

Making the most of opportunity

By **CARLENE DOWIE**

KEY POINTS

BARRY AND VICKI PHILP
Garvoc, Vic
Dairy Business of the Year award
South-Western Victoria winner
*Simple, low-cost system
*Taking opportunities as they arose
*Maximise pasture

GARVOC, Victoria, dairyfarmers Barry and Vicki Philp have achieved success in the dairy industry by grasping and making the most of opportunities that have come their way. The couple have built wealth by developing the assets they have owned – whether that be cows or land – and using the increased value and equity to fund the next lot of assets.

The Philps have also adopted a simple,

low-cost system aiming for high grass utilisation and having cows produce good levels of milk solids not big litres.

The couple were among the early wave of New Zealand farmers to move to Australia in the mid 1990s. They are now moving to the next stage, investing off farm and employing staff, so that they can reap the rewards of the years of hard work.

The couple's outstanding business performance was recognised with their winning the south-western Victorian section of the 2008 Dairy Business of the Year awards. For the competition year, the drought-affected 2006-07, the couple achieved a 7.4% return on assets and an operating profit margin of 28%.

The results are a reflection of the careful business approach they have always taken to dairyfarming.

Mr Philp started in the dairy industry in New Zealand in the late 1970s after com-

Key performance indicators for award year (2006-07)

Indicator	2006-07
Effective milking area (ha):	273
Cows:	600
Production (kg MS/ha):	941
Production (kg MS/cow):	428
Return on assets:	7.4%
Operating profit margin:	28%
Cost/kg milk solids:	\$3.11
Pasture harvest (t DM/ha):	10.8
Core per cow costs:	\$299

pleting a motor mechanic apprenticeship. He took the traditional approach in New Zealand, starting as a farm worker for three years before taking on a farm manager's position for a year. In the meantime Mrs Philp completed a teaching degree at university.

The couple then managed to get a 50:50 share-farm position – using \$10,000 ▶






Red Sky and Intelact would like to congratulate the finalists and award winners in the 2nd annual **NAB Agribusiness & Dairy Australia Dairy Business of the Year Competition**. We would also like to thank all of the entrants who participated in the competition. We hope that they found their involvement rewarding in some way, either through the value they received with their business performance report or from attending the **Dairy Business of the Year Awards Seminar**.

Intelact and Red Sky would also like to thank the sponsors for their support, without which this type of initiative cannot be launched. In particular we would like to thank **NAB Agribusiness, Dairy Australia, United Dairy Power, CopRice, Wrightson Seeds, Elanco and BOS Trading**. We would also like to thank **The Australian Dairyfarmer** for their continuing support, and we look forward to expanding the competition in 2009.

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Vicki and Barry Philp and herd and pasture manager Damien Finnegan run a low cost system.

in savings and borrowing \$47,000 (from the bank and the dairy company) to buy the 150 cows and tractor that were required for the position. Mrs Philp was also teaching full-time, which helped them gain finance.

Cow values increased in the following two years, allowing them in 1983 to move into a share-farm position with 300 cows, which at the time was considered an extremely large herd.

In 1986 they bought their first farm – at a time when the New Zealand industry hit the doldrums and cow values fell, making

the scraping together of the funds for the farm all the more difficult.

The Philps then embarked on a program of developing the farm – a pattern they have followed since. The first year on the farm they milked 80-90 cows and produced 14,000 kilograms of butterfat.

In the next three years they lifted that to 130 cows and 20,000kg butterfat.

They continued farming that for three years, sold it and bought another farm of 65 hectares that had been milking 80 cows. Mr Philp said the farm had a great dairy on it but had not been fully developed.

They bought that farm for \$500,000, spent \$50,000 developing it and four years later its value had doubled.

The problem for the Philps was that all the neighbouring land and most of the other dairying land in New Zealand was also more expensive – and they were looking to expand into a larger operation. The timing was critical, as they wanted to move before their children started high school to minimise disruption for them.

After their plans to buy a farm in the Northland region of New Zealand fell through and on the suggestion of the real estate agent who was selling their farm, the couple decided to look at what Australia had to offer.

Mrs Philp's sister lived in Melbourne so they took the opportunity of a holiday and checked out farms in south and west Gippsland as well as the Western District.

The 310ha farm at Garvoc immediately appealed. "We saw the farm and thought it was a great opportunity," Mrs Philp said.

The deal offered by the owners – to buy 160ha up front and to lease an adjoining 160ha and 480 cows for three years – allowed the Philps to move to a scale of operation as owners that would have been well beyond their means in New Zealand.

The farm had about 70ha under a Vanden Bussche irrigation system from a licensed bore, and although the Philps had

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not been looking for irrigation and were not familiar with it, they have found it invaluable in allowing them maximise pasture growth on the farm.

The couple initially bought another 80 cows and two years later bought 300 yearlings. All cows were joined to artificial insemination, and the couple set about rearing as many stock as they could to build their own herd before the lease expired on the other cows. They also spent the first three years carefully assessing the grass growth on the farm. They moved from September calving to April calving to take advantage of the maximum grass growth period from May until December, using irrigated pastures to get them through April.

The farm had good infrastructure when the couple bought it. Three years ago they changed the irrigation system to fixed sprays and increased the area under irrigation to 93ha.

Mrs Philp said the mix of dryland and irrigation was ideal, providing maximum flexibility in managing both the dry periods in summer and autumn and the often wet conditions in late winter.

The couple employs two full-time staff and one casual when required. Alan Steffensen has worked for them for 10 years.

Two and a half years ago they decided to employ a herd and pasture manager and built another house on the property to offer as an incentive for the position.

Damien Finnegan was appointed to that position and his partner Beth Kerr is the farm's casual. They are now also seeking a full-time trainee.

The couple's farming philosophy is simple – "grow it, eat it and don't waste it".

"We're aiming to maximise profit, not chasing big litres," Mr Philp said. "It's about being efficient. You've got to go out and do the best you can do every day."

Mr Philp said the farm was structured for the type of operation they wanted – high grass utilisation, cows producing milksolids not litres and seasonal calving. The 600-cow herd is Friesian-Jersey cross with 80% based on NZ genetics.

The couple "religiously budget" for cashflow, but do not budget for production. Mrs Philp said they preferred "to farm within the boundaries" and not be reliant on bought-in supplements. "That way fluctuations are not as big an influence," she said.

Mr Philp said this also meant that they only fed cows grain when the cows needed it. They did not feed grain to achieve production. This means generally cows are fed 0.6-1 tonne of grain per year.

They also try to conserve any excess as silage and hay. But this has fluctuated. Last year they made about 450 tonnes of wrapped silage and 650 tonnes of hay, but the year before in the drought they made only 91 tonnes of hay. Annual budgets are based on a cashflow 10% lower than the previous year.

"We don't want to spend upfront," Mr Philp said. But they do aim to try to put in place at least one major capital improvement each year. "But only once we know where we are at," Mr Philp said.

The couple are now planning to consolidate. The employment of staff – and letting them have the responsibility of running parts of the operation – was a big step for Mr Philp.

He acknowledges it was difficult for him at first and that he was always "looking out the window" to see what was happening.

The next step is to ensure that the systems are in place – such as a whole farm yearly plan – to allow simple management among the staff and the Philps.

The Philps also plan to keep developing the property. They have recently undertaken the Dairy Self Assessment Tool (SAT) analysis of their farm, an environmental self-assessment program. They plan to implement nutrient budgeting and planting of shelter belts as a result of that analysis.

But they also plan to step back a little and enjoy the rewards of their efforts. An overseas holiday is planned for this spring, leaving their staff to run the operation for seven weeks.

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