

# DAIRY BUSINESS OF THE YEAR



## 2019 Regional Optimisation Day

### NZ Joint Runner Up

Best Waikato Farm Performance & Lowest Environmental Impact

### Richard & Nadine McCullough

McCullough Farm Partnership Ltd

100 Kentucky Road, Cambridge

Thursday 14 November 2019



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Ministry for Primary Industries  
Manatū Ahu Matua



DAIRY BUSINESS  
OF THE YEAR



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## Key Performance Indicators Summary

Please Note: benchmarks used in this report should be considered as indicative only and may or may not precisely reflect the regional average.



Farm System	McCullough Partnership 2017/18	Waikato Average	Waikato Top 10%
Total Hectares	383	-	-
Effective Hectares	250	127	122
Effective Milking Hectares	240	125	121
Peak Milking Cows	670	394	418



People Productivity	McCullough Partnership 2017/18	DBOY National Average	Waikato Average	Waikato Top 10%
People Investment per Cow (\$)	\$285	\$391	\$403	\$343
Cows per Full Time Equivalent (50hr FTE)	209	166	153	185
Training spend per FTE in Dollars (\$)	\$0	\$385	-	-
Training spend per FTE in Time (hrs)	0.00	33.33	-	-
Unplanned Costs per FTE (\$)	\$0	\$169	-	-
Unbudgeted Days Lost per FTE	1.25	1.21	-	-
Labour Turnover - Management Staff (%)	0%	15%	-	-
Labour Turnover - Non-Management Staff	0%	31%	-	-



Environmental Management	McCullough Partnership 2017/18	DBOY National Average
Effluent Pond	Claylined	Lined
% of Farm Irrigated with Effluent	66%	41%
N Loading on Effluent Area (kg/ha)	62	105
KgMS/ha per KgN Loss/ha	38	30
N Leached (kg/ha)	25	52
N Conversion Efficiency (%)	41	28
Soluble N Use (kg/ha)	52	150
P Loss (kg/ha)	0.7	1.8
Olsen P Levels	At Optimum	At Optimum
Winter Cropping % of Farm	0%	2.8%
Winter Soil Management	Formal Standoff	Formal Standoff
Green House Gases (Total CO <sub>2</sub> Equivalents)	9,027	16,268



<b>Livestock Management</b>	<b>McCullough Partnership 2017/18</b>	<b>Waikato Average</b>	<b>Waikato Top 10%</b>
Peak Milking Cow Numbers	670	394	418
Stocking Rate (Cows/ha)	3.03	3.18	3.53
Stocking Rate (Kg Live weight/ha)	1,451	1,520	1,690
Core Costs per Cow (\$)	\$556	\$621	\$558
Milk Production per Hectare (kgMS/ha)	1,052	1,239	1,528
Milk Production per Cow (kgMS/cow)	377	393	440
Milk Production as % of Live weight	73%	82%	90%



<b>Feed Management</b>	<b>McCullough Partnership 2017/18</b>	<b>Waikato Average</b>	<b>Waikato Top 10%</b>
Stocking Rate (cows/ha)	3.03	3.18	3.53
Stocking Rate (kgLW/ha)	1,451	1,520	1,690
Pasture Harvested (PH) (tDM/ha)	11.6	11.8	13.9
Pasture as % of Diet	69%	74%	73%
Core Costs/ha per tDM PH (\$)	\$106	\$110	\$95
Feed Conversion Efficiency (kgDM/kgMS)	13.98	12.09	11.57
Total Consumed per Cow (tDM)	5.47	4.92	5.30
Pasture Consumed per Cow (tDM)	4.87	3.92	4.29
Forage Consumed per Cow (tDM)	1.15	0.91	1.01
Concentrate Consumed per Cow (tDM)	0.67	0.47	0.51
Average Feed Cost (/tDM)	\$298	\$374	\$335
Pasture Costs (/tDM)	\$289	\$367	\$322
Forage Costs (/tDM)	\$288	\$403	\$384
Concentrate Costs (/tDM)	\$365	\$377	\$356



<b>Profitability</b>	<b>McCullough Partnership 2017/18</b>	<b>Waikato Average</b>	<b>Waikato Top 10%</b>
Return on Capital (%)	6.9%	4.6%	7.0%
Return on Assets (%)	6.9%	4.6%	7.1%
Operating Profit Margin (%)	44%	35%	46%
Operating Profit per Hectare (\$)	\$3,708	\$3,227	\$5,316
Gross Operating Revenue per Hectare (\$)	\$8,425	\$9,200	\$11,478
Gross Operating Expenses per Hectare (\$)	\$4,717	\$5,974	\$6,162
Milk Price per kgMS (\$)	\$7.48	\$6.75	\$6.79
Gross Revenue per kgMS (\$)	\$8.01	\$7.42	\$7.51
Farm Working Expenses per kgMS (\$)	\$3.75	\$4.09	\$3.46
Operating Expenses per kgMS (\$)	\$4.48	\$4.82	\$4.03

## Definitions of KPIs

### UNDERSTAND WHAT YOU'RE COMPARING

It is important to have an understanding of how your physical and financial Key Performance Indicators (KPIs), and the benchmarks you are comparing, are calculated. See [www.dboy.co.nz](http://www.dboy.co.nz) for more detail.

**Gross Revenue** calculations for the DBOY competition are determined using an accrual basis, which means that the gross revenue is calculated on the milk produced in the season that is being analysed, times (multiplied by) the amount paid for the milk that was produced in that same season. It is important to note that this differs from the actual gross revenue that is received within the dairy farming enterprise, as income received in the season being analysed includes last year's deferred payments and a portion of the payments received for the season being analysed.

When measuring financial performance within a production season to determine business profitability, using non-accrual gross revenue is somewhat misleading when there is significant season to season variation in payout, and/or above normal variability in weather conditions, i.e. if the season prior to the production season being analysed had a higher payout it would bump up the gross revenue received in the production season being analysed. Because DBOY uses accrued revenue when calculating gross revenue, it provides a truer representation of the income generated in the season being analysed, so cost, production, and revenue, are more aligned.

**Gross Expenses** is the total operating expenses that are incurred during the production season being analysed and adjusted for feed/supplements on hand at opening and closing of the season, imputed (unpaid) labour and management, depreciation, and other expense adjustments. Gross Expenses does not include financing costs. This includes adjustments for expenses paid in the year being analysed that relate to production from the previous or coming year, such as prepaid fertiliser.

**Operating Profit per hectare** is gross revenue minus gross expenses or operating surplus +/- adjustments divided by effective hectares. Operating Profit per hectare excludes all financing expenses.

**Farm Working Expenses per kgMS (FWE/kgMS)** is all physically paid expenses (real cash payments). This gives an indication of cashflow but is not a comparable figure between businesses. Adding financing cost to FWE/kgMS will provide the break-even point in terms of cashflow, indicating the revenue required from milk and livestock sales to ensure there is cash in the bank.

**Operating Expenses per kgMS (OE/kgMS)** is the FWE +/- non-cash adjustments including depreciation and imputed labour. This indicates the overall expense of the business on a per kgMS basis. Adding financing costs to OE/kgMS provides the break-even point for the full business or the revenue required from milk and livestock profit (gross revenue per kgMS).

**Operating Profit Margin** represents the percentage of gross revenue retained as profit for interest payments, principal repayments, tax and true 'profit' (e.g. a 25% margin would mean \$0.25 for every dollar is available for paying interest, principal and tax). The higher the OPM the more secure and resilient the business is. OPM target levels should be relative to the farm system being operated, with high feed-input systems generally achieving lower operating profit margins than low feed-input systems.

**Cost of Production of a kgMS (COP/kgMS)** is the OE less non-milk revenue which shows the cost to produce the milksolids alone. Calculated from manufacturing milk sales (less operating profit) divided by total milksolids sold or gross operating expenses less non-milk revenue / total milk solids. This calculation provides an estimation of the net cost of producing one kilogram of milksolid. This is a key indicator of resilience, as having a low COP will enable a business to withstand fluctuations in milk payouts. The cost of production/kg milksolids plus financing is effectively the milksolids price the business requires to break even, as it combines both COP/kgMS and debt servicing costs.

**Return on Capital (ROC)** equals operating profit divided by total assets FARMED. The most important measure of profitability is Return on Capital (ROC). This is calculated by dividing operating profit by the total value of all assets (both owned and leased). The operating profit calculation includes an assigned lease fee on support blocks utilised in the business. This generates a profitability value which can be compared across all business types, and accounts for farms with a lower milk production capability against those with a high milk production capability. To maximise ROC it is important not to over-capitalise, as this in turn would require an increase in operating profit to achieve the same ROC. The capital includes; all land (milking and support), livestock, vehicles, plant and machinery, and dairy company shares and other farm related shares.

**Return on Asset (ROA)** is operating profit minus lease fees divided by total assets OWNED. This is all farm assets owned by the business, meaning it includes all assets whether financed or owned outright and excludes all leases.

**Return on Equity (ROE)** is operating profit, less lease fees, less interest, divided by equity. ROE includes all assets that are owned outright and excludes all leases and the financed portion of assets, providing a comparison to money invested in the bank. ROE provides the most important indicator of net wealth growth.

**Pasture, Concentrate & Forage Cost** includes direct purchase (or production) costs, variable expenses (the costs associated with feeding out including repairs and maintenance on machinery), and capital cost (the cost of owning land and any infrastructure such as silage pits, in-shed feeding systems or Herd Homes). This calculation is also adjusted for a wastage value on feed lost during storage and feeding.

**Effective Milking Hectares** is the true area over which the milking cows graze. When young stock graze even briefly on farm, the grass they consume is no longer available for milking cows, hence the milking platform is effectively reduced. This makes the KPIs comparable between farms that graze heifers on-farm and those who graze off-farm.

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## Welcome

Regional Optimisation Days are held on the DBOY19 Regional Winners' farms throughout New Zealand during October and November. These field day events are a great day out and an excellent opportunity to hear and learn from some of New Zealand's most resilient, sustainable and innovative dairy farmers. Attending these events provide the opportunity to see first-hand those farming principles that are applied on these profitable and resilient farms, and a perfect time to ask questions, share ideas, and to expand your own farm knowledge that could then be applied to your farming system.

As outlined in the DBOY purpose statement, there is also a focus on the environmental management and people productivity at these events, which, along with the financial performance, demonstrates why and how these farming enterprises are sustainable businesses that perform year on year.

Remaining profitable during years of volatile milk payouts, while staying focused on environmental good practice, and supporting the people on your farm to perform at their best for themselves and for your business, are critical factors in operating a sustainable and resilient business.

Benchmarking across a number of Key Performance Indicators (KPIs) is the only way to objectively assess your business performance against your peers. While focusing on farm performance, this field day also places an emphasis on the use of benchmarking to continually refine and modify business performance.

### **DBOY's Vision & Purpose Statement**

*The strategic purpose of Dairy Business of the Year is to contribute to dairy farmers and the dairy industry in New Zealand by:*

- 1. challenging paradigms to bring about ongoing improvements in farm profitability;*
- 2. developing resilient and sustainable farming systems;*
- 3. recognising and reinforcing the value of motivated and innovative people within farming enterprises;*
- 4. increasing the awareness of dairy farming practices that minimise dairy farming impact on the environment;*

*To bring about positive change across these four core objectives Dairy Business of the Year activities and events encourage dairy farmers of every scale and business model to benchmark profit, people management and environmental practices to identify gaps and implement solutions.*

# Health and Safety – Emergency Plan

## General Information

**Property Address:** 100 Kentucky Road, RD 2, Cambridge

**DBOY Officer:** David Densley **Phone:** 027 748 2327

**Hosts Names:** Richard & Nadine McCullough **Phone:** 027 468 0503

## Evacuation Procedures

Evacuation Signal	Safe Assembly Area Location
Air Horn and/or Verbal Instruction	Tanker Loop

## Accident Procedures

1. **Stay Calm.**
2. **Shut Down** any plant or equipment.
3. Provide first aid if someone is injured.
4. **Dial 111** and ask for the appropriate emergency Services.
5. **Arrange** for someone to meet them at the front of the site when they arrive.

## Earthquake Procedures

1. **Seek Shelter** under a table or solid object that will provide protection from falling debris.
2. **Keep Clear** of collapsible structures.

## Other Emergencies Procedures:

In the event of a Fire, Chemical Spill, Gas Leak, Electrical Event or any other Emergency:

1. **Evacuate the Site** to a Safe Assembly Area.
2. **Dial 111** and ask for **FIRE**.
3. **Report** to the Officer or Host.

## Health and Safety Kit

"Red Box" located prominently at the event meeting place contains:

- ✓ First Aid Kit(s).
- ✓ Fire Extinguisher or Fire Blanket.
- ✓ Air Horn.
- ✓ Sun Block.

## Emergency Contacts

First Aider on Site:	Monique Stewart 027 438 8085
Nearest Medical Centre/ Hospital:	Cambridge Medical Centre 07 827 7184
Police / Fire / Ambulance:	Dial 111

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## Hazardous and Restricted Areas

This is a working farm so please follow the below:

1. Stay clear of tanker tracks.
2. Do not touch electric fences as they may be live.
3. Stay clear of any drains and culverts - these will be pointed out to you.
4. Watch for bulls on farm, do not aggravate.
5. Do not enter paddocks or cross fences unless instructed to do so.
6. When in a paddock tread carefully and watch for rabbit holes and uneven surfaces.
7. Stay clear of effluent ponds, do not pass fences or climb structures.
8. Where children have been brought along, please supervise at all times in locations.

## Sponsors Introduction

### Gold Sponsors

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Headlands Representatives here today;  
David Densley, Richard Syme

Please call Headlands on 0800 73 55 88 to ask  
which consultant will best suit your farm and  
location.



Theland Farm Group Representatives here today;

Chris Tidey, Sustainability Lead  
027 208 8798  
[chris.tidey@thelandfarmgroup.com](mailto:chris.tidey@thelandfarmgroup.com)

Ministry for Primary Industries  
Manatū Ahu Matua



0800 00 83 33  
[info@mpi.govt.nz](mailto:info@mpi.govt.nz)

### Silver Sponsor

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Nutrinza Representatives here today;

Theo Swart, Business Manager – 021 761 393  
[theo.swart@nutrinza.com](mailto:theo.swart@nutrinza.com)

Stacey Cuthbert, TSR – 027 333 0330  
[stacey.cuthbert@nutrinza.com](mailto:stacey.cuthbert@nutrinza.com)

Chrissy Alexander, TSR – 021 761 363  
[chrissy.alexander@nutrinza.com](mailto:chrissy.alexander@nutrinza.com)

Rob Feisst, TSR – 021 0211 1450  
[rob.feisst@nutrinza.com](mailto:rob.feisst@nutrinza.com)

## Bronze Sponsors

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Dairy Farmer Representatives here today;

Jody Anderson, Partnership Manager  
027 474 6094  
[jody.anderson@globalhq.co.nz](mailto:jody.anderson@globalhq.co.nz)



Steve Sutherland, Marketing Manager  
027 543 0989  
[ssutherland@genetic.co.nz](mailto:ssutherland@genetic.co.nz)



Jon Watson, National Manager – Rural  
027 306 8732  
[jon.watson@nzi.co.nz](mailto:jon.watson@nzi.co.nz)



CRV Ambreed Representatives here today;

Patsy Booth, Breeding Consultant  
027 494 2582  
[patsy.booth@crv4all.co.nz](mailto:patsy.booth@crv4all.co.nz)

Bill McLean, Regional Manager  
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[bill.mclean@crv4all.co.nz](mailto:bill.mclean@crv4all.co.nz)



Simon Gillson, General Manager  
021 536 616  
[simon@jobdone.nz](mailto:simon@jobdone.nz)



Dairy Exporter Representatives here today;

Janine Aish, Partnership Manager  
027 890 0015  
[janine.aish@nzfarmlife.co.nz](mailto:janine.aish@nzfarmlife.co.nz)

Sheryl Haitana, Deputy Editor Dairy Exporter  
021 239 1633  
[sheryl.haitana@nzfarmlife.co.nz](mailto:sheryl.haitana@nzfarmlife.co.nz)

## Supporting Sponsors

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Toni Trusler 021 477 121 – [toni@no8hr.com](mailto:toni@no8hr.com)



Neil Prior 027 886 6452  
[neil.prior@pggwrightson.co.nz](mailto:neil.prior@pggwrightson.co.nz)

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## Objectives of the Day

- ✓ Gain an understanding of how this farm has achieved top performance across financial, environmental and human resources management
- ✓ Increase awareness of the critical Key Performance Indicators (KPIs) that influence resilience and sustainability within a successful dairy system
- ✓ Recognise the value of benchmarking and identify potential growth opportunities within your dairy system
- ✓ Review the Return on Capital (ROC) achieved by DBOY finalists at various milk payouts with the purpose of asking this important question – how does your business compare?
- ✓ Address all queries and comments

**What areas of your business do you need to spend more time in or on?**

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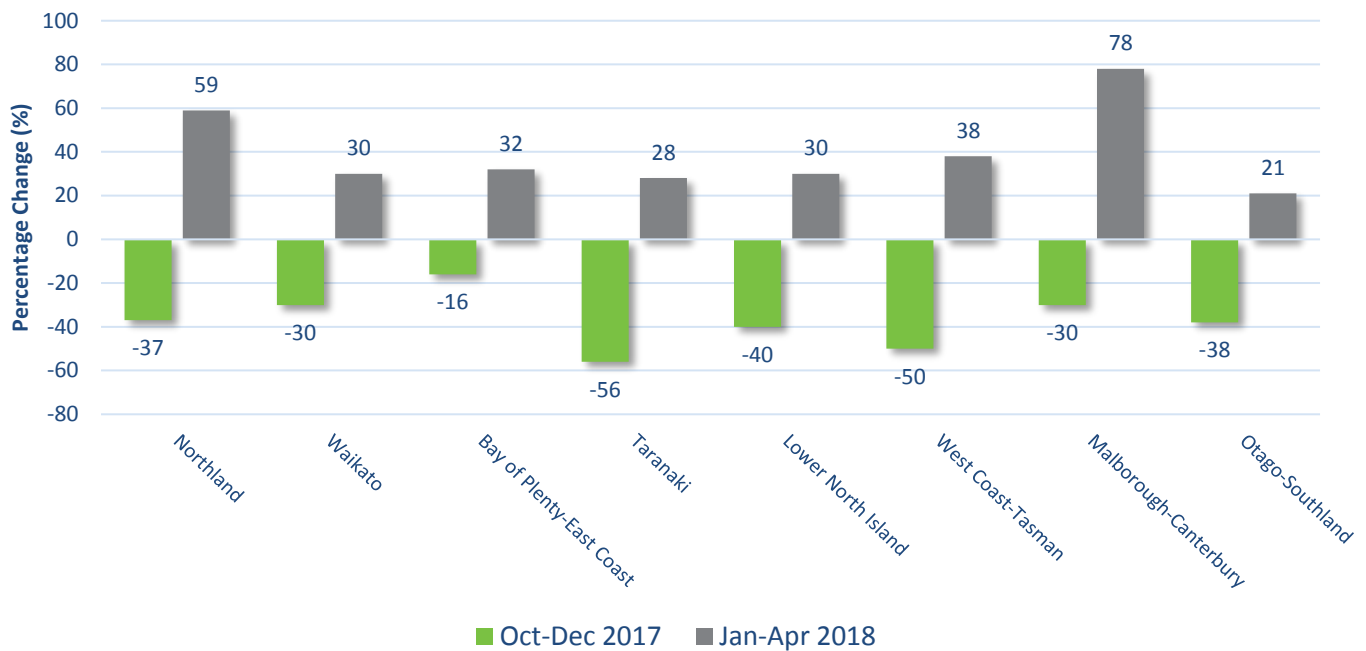
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## The 2017/18 Production Season in Review

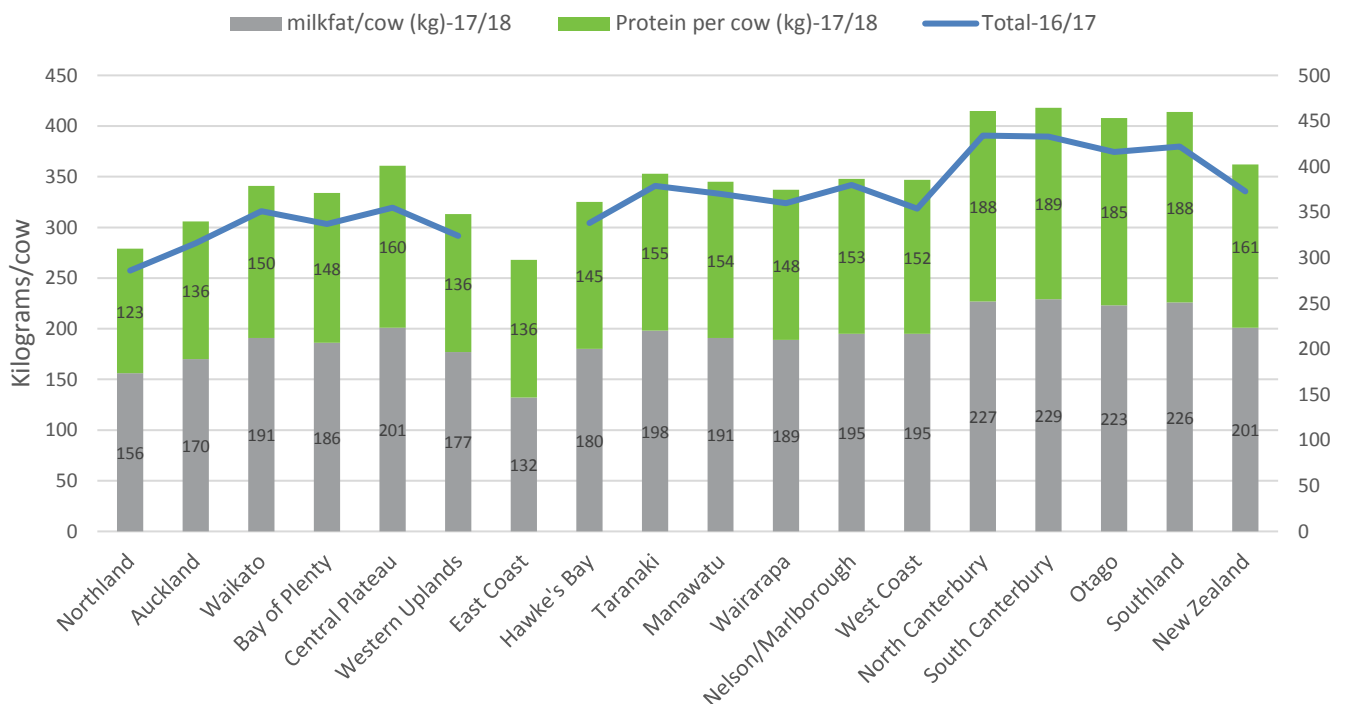
### 2017/18 Rainfall Summary<sup>1</sup>

2017-18 Variation in Rainfall from Ten-Year-Weighted Regional Averages



### 2017/18 Milk Production Summary<sup>2</sup>

Ave. milkfat & protein production per cow by region in 2017/18 compared to 16/17



<sup>1</sup> Source: NIWA, DairyNZ Economics Group, New Zealand Dairy Statistics

<sup>2</sup> Source: New Zealand Dairy Statistics 2017/18 and 2016/17



## **Farm System and Farmers History**

<b>Farm System</b>	<b>McCullough Partnership 2017/18</b>	<b>Waikato Average</b>	<b>Waikato Top 10%</b>
Total Hectares	383	-	-
Effective Hectares	250	127	122
Effective Milking Hectares	240	125	121
Peak Milking Cows	670	394	418

### **Farm and Personal History**

- Two years doing Economics at Waikato University, then did a Diploma of Agriculture at Massey. Worked for my parents on their dairy farm for a few years before going overseas.
- Worked in Canada in 2000 and Denmark from 2001-2003 before coming home to start sharemilking for my parents. Purchased the current farm in partnership with my parents in 2008.

### **Farm Philosophy and Systems**

- Farm is run by Richard & Nadine McCullough and my parents, Bruce & Wyn, are basically silent partners; they provided the equity and Nadine and myself provided the debt.
- The system is 100% Autumn calving. The overall philosophy is to have a system that is financially and environmentally sustainable while providing a good lifestyle. We try to have a business that is as resilient as possible to fluctuations in milk price, weather and feed costs, we buy in about 15% of our feed and try to grow the rest on farm. I try to have a system that the staff can manage easily when I'm not there.



## People Leadership and Productivity

People Productivity	McCullough 2017/18	DBOY National Average	Waikato Average	Waikato Top 10%
People Investment per Cow (\$)	\$285	\$391	\$403	\$343
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Unplanned Costs per FTE (\$)	\$0	\$169	-	-
Unbudgeted Days Lost per FTE	1.25	1.21	-	-
Labour Turnover - Management Staff (%)	0%	15%	-	-
Labour Turnover – Non-Management Staff	0%	31%	-	-

### Key Concepts

- We have two full-time staff – no casual or temporary staff.
- Their roster is 7 on 2 off during calving and 10 on 4 off for the rest of the year.
- Try to make sure they have plenty of time off and not let their hours get too high, even during calving.

This section of the DBOY Farm Performance Report is managed by No8HR. For further information on the people leadership scorecard or for advice with your own staffing, please contact No8HR on 07 870 4901 or visit [www.no8hr.co.nz](http://www.no8hr.co.nz)



# HUMAN RESOURCES METRICS

McCullough Farm Partnership Ltd

No.8  HR

SECTIONS	MEASURED BY	Lower Score		Median	Good performance		Your Farm Results	Group Average	Your Score
BUDGETED SPEND	People Investment per Cow				■		\$285.25	\$390.69	2.26
UTILISATION	Cows per FTE				■		209.38	165.73	1.07
	Milk Solids per worked hour			■			30.36	27.43	0.82
TRAINING SPEND	Training spend per FTE in \$\$	■					\$0.00	\$385.32	0.00
	Training spend per FTE in hrs	■					0.00	33.33	0.00
UNPLANNED COSTS	Costs per FTE (milk co fines, employment disputes costs etc)					■	\$0.00	\$168.64	1.25
	Unbudgeted Days Lost per FTE (i.e. sick / grievance/ suspension / breavement)			■			1.25	1.21	0.52
LABOUR TURNOVER	Management Staff					■	0%	15%	1.25
	Non Management Staff					■	0%	31%	1.25
HEALTH, SAFETY & WELLBEING	% days lost due to injury per FTE					■	0%	0%	1.25
	Rostered Days off per annum per FTE			■			60.00	55.21	0.73

**OVERALL SCORE**  
(out of 15) **10.40**



## Environmental Management

Environmental Management	McCullough Partnership 2017/18	DBOY National Average
Effluent Pond	Claylined	Lined
% of Farm Irrigated with Effluent	66%	41%
N Loading on Effluent Area (kg/ha)	62	105
KgMS/ha per KgN Loss/ha	38	30
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Olsen P Levels	At Optimum	At Optimum
Winter Cropping % of Farm	0%	2.8%
Winter Soil Management	Formal Standoff	Formal Standoff
Green House Gases (Total CO <sub>2</sub> Equivalents)	9,027	16,268

### Key Concepts

- The last few years we have tried to make sure our farm system was going to be sustainable in the future and meet new upcoming regulations while still retaining profitability.
- We invested in a large weeping wall to increase our storage and also allow us to spread effluent on a much larger area.
- Try to use maize paddocks to take up as much effluent as possible.
- We have started planting out some less productive areas in native.
- Dung beetles going on farm this year.
- Whole farm soil testing mainly to identify where we could get best response from Nitrogen using least possible amount.

## Headlands Environmental Impact Assessment

McCullough Farm Partnership Ltd - Waikato - Non Irrigated

Category	Best Management Practice Criteria	High Risk	Med-high Risk	Medium Risk	Med-Low Risk	Low Risk	Your Result	Your Score <sup>2</sup>
Effluent	Lined/sealed effluent pond			■			Claylined (untested)	3
	% of farm irrigated with effluent					■	66	5
	N loading on the effluent area <sub>kgN/ha</sub>				■		62	4
	Application rate 10mm or less					■	Less than 10mm	5
Nitrogen	KgMS/ha per kgN Loss/ha	■					38	1
	KgN Leached <sup>1</sup>				■		25	4
	N Conversion Efficiency <sup>1</sup> %				■		41	4
	Soluble N Use <sup>1</sup> <sub>kgN/ha</sub>				■		52	4
Phosphorus	P Loss per ha <sup>1</sup>				■		0.7	4
	Olsen P Levels				■		At optimum	4
Soil Protection	Winter Cropping Area <sup>1</sup>					■	0	5
	Winter Soil Management					■	Herd home, feed pad or winter stand off yard	5
Greenhouse Gas	Total CO <sub>2</sub> Equivalents						9027	-
							Your Total Score (out of 60)	48
							Your weighted DBOY Score (out of 15)	12

<sup>1</sup> As defined by Overseer V6.3.0 <sup>2</sup> Refer to appendices for criteria



## Livestock and Production

Livestock Management	McCullough Partnership 2017/18	Waikato Average	Waikato Top 10%
Peak Milking Cow Numbers	670	394	418
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Milk Production as % of Live weight	73%	82%	90%

### Key Concepts

- Lameness is a big focus at the moment, when we shifted from split calving to full Autumn calving it significantly increased the distance our cows had to walk during the Winter and has led to a big increase in lameness.
- We have reduced land area and herd size by not carrying on with some lease land that we felt was marginal on making any money.

### Cows

- Friesian, Friesian X herd, calving 1<sup>st</sup> March, mating 23<sup>rd</sup> May, mating to A2 semen last two seasons, 5 weeks AI, 5 weeks bull, Hereford bulls for herd, Highland bulls for young stock.

### Young Stock

- About 20% replacements, all young stock raised on farm. Calves kept on milking platform over their first Winter.



## Feed Management

Feed Management	McCullough Partnership 2017/18	Waikato Average	Waikato Top 10%
Stocking Rate (cows/ha)	3.03	3.18	3.53
Stocking Rate (kgLW/ha)	1,451	1,520	1,690
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Feed Conversion Efficiency (kgDM/kgMS)	13.98	12.09	11.57
Total Consumed per Cow (tDM)	5.47	4.92	5.30
Pasture Consumed per Cow (tDM)	4.87	3.92	4.29
Forage Consumed per Cow (tDM)	1.15	0.91	1.01
Concentrate Consumed per Cow (tDM)	0.67	0.47	0.51
Average Feed Cost (/tDM)	\$298	\$374	\$335
Pasture Costs (/tDM)	\$289	\$367	\$322
Forage Costs (/tDM)	\$288	\$403	\$384
Concentrate Costs (/tDM)	\$365	\$377	\$356

### Key Concepts

- Had a farm advisor on a regular basis since we've been on the farm until he retired recently.

### Pasture

- Try to be pasture-only from mid-September onwards until just before calving. Try to have cows on about 45-day round over Winter.
- Use LIC Space programme for pasture measurement for last 18 months.

### Supplements

- Main brought in feed has been PKExtra last two seasons and add in extra protein feed if needed (Canola, DDGS, etc.)
- Grow around 35-38 ha of Maize on farm.
- Diet is usually about 6kg concentrate, 4.5-6kg maize and around 9kg pasture.



## **Profitability of the Business**

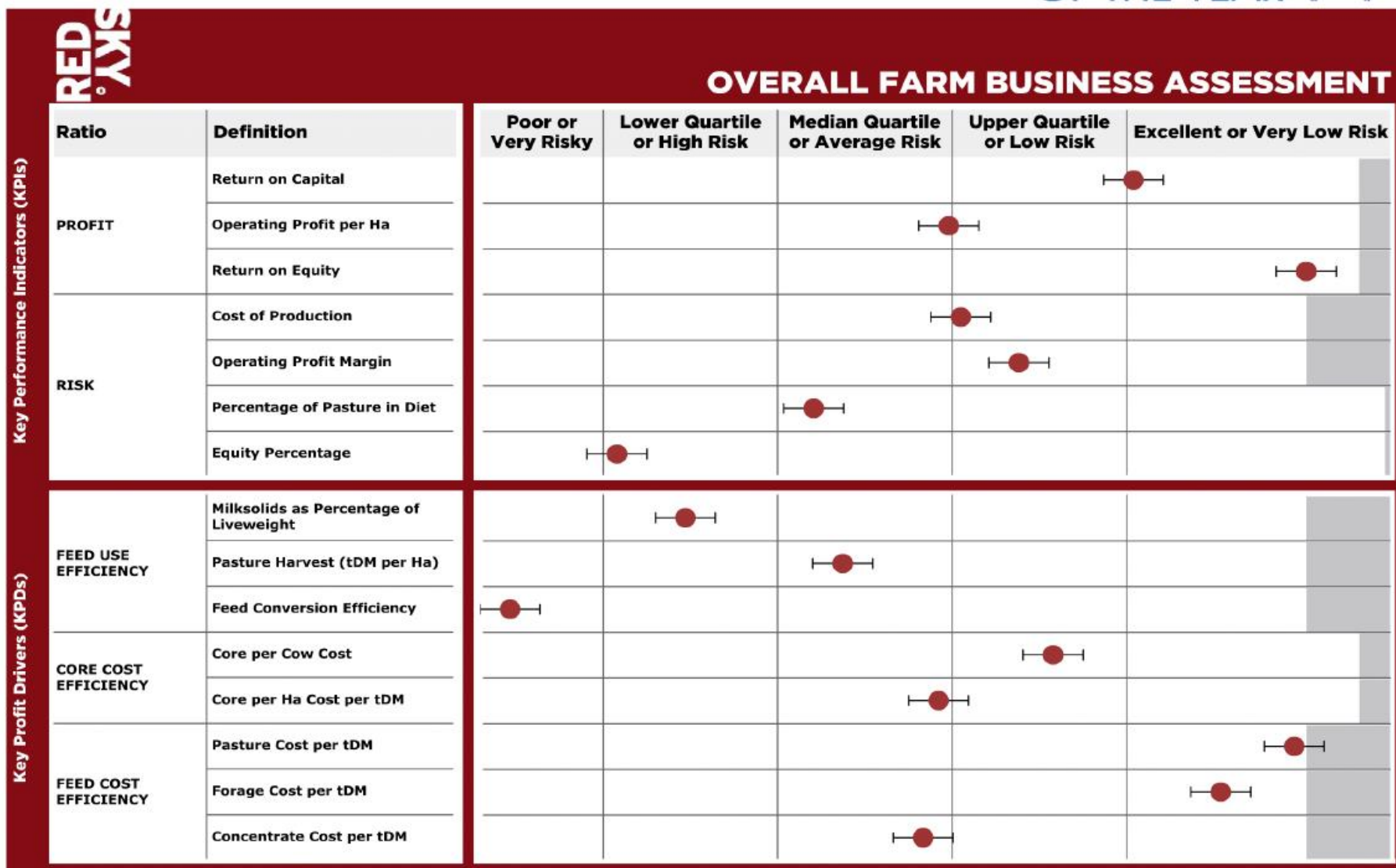
Profitability	McCullough Partnership 2017/18	Waikato Average	Waikato Top 10%
Return on Capital (%)	6.9%	4.6%	7.0%
Return on Assets (%)	6.9%	4.6%	7.1%
Operating Profit Margin (%)	44%	35%	46%
Operating Profit per Hectare (\$)	\$3,708	\$3,227	\$5,316
Gross Operating Revenue per Hectare (\$)	\$8,425	\$9,200	\$11,478
Gross Operating Expenses per Hectare (\$)	\$4,717	\$5,974	\$6,162
Milk Price per kgMS (\$)	\$7.48	\$6.75	\$6.79
Gross Revenue per kgMS (\$)	\$8.01	\$7.42	\$7.51
Farm Working Expenses per kgMS (\$)	\$3.75	\$4.09	\$3.46
Operating Expenses per kgMS (\$)	\$4.48	\$4.82	\$4.03

### **Key Concepts**

- Try to focus on producing the milk at the lowest possible cost while getting highest possible price (hence winter milk). Use lowest cost feed first, pasture and home-grown maize and then use concentrates to fill in the gaps in diet.
- Lifestyle is very important and any changes to the system need to not add too much time or complexity to the system.

### **Cost Control Techniques**

- I spend a lot of time working out the economics of any decisions and usually won't do it unless there is a very clear margin. I'm not interested in buying in feed to make more milk unless I see a good margin in it.

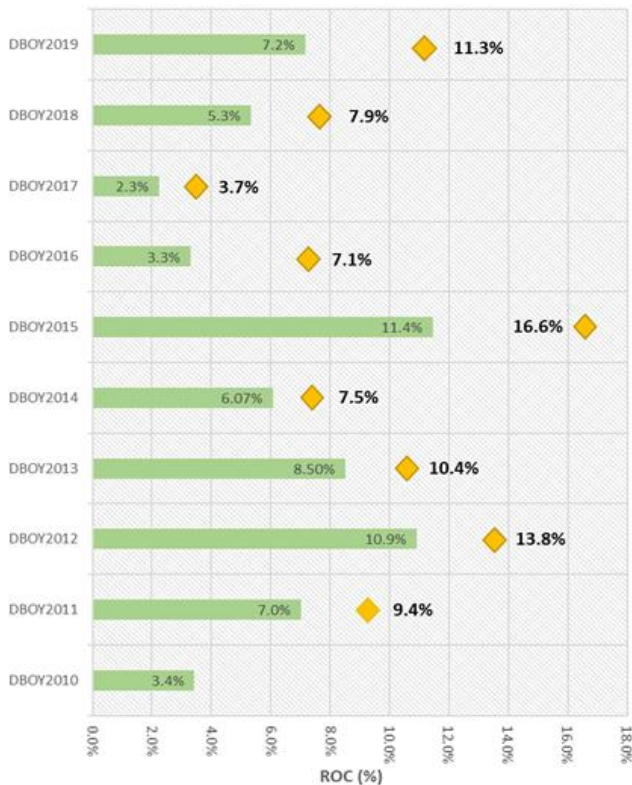




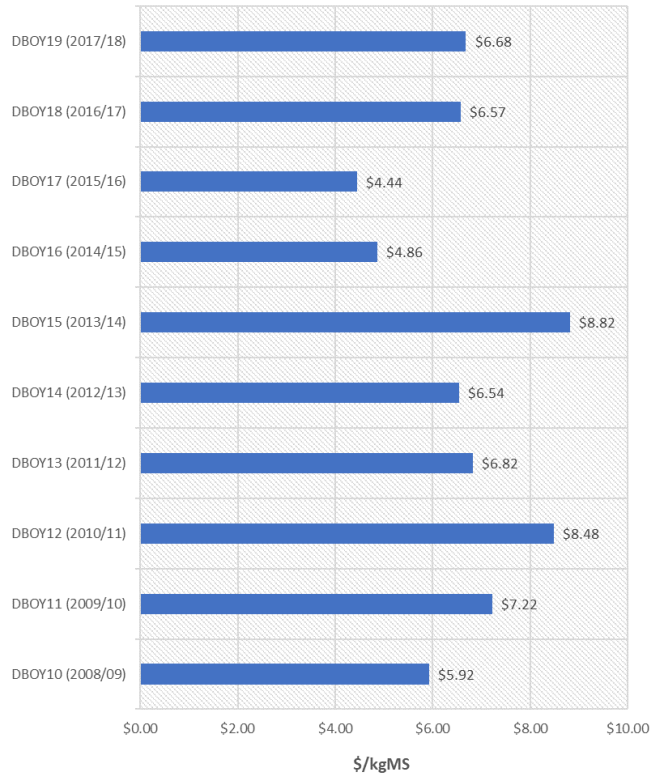


## How Does your Business Compare?

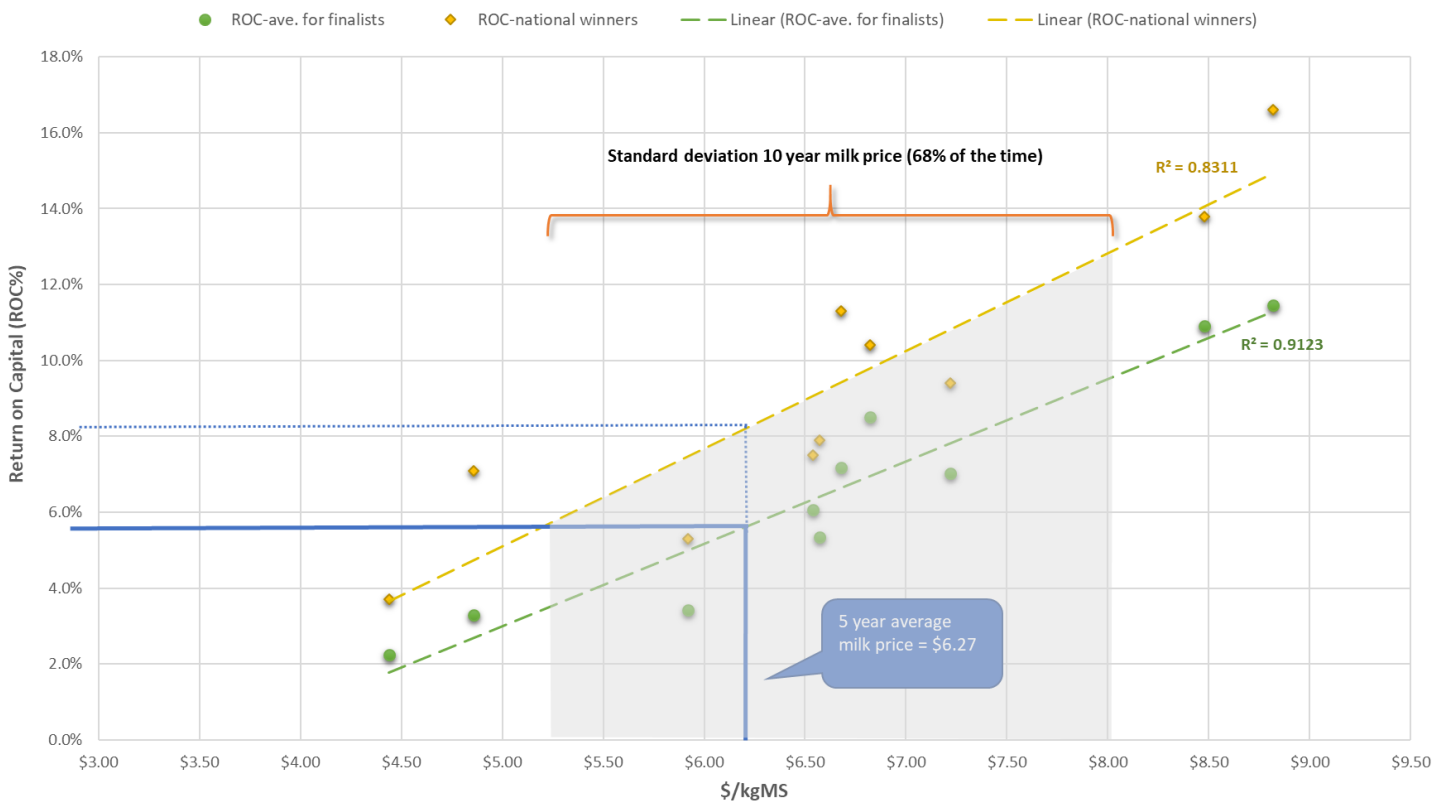
Average ROC across DBOY Finalists & Supreme Winner



Inflation Adjusted Milk Payouts<sup>3</sup>



Return on Capital vs. Milk Payout - DBOY FINALISTS & SUPREME WINNERS (2008/09 to 2017/18)



<sup>3</sup> Source: New Zealand Dairy Statistics. Average dairy co-operative payout (Fonterra, Tatua, Westland). This includes Fonterra dividend payments.

## Lunch Break

Lunch break is a great opportunity to network. You may wish to record details of those you talk to so you can contact them later for further discussions.

<u>Name</u>	<u>Phone</u>	<u>Email</u>	<u>Discuss more about</u>

## Lunch Kindly Sponsored by Dairy Exporter



*The Dairy Exporter magazine is New Zealand's oldest dairy farming title, with a proud history of helping dairy farmers Learn, Grow and Excel for the past 95 years. The magazine is delivered each month into 4000 subscribers letterboxes, and we at NZ Farm Life Media pride ourselves on delivering the latest 'inside the farmgate' information, best practice and profitable farming strategies, through on-farm case studies, expert commentary and the latest science and technology to add to farmers' bottom line. We drill down into the detail of NZ's top-performing dairy farmers, helping farmers learn from each other. Hence our proud sponsorship of the Dairy Business of the Year contest where benchmarking identifies profitability, resilience and sustainability to define dairy excellence. The benchmarking also drives continual improvement, benchmarking farm businesses with each other and with themselves between years, and The Dairy Exporter magazine is the title to drill down into the detail and transfer that best practice to other farmers.*

### **Jackie Harrigan**

Editor, NZ Farm Life Media Limited  
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## Exploring Business Growth Opportunities

Informal Discussion with our Sponsor Partners - Use the space below to brainstorm your ideas.

### PROGRESSING YOUR BUSINESS - WHERE TO START

FARM SYSTEM – PHYSICAL OR FINANCIAL

PEOPLE

ENVIRONMENT

## WHAT DO YOU THINK?

### FIVE CORE STRENGTHS OF THE BUSINESS

1.

2.

3.

4.

5.

## FIVE OPPORTUNITIES FOR IMPROVEMENT OR BUSINESS GROWTH

1.

2.

3.

4.

5.

## Entering DBOY 2020

### Why Enter

- ✓ **Detailed Analysis Report for all Entrants.** The report highlights strengths and opportunities to fine-tune the business by reviewing Profit (financials and farm system management), People Leadership and Planet (environmental and nutrient management). Example report can be viewed at [www.dboy.co.nz](http://www.dboy.co.nz).
  - Profit: analysis of financial and physical performance, including farm system management and financial performance.
  - People: an assessment of labour management, staff engagement and overall performance. With people management being one of the leading areas of a successful business.
  - Planet: a review of nutrient management and environmental preservation. The assessment not only assesses the environmental impact, but how you could use nutrients more effectively which can also be financially beneficial.
- ✓ **Quick and Easy to Enter.** The data forms are simple to complete, and no interviews are required, analysis is based on performance results, so the hard work is already done.
- ✓ **Huge Value for a Small Entry Cost.** Thanks to the subsidies provided by our generous sponsors you receive over \$2,000 of information for only \$450+GST for full analysis.
- ✓ **Great Benefits for Top Performers.** Along with the Award prizes there is an exclusive Leaders Optimisation Day where all finalists have the opportunity to assess each other's businesses and learn from other top performers from around the country.

*"The detailed physical and financial analysis and report from DBOY provided us with a better understanding of the KPIs in our business. The report reinforced our low-cost structure and identified areas that we could tweak to gain even greater efficiencies. Winning the Regional and Supreme has put us in good stead with our bank, and they have greater confidence in us and see us as a low risk which is really important, especially for any future developments or opportunities we may want to pursue."* Andrew & Sibylle Sulzberger



*"We have entered DBOY three times now as the data gained via the Farm Performance Assessment Report is invaluable in assisting us make evidence-based decisions for our business. DBOY allows us to benchmark ourselves with other top-end businesses and provides an accurate "warts and all" critique of our business. The report also helps us set KPIs that ensure relevance for our goals. We now have a comprehensive set of data that we use to not only assess performance, but also assist with planning/modelling future strategies."* Tim Montgomerie



## How to Enter

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*All forms can be completed online at [www.dboy.co.nz](http://www.dboy.co.nz), or by contacting DBOY via email at [team@dboy.co.nz](mailto:team@dboy.co.nz), or phone 0800 735 588 and request an electronic entry form that can be completed within Excel.*

### STEP ONE - ENTRY FORM

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#### 1. Can we enter?

Any business entity can enter (owner operators, sharemilkers with property owners, lease farms, equity partnership, companies). As long as we receive the season's financial information for the whole business system, we can combine them into one business for the competition, e.g. owner and sharemilker.

#### 2. Do I have to be in the competition?

No - You can choose to opt out of "competing" and you will still receive all the same comprehensive analysis and report. All sections of the entry form must still be completed; you cannot choose to drop sections out. NOTE that only businesses that comply with regional council regulations are eligible to compete.

#### 3. Red Sky

View DBOY Example Report online at [www.dboy.co.nz](http://www.dboy.co.nz)

- i. Red Sky \$450+GST for a full analysis; physical data forms must be completed

#### 4. Complete Entry Form / Client Authority Form

- i. Complete online or request a form or complete overleaf (~5 minutes)

### STEP TWO - COMPETE DATA COLLECTION

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#### 1. People Productivity Form

- i. Complete online or request a form (~10 minutes)

#### 2. Environmental Form

- i. Complete online or request a form (~10 minutes)

#### 3. Financial/Physical Forms

- i. Red Sky – Complete online or request a form (~30 minutes)

### STEP THREE - PROVIDE REQUIRED INFORMATION

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1. Where required, ensure you have requested further information ahead of time from either your accountant and/or nutrient advisor (for an updated Overseer) in order to provide all the information required by DBOY.
2. Answer any questions the DBOY team may have that will allow your business to be analysed promptly and accurately.

Client Details and Authority				
<b>ENTRANT DETAILS</b>				
Farm Name:				
<b>Names</b>	<i>First Name</i>	<i>Last Name</i>	<i>Position e.g. Owner</i>	<i>Main Contact (✓)</i>
Person One				
Person Two				
Person Three				
<b>Contact Details</b>	<i>Contact</i>	<i>Person</i>	<i>Contact</i>	<i>Person</i>
Email:				
Landline Phone:				
Mobile Phone:				
<b>Address</b>	<i>Farm Address</i>		<i>Postal Address</i>	
Street				
Area /RD				
Town, PostCode				
<b>How did you hear about DBOY?</b>				
<input type="checkbox"/> Google <input type="checkbox"/> Facebook <input type="checkbox"/> Read an Article <input type="checkbox"/> Word of Mouth <input type="checkbox"/> Sponsor				
Please detail:				
<b>ENTRY</b>				
<b>Entry Level</b>				
	Yes I am willing to participate in the competition and confirm my farm is compliant with all regional council compliance requirements			
	No I do not want to be in the competition but would like a Dairy Business of the Year full farm analysis. I understand I will need to complete the three areas of the assesment and cannot choose to leave sections			
<b>Entry Type</b>				
	FULL ANALYSIS - I have not had anlysis seasons financials analysed and I would like a full DBOY Report using Red Sky. I understand I will need to provide physical data about my farm			
	RED SKY USER - I have already had the analysis seasons financials analysed in Red Sky already and want to use this to enter			
<b>DATA COLLECTION AUTHORITY</b>				
<b>Consultant (if applicable)</b>				
	I am in agreement for my consultant to be contacted in order to confirm any information that may be required			
Company			Name	
<b>Milk Company Details</b>				
	I am in agreement for Dairy Business of the Year to be provided with my milk production and payment			
Milk Supply Company			Supply Number:	
<b>Accountant Contacts</b>				
	I am in agreement for DBOY to be sent a copy of my accounts that relate to this Dairy Farm Business			
Firm:			Accountants Name:	
Email:			Phone:	
<b>Nutrient Management</b>				
To enter the competition side the farm has to be compliant with regional council rules				
	I grant Dairy Business of the Year the authority to request and access any information from local/regional authorities regarding the compliance of my farm with local and regional regulations related to dairy effluent management and the taking of ground/surface water.			
	I grant Dairy Business of the Year permission to request and access my Overseer File, Fertiliser data, soil tests results, and a nutrient management plan from my representative fertiliser/nutrient provider. I will also provide Dairy Business of the Year access to the relevant year end Overseer assessment for my farm as it relates to the DBOY competition.			
	I permit Dairy Business of the Year to request access to my Sustainable Milk Plan and/or Farm Environment Plan from the relvant holding authorities			
Nutrient Advisor Company:			Advisors Name:	
Advisors Email:			Advisors Phone:	
<b>CONFIRMATION OF AUTHORITY TO COLLECT DATA</b>				
	I confirm I am in agreement for Dairy Business of the Year to contact my service providers listed above to collect the information required for my Analysis Report to be produced.			
	I understand I must complete and return the written forms before my entry is complete			
	I will ensure all parties have the information required from me as soon as possible			
	I have read and understood the terms and condition found on www.dboy.co.nz			
Signed		Date		

## Feedback Form

We would appreciate if you could complete this form and hand it to the DBOY presenter.

Name \_\_\_\_\_

1. Where did you hear about the field day? (tick box)

- ☐ Flyer in mailbox
- ☐ Ad in the paper
- ☐ Facebook
- ☐ DBOY website – [www.dboy.co.nz](http://www.dboy.co.nz)
- ☐ Word of mouth – friend or co-worker
- ☐ Word of mouth – through one of the sponsors
- ☐ Word of mouth – local store or other rural professionals
- ☐ Other, please specify

\_\_\_\_\_

2. Please rate how satisfied you were with the event  
(1= disappointed, 10= very satisfied)

1      2      3      4      5      6      7      8      9      10

3. What did you find of particular interest during the day and would like to see again on another farm next year?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

4. Is there anything you were hoping to get out of the day which was not covered?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

5. Is there anything you felt didn't need to be covered, or you did not enjoy?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

6. Will you be coming to the Regional Optimisation Days in your region next year? Yes / No  
If no, why not?

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7. How aware are you of DBOY's analysis and reporting on your own business?
- ☐ This is the first time I knew that DBOY completed a business analysis and report
  - ☐ A friend or neighbour had mentioned that DBOY prepared an analysis and report
  - ☐ My consultant/bank manager/other had mentioned that DBOY completes a business analysis and report, but I haven't taken it further
  - ☐ I have entered in the past
  - ☐ I have entered in the last few years, and am very familiar with a DBOY report
  - ☐ I have recently reviewed the DBOY webpage
  - ☐ I am aware of the analysis and report through the DBOY Facebook page
  - ☐ Other

8. Would you be interested in having DBOY analyse your farm business? Yes / No  
If no, why not?

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Please contact me regarding entry/analysis

Name:

---

Email:

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Phone:

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*Thank you!*