

George Moss is involved with many organisations in the industry including the Rural Support Trust.

Meeting the gas challenge

New legislation to reduce greenhouse gas emissions will hit farmers in the pocket. **Tim Fulton** reports.

WAIKATO farmer George Moss, who operates two dairy farms, believes running a small business

can be just as difficult when meeting environmental targets as large scale farming.

Moss and wife Sharon operate two small dairy farms at Tokoroa in south Waikato. One is 72ha milking 180 Friesians and the other is 67ha milking 75 crossbreds. They also own an adjoining 40ha drystock block.

As one of 15 DairyNZ climate change ambassadors he is passionate about

helping farmers meet the challenge of farming profitably in this era of climate change and increasing nutrient restrictions.

"Having done two full effluent upgrades and reducing debt and now looking to manage greenhouse gases I fully appreciate the challenges of managing cashflows in times of variable milk prices, seasons and increased constraints," he says.

DairyNZ is using one of the Moss properties to model options and understand the challenges to profitability of cutting greenhouse gas production.

It did a six-year comparison benchmarking their organic farm with

the conventional farm. Over many years they've participated in a number of DairyNZ and Massey University projects, tapping their own data plus DairyBase financial and physical benchmark figures.

The couple have simple farm routines, like regular pasture walks, to identify pasture surplus and deficits. They're also fluent in the use of data. Their shared love of analysis has kept them focused on a relatively simple farming system and now on reducing environmental impact.

Collecting masses of data helps them pay attention to cow performance and pasture production, including pre and post-grazing targets.

One of the farms is an individual

benchmark farm in DairyBase, allowing farmers to look at it as a comparison.

Moss rated OverseerFM and Farmmax as good tools that had assisted them in decision-making along with DairyBase, which he describes as outstanding. Their general method is plan, plan, plan.

"We literally, in the 48 hours prior to the Government's greenhouse gas announcement, were writing plans and having discussions around simplifying, efficiencies and setting self-imposed targets around nitrogen loss and greenhouse gases.

"And discussing how do we actually manage increasingly variable and volatile weather patterns, which are possibly more costly than the proposed greenhouse gas restrictions to 2030.

"We can meet the targets but it will come at a cost to profit."

The GHG legislation was introduced to Parliament earlier this year and sets a target of reducing biological methane by 10% by 2030 and a provisional target of between 24% and 47% in gross reductions by 2050.

They have had ups and downs, successes and failures and invaluable learnings but conservative budgeting and aggressively chasing cash helps them to still grow, even in the bad years.

"If we're not the most profitable farmer at a high milk price, it's not going to put us out of business. There will be other farmers that are far more profitable on a per hectare basis than what we are but it's the bad years that kill you, not the good years."

"We manage for profitability in all years – good and bad."

He says farming is now significantly different to when they started out – more production used to mean more profit, an

almost perfect correlation.

"This is no longer the case.

"The correlation between production and profit is poor so now it's about how to keep costs low and margins high.

"If we make any changes, is that going to increase or reduce our environmental footprint whether it be gases or water quality?"

Whatever the management policy, make it a considered one based on data not emotion, he tells farmers at industry workshops.

“By keeping them small and cash-strong, potentially they are very attractive options to the next generation.”

"Continual awareness is the key and time is your greatest ally."

As an analytical farmer he has a keen eye for risk. As a climate change ambassador he sees the physical impacts of climate change as a greater threat to pastoral farming than the 2030 targets the Government wants to introduce, as evidenced by this autumn's green drought.

"Adapting to climatic change itself may prove to be a bigger challenge than the Government's 10% methane emissions reduction by 2030."

The Mosses have a reputation for

farming on their own terms, grappling with a complicated and ever-changing world to make their operation simpler and stronger.

They farm single-mindedly, not selfishly.

He grew up on a drystock farm, one of three boys of George senior and Sue.

In the late 1970s George senior told his sons there was no future in sheep and beef because it didn't have the co-operative structure of dairy. He suggested if they wanted to continue farming and get their own properties the dairy industry was the way forward.

He went 50:50 sharemilking 81 Jersey cows on 33ha for a sympathetic and capable Waikato farm owner, the late Jim Munns.

The scale of his first farm might seem laughable now but it was enough for him at the time.

He spent the first year living in a caravan then did a year of contract milking. During that time he met Sharon and they went 50:50 sharemilking.

He's forever grateful to Munns and also Ken Bartlett, then a Dairy Board extension officer, who taught him the value of pasture and who over the years helped them to add tens of thousands of dollars to their businesses.

They were careful equity-builders from the start, just like they are now. Cash profit has always been the focus of their businesses.

"We actually did it a little bit different.

"We peaked at 290 cows. When we sold half the cows to go into farm ownership we were at 240-odd cows. We tended to always run cash-strong businesses."

He bristles at the idea he has answers

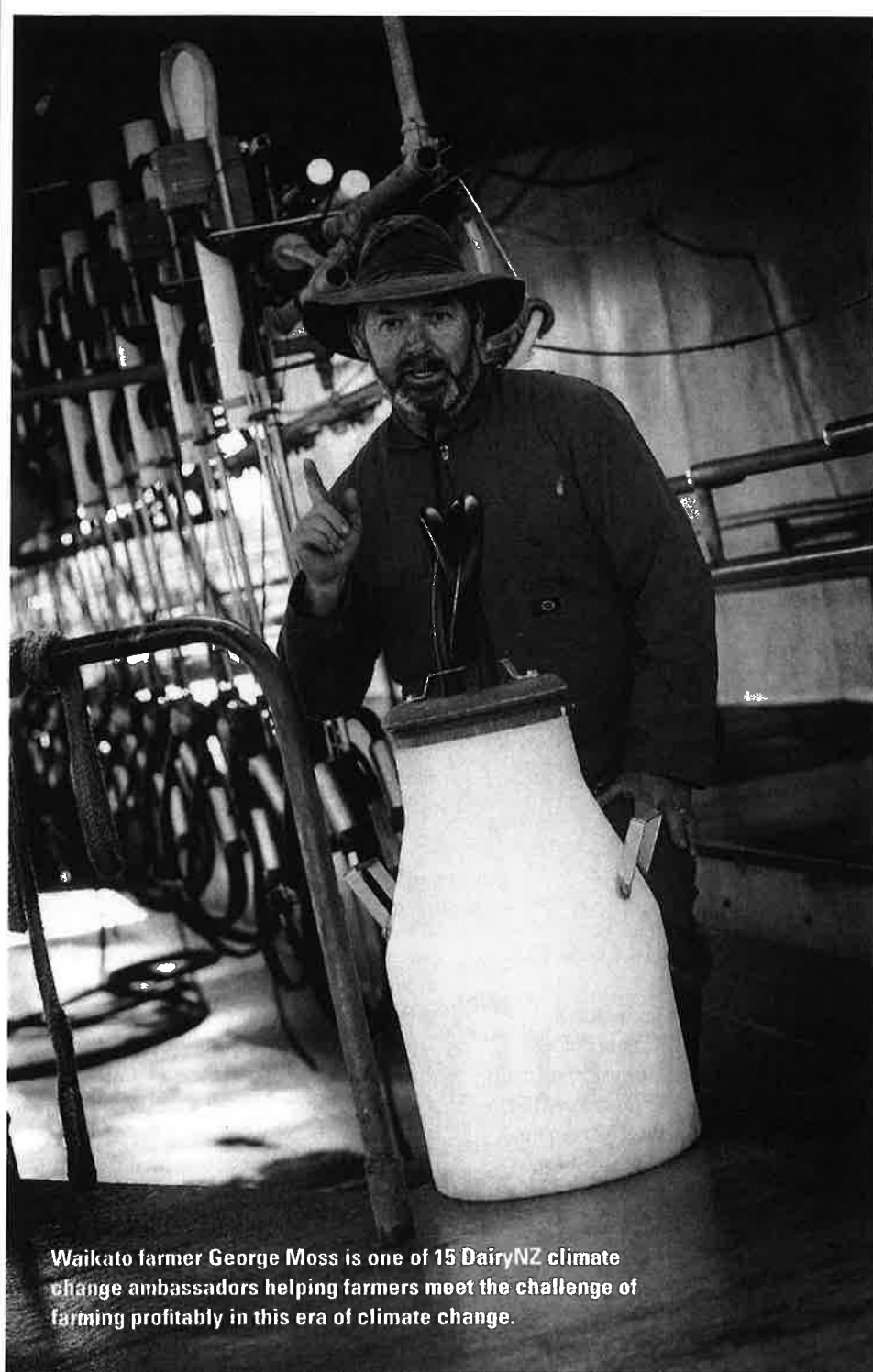
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Waikato farmer George Moss is one of 15 DairyNZ climate change ambassadors helping farmers meet the challenge of farming profitably in this era of climate change.

for everyday farming – and even more so at journalistic tags like Dairy Champion – but nonetheless he and Sharon do plenty to make the industry better through DairyNZ and Fonterra networks and wider as a mainstay for community groups like Rural Support Trust.

As a keen industry participant he was an inaugural Landcorp director in the late 1980s, has chaired the Fonterra farms advisory board, was a member of the Upper Waikato Catchment Committee and was on the Dairy Group and Fonterra Shareholders Council and was a dairy rep on the Collaborative Stakeholder Group for plan change one in Waikato.

He has also chaired the South Waikato Economic Development Trust and

led the Dairy Push Project that added \$100,000-plus to the operating profit of participating farmers over three years.

He was part of a team that created the initial Dairy Group Shareholder Council and led the farmer-owned Great Milk Company in the early 2000s that tried to secure NZ Dairy Foods for Waikato and Bay of Plenty farmers.

Nearly 20 years ago he ventured views in a vigorous NZ Dairy Group debate about the value of producer and investor shares. He continues to argue dairying can make itself more attractive through dry share equity in the consumer business.

Options like A and B shares for value-added businesses still appeal to him so

when a cash-hungry Fonterra announced the sale of Tip Top some shareholders called him immediately for an opinion.

Moss says businesses like Tip Top would be stronger if they had outside investment, particularly brands and companies run offshore. As an investor in offshore multinational consumer businesses he says “I feel few farmers appreciate the capital required to compete successfully.

“Our capital structure was not appropriate for the previous offshore milk pool strategy.

“There is definitely merit in the old A and B-type scenario. I don’t think a lot of our strategic decisions have been necessarily wrong but I don’t think we’ve had the capital structure to actually support that.

“I support the direction of the current rethink in Fonterra but the reality is the capital structure is in urgent need of evolution.”

The existing set-up leaves Fonterra vulnerable, caught between farmers who tend to think about cash now and investors wanting the gain down the track. Trouble is, some value-added investments use a lot of cash and will only pay a dividend in the long term.

“There’s a dichotomy of goals.”

The Mosses are more assured about their own farming structure and relaxed about intangible factors like whether 22-year-old son Daniel, who has a Defence Force career, might consider farming.

By keeping the farms separate they expect to find it easier to sell down the track, whether it’s family or others.

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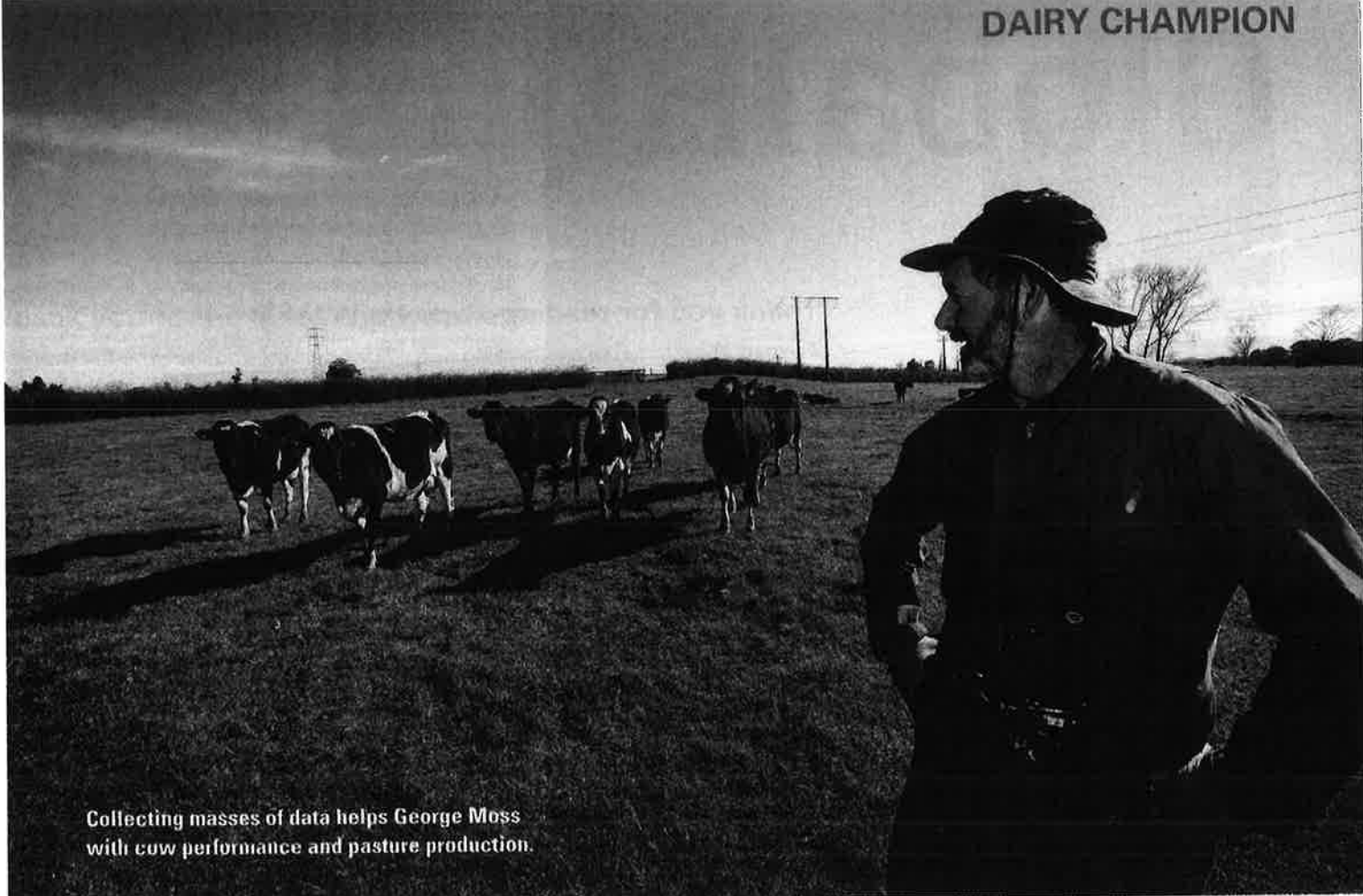
Looking at the farms purely as an investment Moss sees them as cash-generating enterprises.

“The capital values will go up and go down – and at the moment they’re going down – but if business is generating cash it’s got flexibility.”

If he has a message to a younger generation of farmers it’s that smaller farms do have a future but need to be at the top of their game for profitability to offset the lack of scale.

In a roundabout way they ended up buying a second small farm precisely because others dismissed the opportunity.

“I actually approached some of the young farmers in the area and said you should have a go at that farm, you should



Collecting masses of data helps George Moss with cow performance and pasture production.

buy it. They said it's too small. They couldn't see the possibilities that were in it."

The farm dishes up challenges, like the comparatively pint-sized grazing area and old equipment, but it works and it works very well.

"Small farms need to be run well because if you're small and you're inefficient, then yes, you've got a problem."

Scale can cover some of that inefficiency but that's not to say smaller farmers can't thrive.

"If you look at our numbers in DairyBase, they generate a very good return, year in, year out, even after allowing a proper return on people's effort and labour."

Moss believes that as the industry comes out of this period of uncertainty and focuses on customer and wider

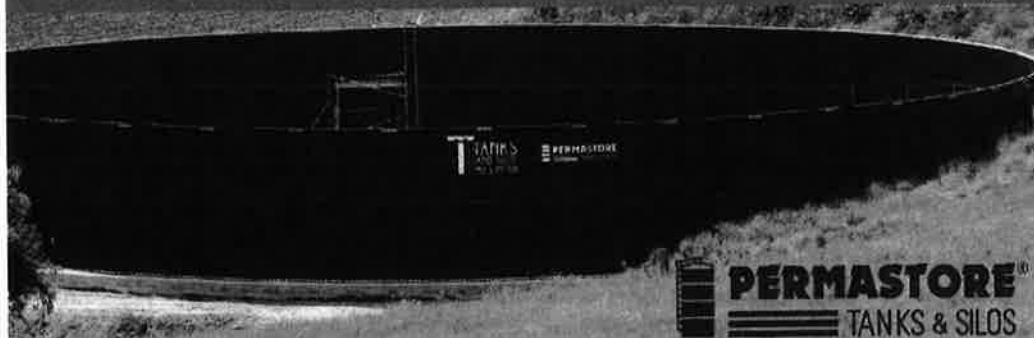
public expectations there will be some serious profit made from the grass-fed, nutrient-dense meat and milk products.

In the meantime he continues a life-long education.

He has just completed an intermediate, advanced nutrient management course plus the greenhouse gas course at Massey. He previously completed a business studies degree, majoring in agribusiness, by correspondence. ■

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