

Ben and Anna Kenna

CASE STUDY

Farm background – the people

Ben and Anna Kenna own and operate a 680 cow farm on 257 hectares in Victoria at Terang. They have four children aged 19, 14, 12 and 10. Their eldest son is currently working on the farm.

Ben started dairy farming when he was 17 where worked on his family farm at The Sisters. In 2002, Ben and Anna moved to the Terang property where they were share farming on a 50:50 share agreement with Anna's parents. Ben and Anna had 370 cows, which at the time were owned by Ben's parents. In 2007/08 Ben and Anna entered into a lease purchase agreement with Ben's parents to purchase the herd.

By 2014/15, Ben and Anna had fully purchased the herd (earlier than budgeted) and wanted to purchase the Terang property from Anna's parents. At this stage they had built herd numbers to 530 cows with 320 young stock. At the time the Terang property had a newly constructed 60 stand rotatory dairy with new yards and sheds. Although it was a purchase within the family, the Kennas still paid market rates for the property.

They engaged a farm advisor and together they were able to demonstrate that based on their previous farm performance they could service the debt they were to take on with the land purchase. This work enabled them to get the support from their bank that enabled them to purchase the property. Debt levels were high and the equity was low (below 40%), but their previous financial performance showed they could make it work if they kept operating in the same profitable way as they had for the previous 12 years.

The low equity was a risk to the business but their experience in operating the farm, a history of profitable performance, a productive farm with very good infrastructure gave them and their business supporters (the bank) the confidence to move to farm ownership. They knew what they were doing, were passionate and hungry for farm ownership!

Since purchasing in the farm in 2014/15, Ben and Anna have now grown their equity to a more comfortable level (greater than 65%). If the opportunity came up with some adjoining land, they would look to purchase more land to reduce some of their feed risk.

Farm description – at a glance

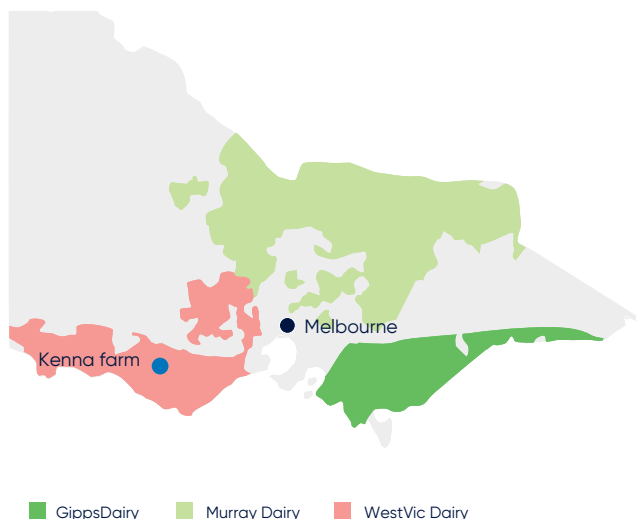
Farm details	Farm system	Farm performance (\$)
People: Ben and Anna plus 3 full-time equivalents	Herd type: Friesian 70% Cross Bred 30%	EBIT average \$3.12 per kg MS With range of \$1.99–\$3.12 over past 3 years
Area: 257ha	Herd number: 680 cows	ROTA average 12.2 % range of 10–15% over past 3 years
Support block 34ha	Seasonal calving pattern: April–June	
Average rainfall: 750mm	Stocking rate: 2.6 cows/ha	
Dryland with effluent irrigation	Concentrate feeding: 2.3 t DM (1.9–2.3)	
	Proportion of homegrown feed in the diet 50% (46–52)	
	Feed grown per 100mm = 1.22 t/DM	
	570kg Milk solids (565–573)	
	Production % liveweight 104% (103–104)	



Australian Government



Farm location



Their longer-term vision is to keep farming the way they are, but they don't have any plans to change things or grow. While their children may be interested in staying on the farm as they get older, this is not a key driver for Ben and Anna and over the next 8-10 years they will assess their future. But in the meantime, they are happy keeping things the way they are and continue to consolidate their position.

KEY TAKE HOME MESSAGES

Ben and Anna believe the following key factors contributed to their success:

1. Focus on making money and paying off debt. Work out what is best for your farm and stick to it.
2. A well set up farm with good infrastructure that is maintained can help save time and money. It will also keep you fresh and mean that you can focus on growing grass and getting the most out of your cows.
3. Make sure you are well informed before you make a decision. Take time (but not too much) and put in some effort. Do your sums, talk to and learn from others.

The story

Farm system

The Kennas have always calved their cows in the autumn (April-June) as they believe this is what is best for the farm and seasonal conditions. The cows are all calved before winter really sets in and the whole farm is ready for a full allocation of grass grazing by the time the last cows has calved.

The herd size may fluctuate to help maximise profits according to the seasonal conditions, milk price and grain price. The Kennas raise more young stock than they need to maintain herd numbers which provides some flexibility in the system. Some years they will sell export

heifers, or the extra numbers will give them more choices with their culling decisions. In some years if conditions are favourable, they will keep the extra heifers and cows to maximise the opportunity the season presents. Ben and Anna admit that some years they probably milk too many cows, but it has been working for them and they know they can change things if the need arises.

In terms of their milk price and payment system, the Kennas firmly believe that you should develop your farm system based on your farm and climate of your region, not on the milk payment system. They calve their herd that best suits their farm and region, not for the milk price. It is 80% about the farm and season, and 20% about milk price.

Feeding

The feed system in the dairy and having access to a feed pad, mean that cows can be fed efficiently, and feed wastage is minimised. To manage the bought in feed risk, the Kennas have access to an out paddock (more feed under their direct control) and through considered purchasing of grain and fodder. Ben is very good at getting and sourcing good quality feed at a good price. He assesses the quality of the feed through feed tests, reviews the costs and dietary requirements based on stage of lactation. Ben and Anna have developed strong relationships with their feed suppliers over the years so are able to negotiate good prices and timeliness of supply.

The Kennas make decisions based on what has worked for them in the past, a strong gut feel which is based on experience. They ensure they are well informed on the decision they are considering.

Decision making is based on the following:

- Do what is best for their farm. Once you have figured this out, stick to it
- Ensuring they are well informed on the topic/ decision – research, phone calls, ask other farmers
- Taking time to make the decision. Take an extra week to make it right – if you can
- Go back through your history. What has worked previously?
- Keep it simple and don't change for the sake of it
- Only spend if they really need it

Risks

The key risks that Ben and Anna see in their business are:

- High stocking rate – which they manage by being flexible with their cow numbers. They will cull good cows if they need to when conditions are not suitable. They have a focus on utilising as much pasture as possible and while they know their cow numbers might be too high at times, they have the experience and confidence to adjust this as required
- High % imported feed. Ben is very skilled at sourcing quality feed at a good price and is able to get it at the right time. They focus on achieving high pasture utilisation rates and access to an outpaddock contribute to maximising their home-grown fodder.

Historically Ben and Anna managed their business while it had low equity. When they first purchased the farm, their equity was very low at approximately 20% but did have family support. They had a successful history running the farm with a very consistent cost of production, so they knew they could manage the high debt levels by maintaining their system, watching their costs and keeping things simple. The farm was very well set up, so they had minimal costs associated with farm development and maintenance costs.

Tools and monitoring costs

The tools and monitoring systems that the Kennas use have been developed over time and are based on their philosophy of keeping things simple. Although they don't regularly use budgets or consultants, they do have some tools and advisors that they utilise to help them monitor costs and keep on top of their business.

Some of the tools/monitoring systems they use include:

- Xero – for bookkeeping and to monitor their cash position
- Cash position is monitored regularly and as required – it is a very important part of their business. They like to make sure they can pay all their bills each month from their monthly milk payments
- DairyBase for annual updating of farm performance and assessment
- WestVic Dairy Focus Group Farm – was very helpful and gave them confidence in what they were doing. It also allowed them to support other farmers
- Accountant for tax advice and planning
- Visual clues on farm – pasture cover, cow behaviour, tanker tickets, cow health, cell count, feed in paddock, feed pad residuals
- Grain supplier for advice / support on feed costs.

Some of the things they don't do that are important to note:

- They don't have an overdraft and have not had one for over 10 years.

Both Ben and Anna have completed numerous Dairy Australia programs including:

- Cups on Cups off
- Feeding Pastures for Profit
- Employment Basics
- Fertilising dairy pastures
- Plus, many more.

Business strengths and getting consistent returns

The Kennas believe the key to their success has been having access to a well set up dairy farm with good infrastructure. They have a 17-year history operating this farm and they know the farm and their system very well.

They keep things simple and keep them the same – especially if they are working well. They will continue to monitor the situation and respond if they have to, but they are comfortable with their system. They don't believe in change for change's sake. However, they are always

learning and looking for ways to fine tune their operation to ensure they can get the most out of their cows and their farm.

The Kennas really value the relationships they have with their key suppliers and contractors and they support those businesses who support them. They keep in constant contact with their suppliers and contractors and therefore get good prices, good service and timely service. The Kennas always pay their bills on time (or early) and they make sure communication is constant, that way there will be no surprises.

Through their experience, Ben and Anna have developed a good sense of what is right – they make decisions based on their gut feel. They describe using their 'gut feel' as being able to draw on research and previous experience to help them make decisions. They take their time to make a decision, but they know that timing is very important, so you can't take too long!

Wealth creation

When Ben and Anna first started share farming in 2002, they owned two vehicles and some Warrnambool Cheese and Butter Shares – they estimate their net worth was \$100,000.

Now, 18 years later, they estimate their net wealth in their dairy farm business is \$5,000,000. This is made up of \$5.5m of land, plant and equipment assets, \$2m of livestock assets and debt of \$2.45m.

What's next?

The Kennas are happy doing what they are doing. They don't really want to expand or grow their business but will keep assessing things as time goes by. If neighbouring land were to come up for sale, they would consider purchasing it. This will help reduce risk in their business.

They know that their children may be interested in farming, but Ben and Anna said if the time comes and they decide they have had enough, then they will happily sell the farm and they will look to support/help the kids in other ways.

ADVICE TO NEW ENTRANTS/ KEYS TO BUSINESS SUCCESS

You need to have a 'tight arse factor' (TAF) when it comes to farming. You can't spend money on things you don't need, or on things that won't help you make a profit.

Do your sums, crunch your numbers, do your research, talk to others, ask questions and pick their brains. You can't ask too many questions and Ben is usually asking more questions than all the other farmers!

There is lots of free information out there and many people are willing to help and share their knowledge and their experience and stories with you. Don't forget we need to celebrate people who do things well and learn from them.

The numbers behind the story

Farm details

	2017/18	2018/19	2019/20
Milking Cow Numbers	577	638	670
Total useable area (ha)	254	254	254
Rainfall (mm)	764	650	771

Primary indicators

	2017/18	2018/19	2019/20
Business Efficiency			
EBIT per kg Milk Solids (\$)	2.48	1.99	3.12
Return on Total Assets managed (%)	11.6	10.0	15.0
Return on Equity (%)	23.0	16.6	22.8

Secondary Indicators

	2017/18	2018/19	2019/20
Milk price (\$/kg MS)	5.92	6.23	7.47
Total Variable Costs (\$/kg MS)	3.47	4.34	3.82
Total Feed Costs (\$/kg MS)	3.15	3.86	3.30
Homegrown Feed Costs (\$/t DM)	118	95	102
Total Labour Costs (paid plus imputed) (\$/kg MS)	0.88	0.80	0.81
Cost of Production (including inventory changes) (\$/kg MS)	3.97	4.81	5.16

Tertiary indicators

	2017/18	2018/19	2019/20
Milk solids as a % of Cow liveweight	104	103	104
Proportion of homegrown feed in the diet (%)	46	52	52
Homegrown feed consumed (t DM) per 100mm rainfall	0.98	1.35	1.22
Homegrown feed consumed (t DM/ha)	7.9	9.4	10.1
Milk solids per Labour Unit	80,655	87,882	85,015