

# Study identifies modern farm business needs

By SAM INGLIS and DR PETER SMITH\*

KEY POINTS

## WORK/LIFE BALANCE



- ✓ Dairyfarming increasingly seen as business
- ✓ Need for skilled staff to allow time off
- ✓ Tailored training solutions needed

**L**IKE most farmers, dairyfarmers live and breathe their occupation as well as generally living at their workplace. This raises a few issues such as work-life balance, the relationship between lifestyle and business, and the resolution of issues that may conflict between the farm as home and the farm as business.

While these issues impact on all owner-operator farmers, the issues of work-life balance and of isolation are particularly pertinent in dairy because of the need for milking twice a day, seven days a week.

Additionally, at the time of conducting this research, dairyfarmers are under a great deal of extra pressure deriving from the margin squeeze that has resulted from milk and milk products being a major plank in the supermarket price and market share wars.

We wanted to explore a number of these issues with successful dairy operators, who are leaders in their business and who have high levels of education. We conducted a couple of focus groups with dairyfarmers in the Western Districts of Victoria.

To be selected for focus group participation, the dairyfarmers had to be owner-operators (at least part owners), tertiary educated and relatively young – our aim was people between about 30 and 45 years of age.

The more general discussion at the start of the focus groups centred around what it means in the dairy industry to be strategic in business terms. Three areas were identi-

fied as being central to good contemporary dairy farm strategy:

- building herd size and business size;
- having the business skills to manage a much larger business and herd;
- viewing the enterprise of dairyfarming as a business rather than as a lifestyle of farming – there has been a trend towards this in the past 10 to 15 years.

We then posed a number of more specific questions in the focus groups, recorded the discussion and later examined the transcripts to identify the themes that emerged.

While there are a number of themes that can be identified in the data, three stood out above the others and related strongly to the three important elements of strategic dairyfarming that had been identified through the more general discussion.

Each of these themes is discussed in more detail below.

## Work-life balance

The issue here is to recognise that, unlike many businesses, dairy farms operate 24/7. People don't wish to work this way now and need to create time for recreation of a contemporary nature.

For example, the people in the focus group were sophisticated and well-educated young people who would need to engage in forms of recreation not particularly different from that of young city-based people. Whereas a previously less sophisticated and less demanding rural population may have been satisfied with country dances and local sport, this has changed, and in any case those things are not as available as they once were in the previously better populated and more vigorous rural communities.

To achieve time out for contemporary forms of recreation there needs to be a skill level among employees, or other people available to the dairy farm, to enable senior farm operators to be absent. This was seen as a major issue in attracting people to the industry and in keeping people in it.

## Business or lifestyle?

Seeing the enterprise as a business rather than as a lifestyle was evident among participants in a number of ways. In summary though, the central issue here is building the business (and therefore the herd) requires sophisticated business skills that

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are much greater than those required to operate a farm to earn a living and enjoy the lifestyle.

To sustain the larger business over a long period of time requires not just business and management skills, but also the skills to read the external environment and plan/act accordingly. The external environment involves market, politics and bureaucracy, and finance. Additionally, the larger business brings more employees such that the need for enhanced human resources (HR) skills is important.

**Professional isolation**

A third theme that emerged as interesting was the reference to the need for networking and for developing contacts that are useful to the business and contacts who can be useful mentors. The networking opportunities were seen as available locally but also, just as importantly, available nationally and internationally and sustained through electronic forms such as email or Facebook.

The networks were seen as important for identifying suppliers and consultants, for learning and for reading market and other signs.

**Current pressures on dairy operators**

Participants spent some time discussing what they see as the key issues and concerns for dairy operators now and in the near future. A number of pressure points were identified:

- Agricultural education in western Victoria region is not well provided so that acquiring skills/knowledge is an issue, and the recruitment of properly trained staff is difficult. There does seem to be some improvement in this in schools at the Year 11 and 12 levels, and the Victorian Certifi-



Young farmers from Marcus Oldham received an understanding of New Zealand's dairy industry when they visited the new Devon Dairy Farms venture near Lake Wanaka in Central Otago last year.

cate of Applied Learning is helping. There also seems to be better career advising that includes the exposition of career options in agriculture.

- There is a real need to free up some time for managers since farming is 24/7. Shed work and business management together can be demanding and, to some degree, inconsonant in their demands. People no longer want to, nor need to, work/live on farms like they used to, so there is a need to create time on farms for getting away and participating in contemporary forms of recreation.

- Financial sustainability, and the financing of new entrants to the industry, maintaining current levels of people and operations are crucial matters to sustain a vibrant dairy sector going forward. Beyond the technical skills of dairy, there is need for the development of knowledge and tools to generate greater financial understanding particularly around equity/debt/cash flow/profit.

- Contemporary dairy management is made more complex through compliance,

and required government reporting and record keeping is increasing along with the number and complexity of rules and regulation that require compliance. Additionally, water is a major issue to dairyfarmers – the amount of it and access to it, water licensing, ground and surface water use and management.

- Business planning is sophisticated and includes control of cost of inputs and the predictability of those costs; balancing of outputs; longevity of cows as productive; price predictability; managing margins and market factors, such as market contraction, power of supermarkets, international commodity prices. Information technology (IT) skills are essential to effective contemporary dairy management.

- A distinction was made between the learning needs of farm managers and farm owners. Farm management personnel need skills in managing people and managing margins; farm owners need more skills in managing the external environment issues.

**Skills and knowledge requirements**

Having identified the major issues and pressures currently impacting on dairy operators, and likely to continue to impact into the foreseeable future, the next component of the focus group sessions was to identify skills and knowledge areas that are needed to successfully address those matters.

The skills were identified in three main domains:

- a. Business and management**
- Skills to transfer new technology and implement it into business and establish benchmarks.
- Business skills (management accounting) computer skills, analytical skills (including risk), researching skills, forecasting skills, ▶



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**b. Human element**

- Skills for succession – people to take over temporarily or as a successor.
- Establishing a network of contacts – effective use of electronic communication technologies – identifying/establishing/maintaining a network face-to-face and through electronic media.
- Work/life balance – need systems and diligence in place to provide time availability – structure and support.
- Understanding self and others.
- Teaching others skills to work in the business – understanding different ways people learn.
- Being able to attract new participants to industry/business.

**c. External environment**

- Communication skills, skills of argument, advocacy.
- Implementation and monitoring of new skills/innovation to transfer new technology on to farm (including water issue).
- Access/identify information – to get information and to provide information to external bodies.
- Understanding compliance requirements and corporate governance.

Discussion in the focus groups moved on to identifying preferred ways to build

the skills and knowledge seen as necessary to manage the strategic changes in a contemporary dairy operation.

For the farm owners and managers these can be summarised as:

- Forums and face-to-face discussion followed up by learning resources and materials distributed to learners for home use. A feature here was a preference for time commitments to be in smallish blocks (e.g. one day at a time).
- Telephone and internet.
- A mix of formal learning and informal learning.
- Online delivery.

Education and skills development for employees was also discussed with the following two desirable characteristics identified:

- Online delivery is attractive from the employers' point of view, but comment was made that the people in dairying who probably most need to develop their skills may not have the computer skills, motivation or independent learning skills to enable participation in online courses.
- For employee education and training there was a preference for them to go away to train (i.e. for a day or so at a time), get the skills, and then come back and deploy them on the farm and then repeat that exercise for the next part of the course.

The people in the focus groups were

switched on. They were strongly into herd building, developing equity partnerships in Australia and overseas, and growing their businesses while managing their margins to achieve satisfactory returns.

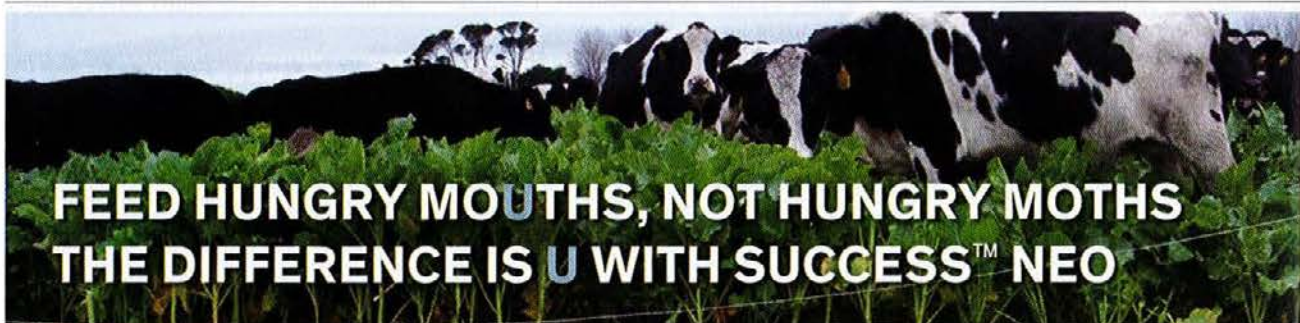
But they were also conscious of lifestyle, and the need for them to enjoy their work and the environment in which they carried it out.

Additionally, they saw the need for professional development for themselves and for their employees, and the need for social interaction for pleasure, and for the learning and personal development that is associated with human interaction.

In short, they saw themselves as business people whose business is dairying, rather than seeing themselves as dairy farmers only. That self-view resulted in them being interested in the issues of business and finance management, and strategic development and positioning of their business in a currently difficult environment.

Their conversations are about the business rather than being focused mainly on the technical issues of dairying. **D**

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