

Award win inspires young farmers

By **CARLENE DOWIE**

KEY POINTS

JAMES AND RACHAEL STACEY
Strathalbyn, SA
DAIRY BUSINESS OF YEAR AWARDS
Central South Australia winner
Young Farmer winner

- * Succession planning well managed
- * Simple, low-cost system
- * Water availability critical issue

YOUNG South Australian dairy-farmers James and Rachael Stacey were planning to leave the dairy industry until they won the Central South Australia and Young Farmer sections of the Dairy Business of the Year (DBOY) awards last year. Three years ago, the struggle to make a profit in tough seasonal conditions and continuing uncertainty about water availability in their Lower Lakes region had led to a decision to use beef bulls over their cows as part of a long-term plan to leave the dairy industry.

But the award win and with it the realisation that they were actually performing well has renewed their passion for the industry and what it offers them. This season the cows have been mated to Friesians again.

Mr Stacey said their performance in the competition, the Red Sky report and analysis provided by it and the two-day retreat with the other competition finalists had helped him recognise that "we mustn't be doing a bad job". Because the young couple had been focusing on paying back principal to the bank and "never had any money", they had thought they were "not travelling well".

But the DBOY figures tell the true story. In the 2006-07 drought year of the competition, the Staceys achieved an impressive 7.6% return on assets on an operating profit margin of 23.6%. The SA industry as a whole averaged a negative return in that difficult year.

Their achievement at a young age is due in part to the couple and James's family having successfully managed the difficult process of farm succession. The 140-hectare farm, which is currently milking 152 cows and running young stock, is not big enough to support two families, so succession was an issue that needed to be tackled and sorted out once Mr Stacey had decided he was committed to farming.

The farm has been in the Stacey family for 80 years, starting as a mixed farm with dairy, crops and sheep.

After Mr Stacey left school he completed an engine reconditioning apprenticeship before returning to the farm in May, 1996. He worked for his parents for a couple of months before taking on a 25% sharefarming arrangement. At that time the herd of 80 cows was producing 420,000 litres of milk and the farm had 12ha of irrigation.

In 1998 James and Rachael married and bought 66ha from his parents and moved to a 50/50 sharefarming arrangement as the first step in the succession plan. This allowed his parents to build a house at nearby Strathalbyn.

In 2002 Mr Stacey's father left the farm to work for RAB and ABS. The young couple took over the business, leasing 54ha from his parents, having been given the remaining land in the meantime as part of the succession plan.



Red Sky Agricultural managing director David Beca with Rachael and James Stacey, and NAB Agribusiness manager Grant Boxer, Mount Barker, SA, at a field day held at the Stacey farm late last year.

Mr Stacey said the successful succession planning was vital to him being able to be committed to the farm and the industry and so that both families were in a financially viable position.

"You don't make a lot initially in the industry, so the plan keeps you keen and interested," he said.

Mr Stacey said his father drove the process ensuring that discussions were held with the whole family, including his sister, so that everyone knew what everyone else was thinking.

But it wasn't easy. At one stage the farm was put on the market and James and Rachael were contemplating a move to another dairy region, he said.

He said it was an indictment on the dairy industry that the couple were the only ones entered in the award who were eligible for the young farmer award. "Dairyfarming is a young man's sport," he

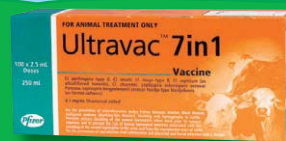
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◀ said. "Letting the young ones have a go at it can help the financial position of the older people as well."

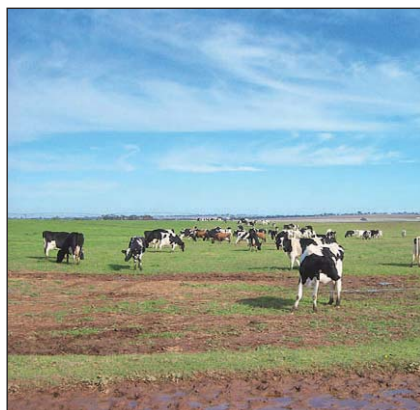
After taking over the farm, the couple bought extra cows in the spring of that year, building herd numbers to 170. But in this first full year of operating on their own, they saw grain prices spiral and milk prices plummet. Further problems followed when a sorghum crop they planted failed after dry conditions meant it was watered almost exclusively by irrigation from their high-salinity bore.

They managed to get things back on track and in 2004-05 produced 1.4 million litres of milk.

But the dry conditions of 2005 and 2006 proved even more of a challenge. The Staceys were forced to bring home heifers because the property where they were agisted could no longer support them.

Mr Stacey said this did have a positive spin-off, forcing them to manage their pastures better and lifting their pasture harvest to 7.2 tonnes dry matter/ha. This laid the basis for the 8.5 tonnes DM/ha they achieved in the DBOY competition year 2006-07.

The Staceys follow a simple, low-cost farming system. Mr Stacey said his view was to question any expenditure – "if it was not needed, then don't spend it".



Pasture management has improved and provided the basis for the strong performance in 2006-07.

"You need to keep away from what's fashionable," he said. "You need to filter all the info that's pushed onto you by sales reps."

No staff are employed on the farm with Mr Stacey's father helping out when required.

Mr Stacey said the key to success was to maximise what the land produced. Pasture management is critical.

Feeding rates vary. With the higher price for grain, cows were fed about 1.3 tonne each of grain last year, but it has been as high as 2 tonnes/cow/year.

Mr Stacey said when the price of grain went up it didn't make sense to feed grain at the same level, because the extra milk income received barely covered the price of the grain.

He is also prepared to lock in a price that will allow his operation to be profitable. In September he locked in a price for feed barley to be delivered from last month (December) until November.

One of the keys to success in the DBOY competition year of 2006-07 was that Mr Stacey secured fodder supply very early. Because he does some hay contracting, it became obvious to him that a fodder shortage was looming. So he organised fodder supplies through until July 2007 with a payment structure across a couple of months.

The run of poor seasons has been a major challenge for the couple. Four of the past six years have been drought in the 385-millimetre average annual rainfall region.

The farm has irrigation from groundwater and from a winter-flowing river that flows in to Lake Alexandrina at the mouth of the Murray.

About 40ha is irrigated year-round under a pivot from the bore from which they can access two megalitres a day. But the water quality is saline – about 3800 electrical conductivity units. They irrigate

Table 1: Key performance indicators for award year 2006-07

Indicator	2006-07
Effective milking area (ha):	72
Cows:	178
Production (kg MS/ha):	1368
Production (kg MS/cow):	553
Return on assets:	7.6%
Operating profit margin:	23.6%
Cost/kg milk solids:	\$3.45
Pasture harvest (t DM/ha):	8.5
Core per cow costs:	\$469
Number of cows per full-time equivalent	178

a further 52ha from the river at the start and finish of each season.

There is still a lot of uncertainty about the future availability of that water. A volumetric licence system is scheduled to be introduced from July 1 this year and farmers have been advised that their surface water extraction could be cut by 50% or more.

"Our position at the moment is marking time," Mr Stacey. "We can't develop the farm without knowing the water situation."

Irrigation water would also become tradeable – something Mr Stacey sees as an opportunity. Grape growers in the area would have a higher need for water, and ground water in an adjoining region was currently being leased (for use for one year) for \$1000 a megalitre.

But ongoing uncertainty about water supply could also force them to move to a more favourable region. The current financial crisis could provide an opportunity in this regard. Mr Stacey said they had worked hard to build their equity levels and were in a position to buy if land prices fell.

Mr Stacey is also looking further into the future and is planning the farm succession for the next generation. "I've got to organise myself. I have three young children, so in 15 years' time I have to be opening the door to be leaving," he said.

"I have to be handing over the reins to the next generation when they're in their 20s."

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Entries open for Dairy Business of the Year awards

ENTRIES are now open for this year's Dairy Business of the Year awards.

The awards, which were launched two years ago, recognise dairy business excellence.

As well as the major prize, awards will be presented to the best farms in each of the eight districts and in three farm system categories. There are also sharefarmer, young farmer category and most improved categories.

Finalists will be invited to a week-end retreat to meet with experts in business performance.

Every entrant receives a bound report detailing the results of their business analysis. This includes a written report detailing the strengths and weaknesses of their business and the key opportunities for improvement in performance.

The supreme winner from the Aus-

tralian competition competes against the winner of the New Zealand competition.

The competition has been developed by Red Sky Agricultural and Intelact Australia. Dairy Australia and NAB Agribusiness are principal sponsors and *The Australian Dairyfarmer* is the primary media sponsor.

For information on how to enter the awards see the entry form on p26-27.