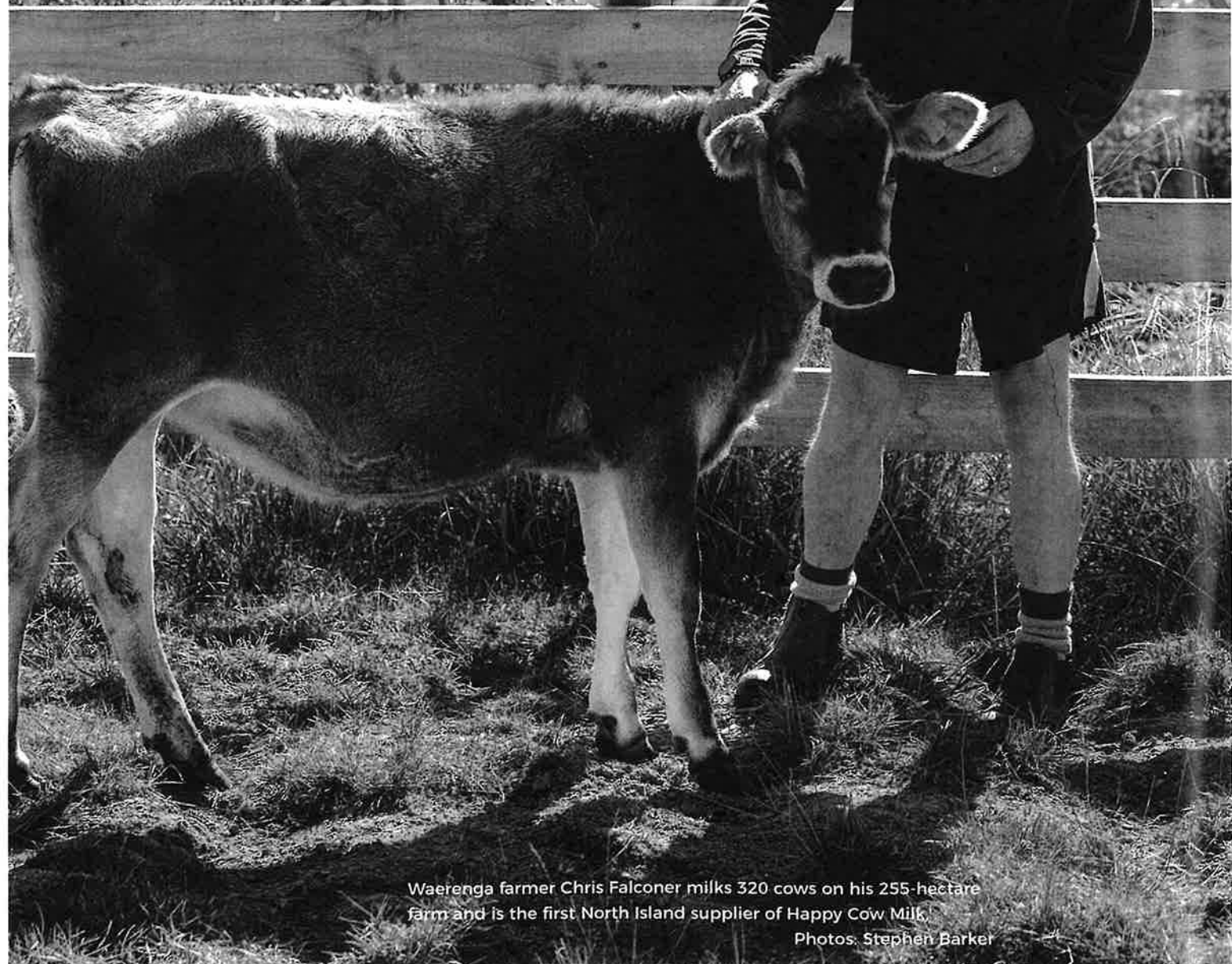


ONFARM
STORY

Calves at foot

Confidence in a business model sees a farmer try a different approach to dairying.



Waerenga farmer Chris Falconer milks 320 cows on his 255-hectare farm and is the first North Island supplier of Happy Cow Milk.

Photos: Stephen Barker

A 12-month trial is under way on a Waikato farm in which calves stay with their mothers and a portion of the milk goes directly to customers.

A North Waikato farmer who has always wanted to have a closer relationship with the people who consume his milk, is now doing just that.

Chris Falconer who milks 320 cows on his Waeranga dairy farm can now have that level of engagement after becoming the first North Island supplier of startup milk company Happy Cow Milk (HCM).

His 255ha farm is selling a small portion of his production under the HCM banner, while the bulk of his production goes to Synlait.

It's a 12-month trial that allows him to sell that part of production directly to consumers. He says that kind of engagement was not possible in a system where farmers' milk was collected and sold to a mass market because consumers do not know where their milk has come from.

"It's homogenised – both literally and figuratively – so there's no differentiation with any of the milks you buy. It's literally all the same milk," Falconer says.

"There's not enough differentiation to make a real meaningful difference in terms of your product. My milk goes into the same vessel as everyone else's milk."

If his value proposition for his milk was higher than other suppliers in the district, then he would still be paid what those suppliers are paid, he says.

Falconer had been watching HCM founder Glen Herud's early progress with interest.

Those principles, which are based on keeping calves with the cows and milking once a day (OAD), resonated with him.

About two years ago, he contacted Herud and started discussing the possibility of working with him.

"Glen was interested in farmers who had control of their own system and roughly aligned with what he was interested in."

HCM's original concept had Herud operating a mobile milking shed where he milked a small herd of cows, processing and distributing the milk himself.

Herud says the system lasted for three years before folding because its processing and distribution system was too inefficient. The revamped version of HCM has resolved many of those issues, he says.

"It was a combination of growing fast and not being able to sort out that inefficiency problem and we ran out of cashflow and we shut down," he says.

Followers of HCM were so upset by the shutdown that he managed to get \$1 million in crowdfunding to relaunch. Falconer was one of those people who contributed to that funding.

That cash allowed him to solve those issues.

FARM FACTS

- **Farm owners:** Chris and Sheila Falconer, Pukerua Farm
- **Location:** Waerenga, North Waikato
- **Farm size:** 255ha
- **Herd:** 320 cows, crossbreed
- **Production**
 - 2021-22:** 105,000kg MS
 - **Production target**
 - 2022-23:** 105,000kg MS



"Everything's designed to be as efficient as possible. The setup that Chris's got allows him to do with one person what it took us three people to do," he says.

The conversations between Herud and Falconer continued until Herud needed a trial farm to properly test the system,

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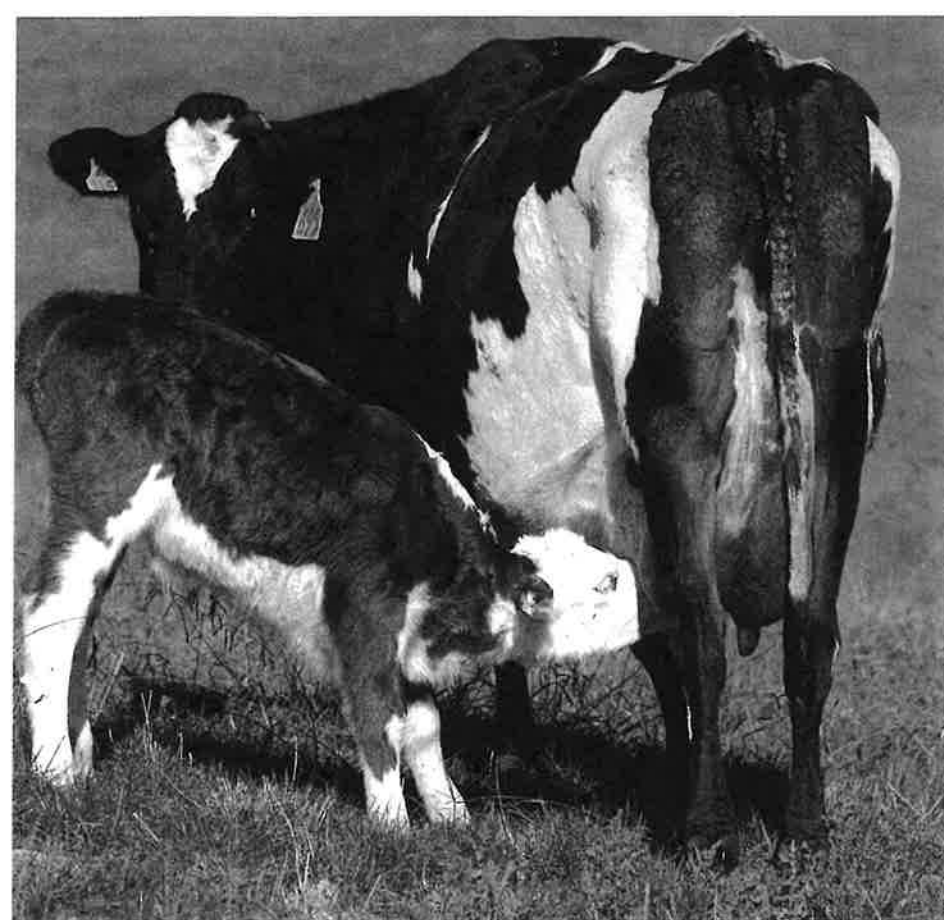
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The Happy Cow principles are based on keeping calves with the mothers and milking once a day.

which Falconer agreed to for the next 12 months,

Retaining his supply to Synlait allows him to manage risks around the seasonal fluctuations of milkflow. He says they have been very supportive of him supplying HCM.

Once HCM becomes more established, he expects as much as 1000 litres would be sent to HCM customers.

Any more than that would require careful management as he wants to be able to choose customers that are aligned with his values too.

"We want to be selling milk to people who are respecters of what we do. That is also helpful when coming to a commercial arrangement because they value that," he says.

In order for a farmer to do that, he has to be able to offer a product with attributes people are willing to pay for.

To that end, he is very open about how he produces milk.

He milks his 320-cow herd OAD and starting in the new season, will be switching from split-calving to calving three times a year to maintain a

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steady year-round milk supply.

He uses no chemical fertilisers, instead applying 200-250 tonnes of chicken manure annually to his paddocks.

No supplementary feed such as palm kernel apart from homegrown baled grass silage and hay and a small amount of grain in the dairy shed, which is used to entice the cows to consume mineral dosages.

There's no cropping or blanket spraying using chemicals. It is as close to organic as it can be without the certification, he says.

Falconer farmed organically in the UK for five of the nine years he spent in that country before returning to New Zealand and sharemilking. He and wife Sheila bought this farm eight years ago.

One of the drivers to switch to OAD milking was that Sheila works full-time as a nurse in Hamilton and that system freed them up so she could complete her nursing degree while they raised their three children.

"To be able to deliver the life that she wanted, the farm had to be able to deliver that as well," he says.

"There's no point in setting up a farm system where it drives what everyone does."

He has slightly modified his milking shed to enable his milk line to bypass his vat and fill specially designed milk kegs that pasteurised the milk to fulfil HCM orders when required. MPI then

inspected the shed in late April to make sure it met food safety standards, given that he was now selling a food product direct from his farm.

His first invoice arrived early May. Falconer says that was a special moment for himself and for Herud. There are lots of stories of startup businesses that sucked up investor money, but then failed to make a return. That invoice marked the beginning of the phase where HCM would start to earn revenue.

The in-shed system for HCM has an inline tap connected to his milk line in his 40-aside herringbone shed, which allows him to divert milk to a mini processing hub within the shed.

"It's all self-contained. Once you fill the cans, you press a button and each of the cans has its own processing unit on top," he says.

A smaller vat used for overflow or colostrum was removed and in its place was a cabinet housing the shelves where the HCM kegs are stored.

"Nothing changes except we have the Happy Cow tap at the dairy," he says.

He also tests the milk in the same manner a tanker operator does when it enters the cans. He says the milk has around 5.4% fat and 4.4% protein, which is slightly higher on both percentages than standard blue top milk.

These cans resemble a beer keg with a stainless-steel water jacket on the outside of it and come in 60l and 180l sizes. It has an inlet and outlet pipe that heats

the water so pasteurisation takes place before pumping cold water in the jacket to cool the milk.

The system is also connected to his internet, alerting him if there is an issue, such as a power failure.

"It's remarkably simple and easy to operate," he says.

"We want to be selling milk to people who are respecters of what we do."

Chris Falconer

The can is then stored in a chiller in the shed until it is transported to the customer. A specially designed pump and tap is connected to the can to allow the customer to pour the milk as required.

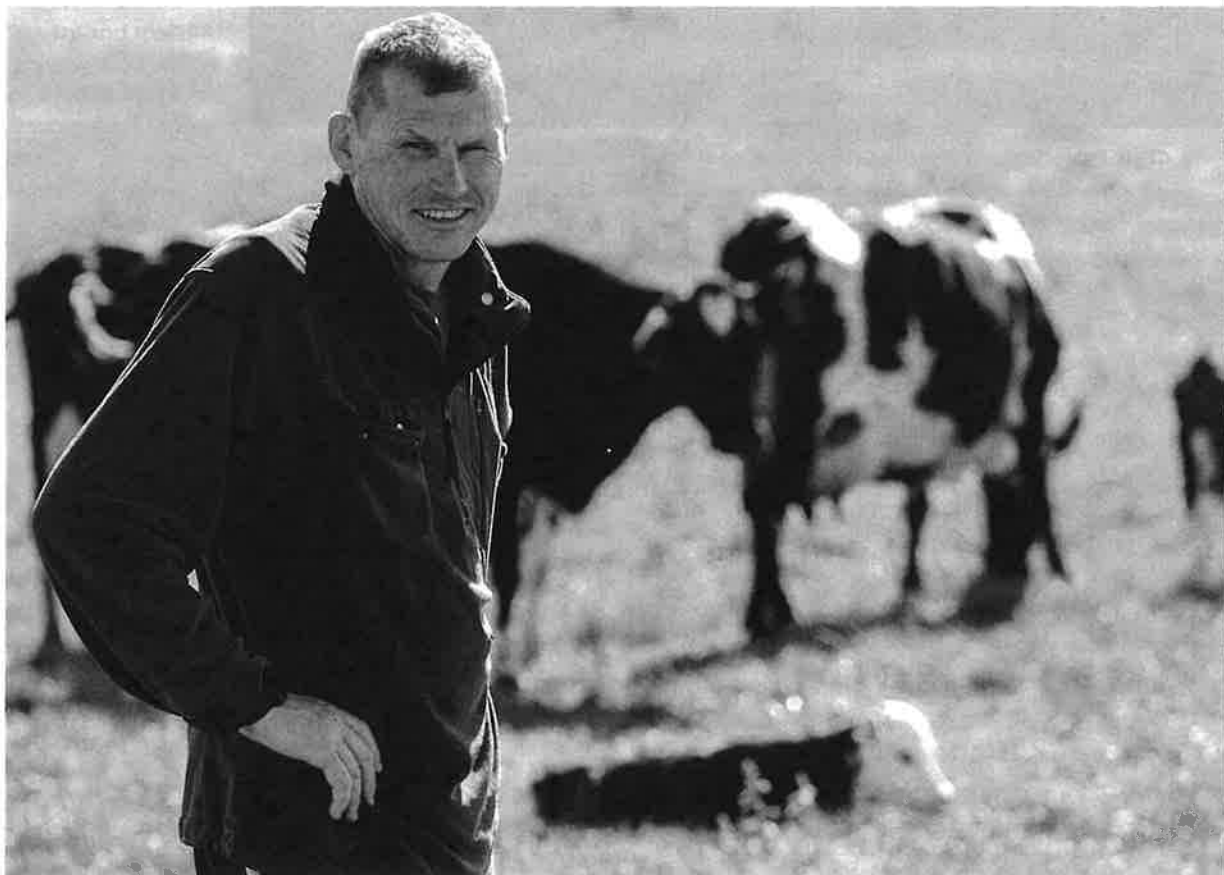
Falconer controls that relationship with customers rather than HCM, which is the processor. It receives a 17.5% royalty payment for the milk Falconer sells. Its revenue model is based on a portion of his sales.

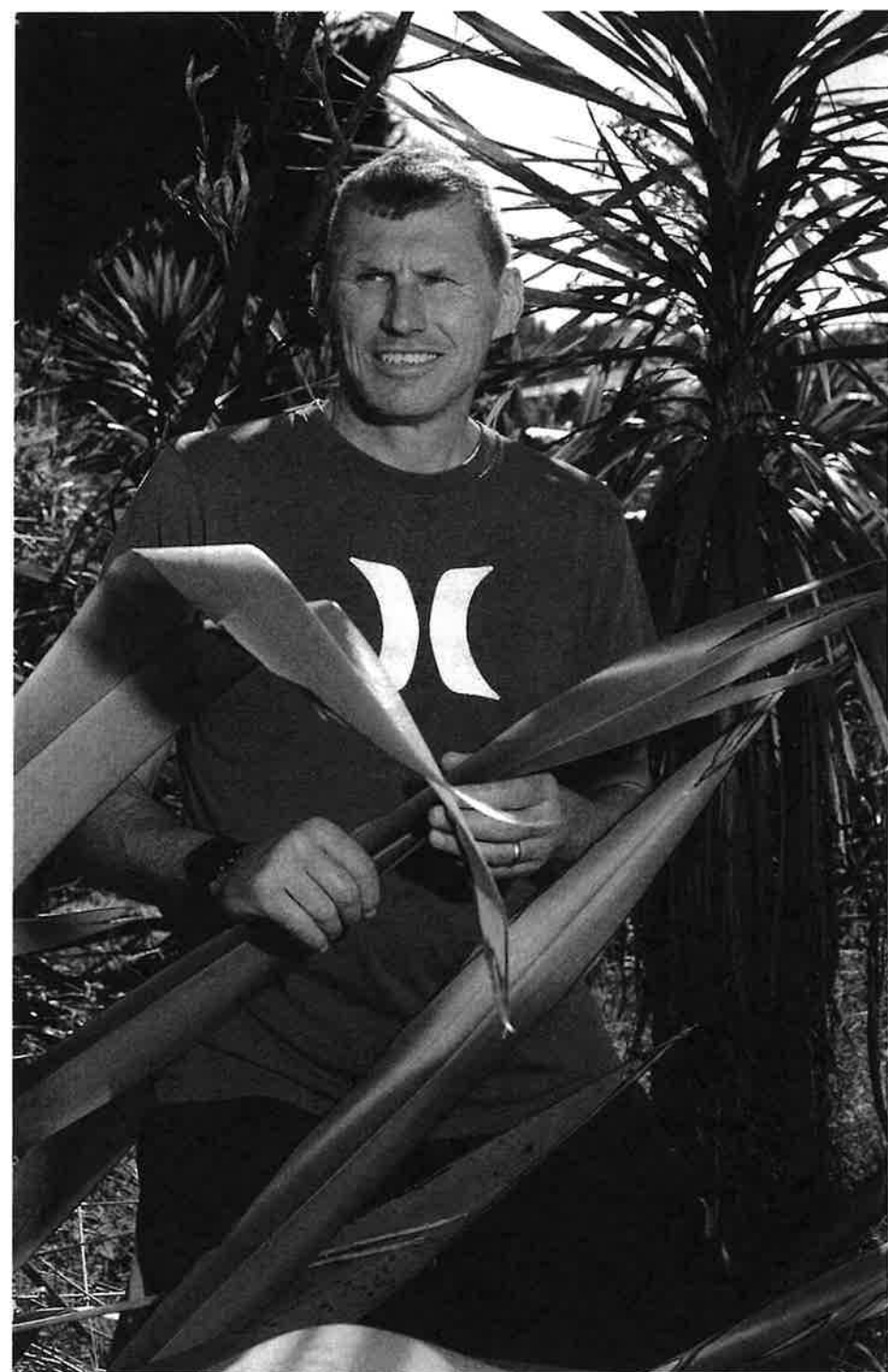
"There's a clear distinction. We own the brand, we own the market and the customer relationship," he says.

His first customer is St Paul's Collegiate in Hamilton, where he supplies milk for

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Chris Falconer is involved in a trial that involves supplying milk to Synlait and directly to consumers.





Chris Falconer is in the process of retiring a 50ha of the back corner of the farm, which will be regenerated into native bush. So far, 15,000 natives have been planted.

the school's meals as often as required. The school uses about 200l a day, seven days a week, which is all of Falconer's capacity as it stands.

"The great thing about it is that it's a soft launch because we don't have an individual customer interface," he says.

The school's timetable structure is well-signalled in advance, meaning he can easily plan when demand for the milk will be high.

The school was also a good fit with Falconer's values. It has an agribusiness school, had policies encouraging students to learn about farming and provided those students opportunities to learn about how milk was made.

He will also look further afield for other customers including cafés and restaurants. The 60l cans are ideal for cafés, while the larger cans would be suitable for customers such as St Pauls.

The capital outlay to get and install the machinery in the shed is minimal because he is a trial farmer. All of the hours he has put into the venture is viewed as in kind, however, there will be a cost to expand beyond the trial, he says.

Falconer is transitioning his system to enable the calves to stay with their mothers starting in the new season.

Before he embraces that system, he wants to ensure the business proposition is sound.

"The proof has to be in the processing and the sale. We have to be able to prove the sales model before we go to that," he says.

"Some are being kept with their mums as a trial, but we are not going boots and all until the processing is settled because that would be putting the cart before the horse."

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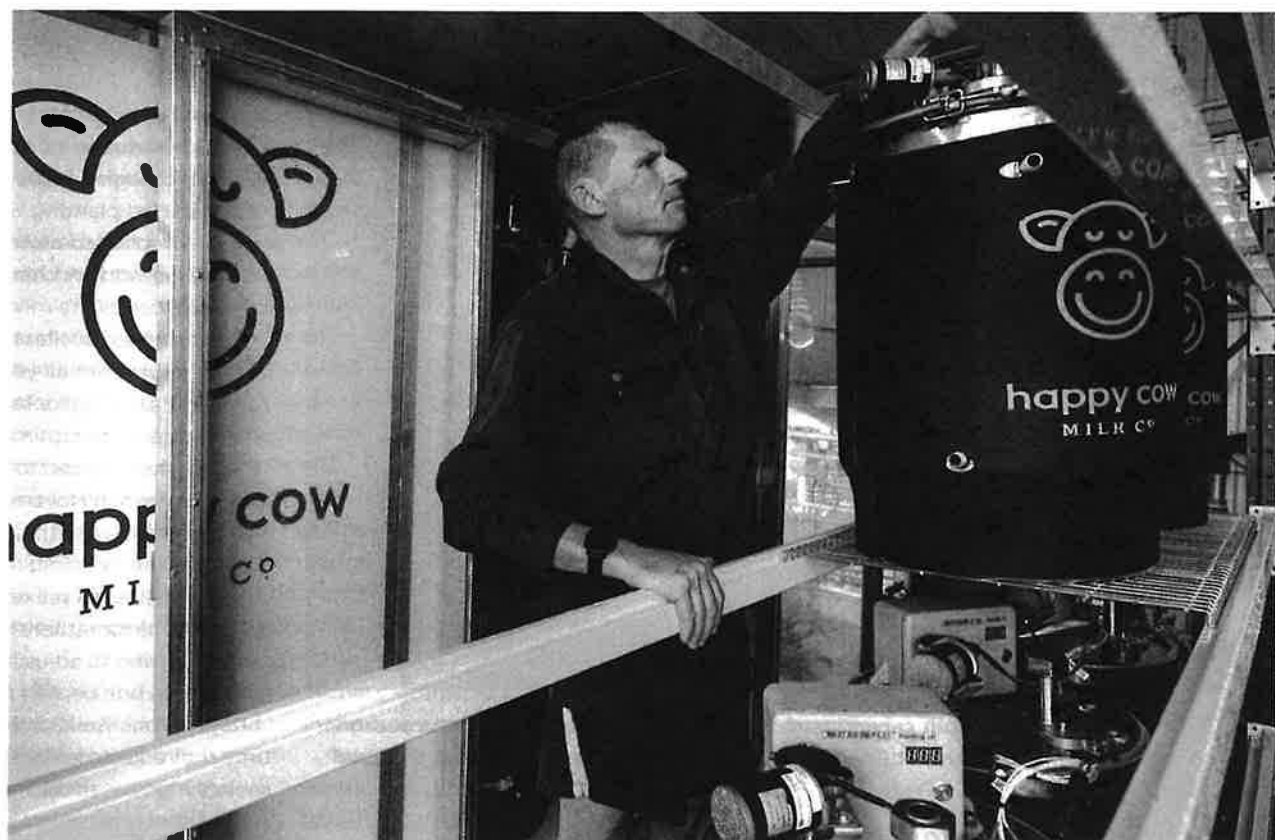
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Chris Falconer has set up his shed to bypass the main vat so milk is diverted to specially designed milk kegs that pasteurise the milk to fulfil HCM orders when required.



The one change he is making is modifying the gates in the holding yards next to the milking shed. The lower half of the gate will be changed so it can swing open to give the calves access if they choose.

He got the idea from watching gauchos on a farm in South America who used a half-gate in a corral out in a paddock to allow calves access to their mothers while keeping the cow temporarily confined.

"We did an experiment last year using half a dozen cows with calves and the experience was that if you try and make the calf do what you want it to do, you

get an upset calf and an upset cow," he says.

It should allow the cow to be safely milked while at the same time, letting the calf be present if it chooses to be without it being spooked. He will also create a space in the yards for the calves where they have access to food.

Every calf is different and this system respects that. Some wanted to stay close to their mothers, others did not and having this gate should allow enough freedom for the calves to come and go as they please in the yards, he says.

"We all know that animals have traits and personalities and we try to ram that

round peg into a square hole every single time. Let's not do that and let them choose," he says.

"Within reason, I'm happy for them to do what they want to do."

He plans to split calving into three different periods in the new season, to reduce the load of calves at foot and to make managing calves around the shed easier.

It will see a different part of the herd calve in six-week blocks on August 1, mid-November and late March – the latter of which has just completed. In the past, calving ran for nine weeks using a split-calving system.

The herd is a crossbred herd and he does not rear replacement cows, instead buying in new cows when required.

He reduced it from 430 to 320 cows a few seasons ago. This has pushed up production on a per cow basis from 295-330kg MS, with the herd's overall production at 105,000kg MS.

Instead, he mates all of his cows to beef genetics.

Mindful of some customers' perceptions of AI, he tried using bulls only for two seasons, but found they did not mate all of the herd and created health and safety issues on the farm.

Now around 85% of the herd are inseminated using Speckle Park and low birth EBV Hereford bulls for the remaining 15%, which are kept on the farm.



Areas of the farm are planted with natives, with another 60,000-70,000 planned.

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Chris Falconer plans to split calving into three different periods in the new season to reduce the load of calves at foot and to make managing calves around the shed easier.

Most of the calves are weaned and sold 12-14 months into the store cattle market for beef finishers. The beef market really liked the Speckle Park calves, achieving top prices at every sale the calves are sent to. A small number are sold at 14 days old.

The farm's terrain has a mix of everything from flat areas, rolling hills to steeper country. It usually gets good pasture growth through winter, with the toughest periods being February and March, which is why the district is

sometimes called 'Dry-renga'.

He cuts grass silage in spring, producing around 500-600 bales, which are fed out from January usually to March. This season has been so dry it forced him to keep feeding out the bales right through into May. A small amount of in-shed feed is used as an inciter for the cows to consume mineral supplements.

He is in the process of retiring 50ha of the back corner of the farm, which will be

regenerated into native bush.

That process has started with the help of Waikato Regional Council.

"We started planting when we got here, we've planted around 15,000 so far and this will add another 60,000-70,000," he says.

The farm has excellent effluent infrastructure with all-year-round storage capability, allowing for targeted irrigation onto paddocks for optimal use.

"We're never forced to spread. We tend to spread in November because that's when you get the most uptake of nutrients," he says.

Falconer likes to see regulations in the rear-view mirror rather than getting in a cycle of having to adjust when they land.

Regulations work so slowly that by the time that adjustment has been made, society has moved on, requiring a further adjustment to be made.

"We invest for 10-20 years on the farm and you don't want to invest just to get to the line only for the line to change in two to three years' time because then you're chasing it," he says.

As a result, he keeps a close eye, but does not obsess over his carbon and nitrogen footprints. The latter currently sits at around 14kg N/ha/year, which is similar to a sheep and beef farm.

His carbon footprint is 7.2 carbon dioxide equivalents per kilogram of milksolids.



The farm's terrain has a mix of everything from flat areas, rolling hills to steeper country. It usually gets good pasture growth through winter.

He says he is more concerned he will end up subsidising other farmers under the He Waka Eke Noa climate change plan.

"Farmers say there are a lot of regulations coming down the pipeline, but so many of them are linked. There's a lot of crossover and I have never made a single decision for climate change on this farm. But I make decisions for soil, for water and for stocking rate," he says.

"What spits out at the end just happens to be good for climate change, but it never drives it. If it drove it, I'd plant the whole thing in pines."

For now, he is taking a steady as it goes approach to HCM as it gets bedded into the farm system.

"Things will get refined and get better, volumes will build and we'll have a brand that we can leverage for other things. We have veal that we can sell directly to restaurants and we're looking at finishing a small number of beef animals to go out to restaurants as well," he says.

"And because we have our own label established for our milk and that's going to be our overarching label for all

products selling directly off the farm,"

Herud says they want to make sure everything is working as it should on Falconer's farm before possibly taking on other farmers.

"Things will get refined and get better, volumes will build and we'll have a brand that we can leverage for other things."

Chris Falconer

While there are a handful of other farmers interested in NZ, much of the interest has come from overseas.

"We have a farmer in California waiting, we have a farmer in Australia waiting and some in the Netherlands and Sweden," he says.

"We'll raise some more capital later this year and then basically fulfilling all those farmers overseas and New Zealand who want it."



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