastructure and with the numbers we've run, it's worth us doing it."

All the dairy farms have rotary milking sheds and feed pads. There is no in-shed meal feeding. All the Te Awamutu farms are fully consented for Variation 6 stock water and dairy farming. Hagan says the Waikato Regional Council scored two of the farms 6 out of 6 for effluent storage at the recent annual inspection and one got marked four. A new effluent system has just been built at the Waterimu farm, which carries the majority of its replacements.

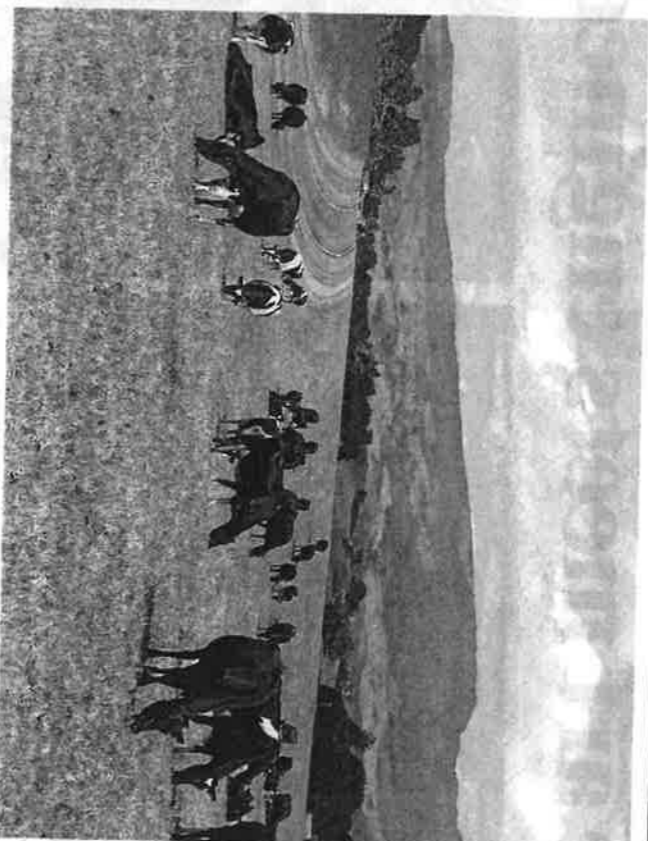
The group's feed costs are also getting the Hagan treatment. The business buys in palm kernel extract and maize, does winter grazing, and grows turnip and fodder beet crops. This is the third season fodder beet has been grown. The crop last season averaged 25 tonnes/ha (weighed), says Hagan. "But I don't think we've drilled down into costs enough – not just with fodder beet but everything throughout the business. It's been a concentrated effort over the first half of the season and we'll have detailed data analysis completed at the end."

"Fodder beet is a pretty sensitive crop and if you don't get the yield then the costs make it ineffective. We harvest it and there's no doubt the cows love it. If we can get it right and get it consistent, then we will use it long term. If not we need to discuss that."

Jim and Debra Kirkham's six-farm, 1.2 million kg annual milk solids enterprise in Waikato.

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ON THE FARM



About 1.5 million kg of maize and 2.2 million kg of palm kernel was bought in for the three Te Awamutu dairy farms this season. The Waterimu unit bought 450,000kg of palm kernel and about 500 tonnes of maize. About half the total herd is winter grazed for six weeks at a time. Concentrates such as molasses have been stripped out of the system with barely any impact on

production but "pretty significant" cost savings this year, says Hagan. As a former banker, Hagan is well-acquainted to red tape but he's been surprised by the level of compliance and paperwork required for the dairy industry. "The owners of a business are working hard on the farm, how they ever find not only the time but the motivation and knowledge

to complete it all surprises me. I'm not milking cows or doing anything hands-on and it keeps me busy enough." Hagan, with his wife a shareholder in a Waikato 650-cow farm, says while the growing number of large-scale farming businesses would benefit from his kind of skills, it's a big call for farm owners. "The issue for farmers is putting a value on it. It's really

school age children lives between Phrongia and Te Awamutu, oversees management of all the units and up to 25 staff. The dairy farms are Sykem 5, Debra Kirkham's long-established calf-rearing operation produces around 3800 replacement and trade animals a year. Three of the dairy farms are contract milked by the Kirkham's nephew Brad Eyre. There is a shareholder on the Waterimu farm. The 450ha Otaguru support unit has a manager and carries the majority of Kirkham Group replacements,

winter grazes dairy cows and runs beef heifers and steers and 600 sheep. Together the six farms total 1390 hectares effective and carry around 8700 stock units. Milk production for Fonterra from the Te Awamutu farms and the Waterimu property totalled 1.22 million kilograms last season. Winter milking is done on three farms. Cows are mainly freesian cross but one Te Awamutu farm, Pepi Oaks, carries a high BW Jersey herd that has been in the Kirkham family for many years. The

purchase of 50ha of neighbouring Te Awamutu land in June will allow expansion of the milking platform and the calf-rearing business.

Jim Kirkham is chairman of the group. His great grandfather bought the original part of Oakwood, the home farm. Brad Eyre is the fifth generation to farm there. Debra Kirkham grew up on the Waterimu property, Waimouka Farm. The couple have a daughter who is studying accounting.

Todd Hagan was brought in to futureproof the business and has wasted no time introducing new disciplines and formal practice policies.

"We've gone through all the job descriptions and had the first development meetings with staff. We've changed the accounting programmes to Xero and Figured, so now the information comes quick and we can really drill down into what's making us money and what's not.

"I need to understand that better so I've been in their boots and all. In banking you have really good HR (human resources) and IT services and structures and effective meetings. Those are some of the gaps in some of these larger scale farming businesses."

Among Hagan's first moves was setting policies and addressing the group's technology systems.

"You need good internet for your staff otherwise you can't expect farm reports every month and you can't expect them to do it on their phones. We've set up a server where all our information – depending on access levels – is now saved for all parts of the business. It can be accessed from anywhere because it's all sitting in the cloud."

The group's business model is also under review.

With an eye to succession planning, Brad Eyre's role will likely be expanded to operations management. Winter milking could be ramped up.

The four dairy farms are on split calving but to a "low degree", says Hagan.

"But the infrastructure is good on all the dairy farms and with the Otaguru support block we've been carrying over stock and turning them into autumn-calving cows. With the recent changes in Fonterra's winter milk premiums we're going to chase that more but we're going to do it gradually."

ON THE FARM

Waikato's Kirkham Group recognised it needed extra skills in a growing family dairy business.

tough. When I was heading into this role some banks were forecasting a \$3.90/kg payout. It's an extra line of expense but we know it's the best thing we've ever done because of the value and the focus it has brought over the past six months on making more money."

The Kirkham Group will continue to grow, says Hagan. But while its principals are committed to dairy farming and want to see the business go to the next generation, that growth is more likely to be in non-farming areas. "It's a risk-based assessment. We don't want to be too exposed. We don't want to bring some diversification into the balance sheet and revenue line. Coping with volatility isn't easy, it takes a concentrated effort. Special projects were another reason the Kirkhams brought me on board."