

# Mike and Sarah O'Brien/ Wilfour Partnership

## CASE STUDY



### KEY TAKE HOME MESSAGES

Use inputs when they provide a profitable return, i.e. always ask yourself, *"Does the extra return exceed the extra cost?"*. Mike says *"it's all about the margin. It doesn't matter what year it is; you always need to do the figures"*.

*"Acknowledge gaps in your skills/learning and want to be better"* (Sarah). Every year they look back at what has gone really well or bad, and they want to know *"why?"*. They then work through this with their valued support network and then put things in place for the following year.

### Farm background – the people

Mike grew up in a farming family in NZ and left home at 17 to work as a dairy apprentice in the Waikato region. In 1996, he moved to northern Victoria with his employer at the time. From there he moved on to the Nicol family farm at Katunga, where he was employed as a pasture manager (an opportunity that he has found invaluable and is reflected in his approach to his current position). Mike and Sarah moved to the Macalister Irrigation District in Gippsland in 2007 to work as contract managers on the Macalister Demonstration Farm (MDF), a position which they held for about 5 years. They commenced share-farming for the Wilfour partnership on a nearby farm at Nambrok/Denison in 2013. The owners Mark and Lisa Wilms, and Andrew and Carolyn Balfour, both own and operate dryland farms in West Gippsland. All the parties seem to be well aligned which enables Mike and Sarah a lot of autonomy in the day-to-day decision making. Over time this autonomy has extended to many of the bigger decisions, but still within a 'management team' type structure. Mike and Sarah are on a 50/50 share and currently own half the herd and a run-off block, which is partly used to support the dairy farm.

### The story

#### Farm system

The farm system is a pasture based grazing system, with medium to high grain inputs depending on the year. The milking herd of about 320 cows graze on a milking area of 92ha of irrigated perennial ryegrass pasture.

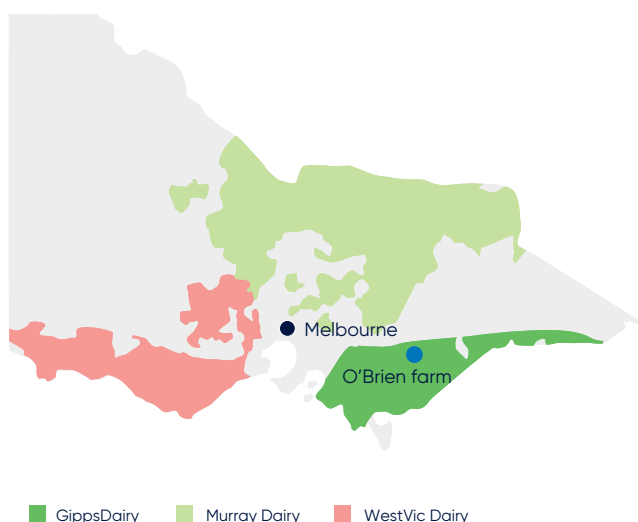
They have a tight single calving in August/September, which aims to match feed requirements closely to the pasture growth curve. Having the herd dry in late winter gives them options to manage risk of pugging damage during a wet winter. They are unlikely to change their calving pattern in response to a milk payment system as they estimate that their feed costs would increase substantially with extra purchased feed, and they don't have infrastructure to manage milking cows through a wet winter. The fact that they have maintained high levels of profit with a relatively low milk price compared to the weighted average, gives them confidence that their calving pattern and feed system is a good match with their resources.



Australian Government



## Farm location



They don't care too much about what breed of cow they milk but, they aim for medium size cows that get in calf readily and can produce about 1.1kg milk solids/kg liveweight. These breeding objectives have led them to having a herd that is predominantly Friesian X Jersey. The herd averages about 485kg liveweight, as they don't like big cows on irrigated pasture. They inherited a fair few big Friesians when they started share-farming and found they didn't suit their single calving, pasture-based system.

They feed about 1.5 to 2.1 t of grain per cow depending on the seasonal conditions and the milk to grain price ratio. As Mike says *"it's all about the margin. It doesn't matter what year it is you always need to do the figures"*. They always feed a certain level of grain to maintain cow efficiency. This helps manage the post-grazing residuals, as they see this will almost always provide a profitable return. They only increase grain feeding to the higher levels when the milk price and grain price provide an attractive return and the milk response does not need to be so great to be profitable.

They cull cows heavily after Christmas if the profit margin is not attractive or leave most of the culling until May/June if the profit margin is attractive.

Their current system has evolved over time. Every time they have moved to a farm, they have inherited a system which they have then refined over time. They feel now that they have been doing it long enough that they "know the 'sweet spot', know the drivers of profit, and know what to do to maintain some margin during tough times".

## Physical monitoring

They pay particular attention to monitoring post-grazing residuals and leaf-emergence rate and, try to fully feed the cows. They will occasionally pinch the cows a little e.g. to clean up residuals in late summer, if the milk price is low and grain price is high. However, if milk price is high (like 2019/20) they will top the paddocks and feed more grain as the additional income will outweigh the extra cost. Mike is a strong advocate for Feeding Pastures for Profit, which he was heavily involved with in northern Victoria and while managing the MDF.

## Farm business analysis

Mike and Sarah have been involved in an annual review program since 2014/15, where their data is entered into DairyBase. They enjoy the process of reviewing their performance and having a detailed analysis that they can refer to when making plans for the rest of the year.

## Farm description – at a glance

Farm details	Farm system	Farm performance (\$)
People: Mike and Sarah and some part-time employees. Farm owners: Mark and Lisa Wilms and Andrew and Carolyn Balfour	Grazing system	EBIT per kg MS \$1.47 average and a range of \$0.52–\$2.16 over the past 4 years
Land area: 92ha milking area. Mike and Sarah own another block in their own right, it sometimes provides grazing fodder to support the dairy farm, but it is excluded from the analysis of the data	Herd type: Predominantly Friesian X Jersey	ROTA 7% average and a range of 3–10% over the past 4 years
Average rainfall: 530mm	Herd number: 320 cows	
Irrigation: 377ML high reliability water share	Seasonal calving pattern (August/September)	
	Medium to high concentrate feeding 1.8 t DM/cow/year (1.7–2.1) depending on year	
	Proportion of homegrown feed in the diet 55% (53–58)	
	529kg Milk solids/cow (506–557)	
	Production % liveweight 109 (104–115)	

## People

Mike and Sarah have generally employed labour mainly to help with milking, and one of their next challenges will be moving to employ people that take on some more herd/pasture management type responsibilities as the business develops.

The owners Mark and Lisa Wilms, and Andrew and Carolyn Balfour, both own/operate dryland farms in West Gippsland. They seem to be well aligned with Mike and Sarah in a big picture sense and allow Mike and Sarah a lot of autonomy in the day-to-day decision making. Over time this autonomy has extended to many of the bigger decisions, but still within a 'management team' type structure. There were more discussions early on but, as Mike and Sarah have delivered results, confidence has grown, and trust was established.

Mike and Sarah have a good network of advisers/support people which they describe as "invaluable", but that has taken time to build (managing the MDF was very helpful in this regard). This network includes other farmers, farm consultant, accountant, agronomist, vet.

## What's next?

Until 2020, they hadn't really had a great milk price/seasonal conditions combination since they started share farming. Their focus has been to pay down debt, particularly in terms of the short-term debt that they had against cows and machinery. The 2019/20 season was really the first time that they started to be able to consider other options. At the moment they are paying down debt on their outblock and considering options for their next investment, whether that be within the farm business, or outside. They have ticked off the first phase of their share farming career (got through the initial phase where most of the debt had to be short-term debt) and are currently considering their next steps. They are keen to get involved in the Our Farm Our Plan course to spend some more time working through 'What's next?' for them.

## ADVICE TO YOUNGER PEOPLE

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*"Choose the right people to work for, be wise about that, so that you are taught well from the start."*

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Acknowledge gaps in your skills/learning and want to be better. Every year they look back at what has gone really well or badly, and they want to know "why?". They then work through this with their valued support network, and then put things in place for the following year.

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*"You don't have to know everything, there is a lot of support out there but, be choosy about your support network."*

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*"Be in it for the long haul." When they started share-farming cash-flow and servicing the short-term debt was challenging, "then all of a sudden you come out the other side, and you've paid off the short-term debt and you have some choices about what you spend money on." (Sarah).*

## The numbers behind the story

### Farm details

	2016/17	2017/18	2018/19	2019/20
Milking Cow Numbers	313	320	300	320
Milking area (ha)	92 ha	92 ha	92 ha	92 ha
Rainfall (mm)	496	408	395	542
Irrigation (ML)	434	485	474	427

### Primary indicators

	2016/17	2017/18	2018/19	2019/20
<b>Business Efficiency</b>				
EBIT per kg Milk Solids (\$)	0.52	1.94	1.24	2.16
Return on Total Assets managed (%)	2.6	8.7	5.8	10.2
Return on Equity (%)	1.3	10.1	5.4	12.2

### Secondary Indicators

	2016/17	2017/18	2018/19	2019/20
Milk price (\$/kg MS)	4.66	5.84	6.02	7.08
Total Variable Costs (\$/kg MS)	2.87	2.85	3.48	3.60
Total Feed Costs (\$/kg MS)	2.46	2.43	2.91	3.08
Homegrown Feed Costs (\$/t DM)	106	89	91	110
Total Labour Costs (paid plus imputed) (\$/kg MS)	1.05	0.95	0.87	1.07
Cost of Production (including inventory changes) (\$/kg MS)	4.58	4.23	5.11	5.24

### Tertiary indicators

	2016/17	2017/18	2018/19	2019/20
Milk solids as a % of Cow liveweight	110	104	108	115
Proportion of homegrown feed in the diet (%)	53	54	56	58
Homegrown feed consumed (t DM) per 100mm rainfall	1.19	1.31	1.44	1.23
Homegrown feed consumed (t DM/ha)	11.5	12.3	13.1	13.2
Milk solids per Labour Unit	67,848	70,988	76,212	65,510