

Drivers of Top Performing Farmers – Summary of results

Introduction

In 2014, Red Meat Profit Partnership (RMPP) set out to understand what makes some farming businesses consistently perform well on a year-on-year basis. This study was part of a larger research program to help develop initial strategies for improving performance in the New Zealand sheep and beef industry.

The primary objectives for this piece of work was to:

- > Identify the characteristic, structures, behaviors and attitudes differences between high and average performing farm businesses.
- > Understand who or what drives farmer ambition.
- > Identify what has driven high-performing farm businesses to adopt new practices.

This report focuses on top performing farmers; however, some comparisons are made with those in the mid-tier to help illustrate where key differences existed.

Methodology

Key to the success of this research was ensuring RMPP had a credible sample of top and mid-performing farmers. Farmers from across New Zealand and from all the major classes of sheep of beef farming as defined by B+LNZ were included. The strong industry partnership of RMPP meant that across the partners there was scope to achieve a sample based on objective financial results.

The main measure used to define performance was economic farm surplus, supplemented with return on assets. For both of these measures farmers' average results over the last three years were taken into account. All of the mid-tier farmers were identified from the B+LNZ economic service survey database. To be eligible the farmer's financial performance had to be in the second and third performance quartiles.

The final sample for this study consisted of 58 famers (n=30 top-performers; n=28 mid-tiers).

Table 1 Summary of the financial performance of the top-performing farmers who participated.

	Financial Years		
	12/13	11/12	10/11
EFS/ha			
Top 5 (Av.)	\$ 704	\$ 1,054	\$ 893
Top 30 (Av.)	\$ 435	\$ 562	\$ 380
ROA			
Top 5 (Av.)	8.6%	13.2%	10.9%
Top 30 (Av.)	6.5%	8.8%	6.0%

Qualitative research was used to gain an in-depth understanding of farmer’s experiences and perceptions. Face-to-face unstructured in-depth interviewing lasting approximately 60 minutes was completed mostly in the homes and on the farms of the participants including the farm team (husband and wife, father and sons).

This study has been designed to uncover and understand what drives top-performing farmers allowing some conclusions to be drawn however it does not tell us how widely these views are held amongst the wider population of sheep and beef farmers.

Results and Discussion

There are several main drivers for performance among New Zealand’s top sheep and beef farmers and a number of connected practices these drivers lead them to adopt. Figure 1 summarises the main drivers.

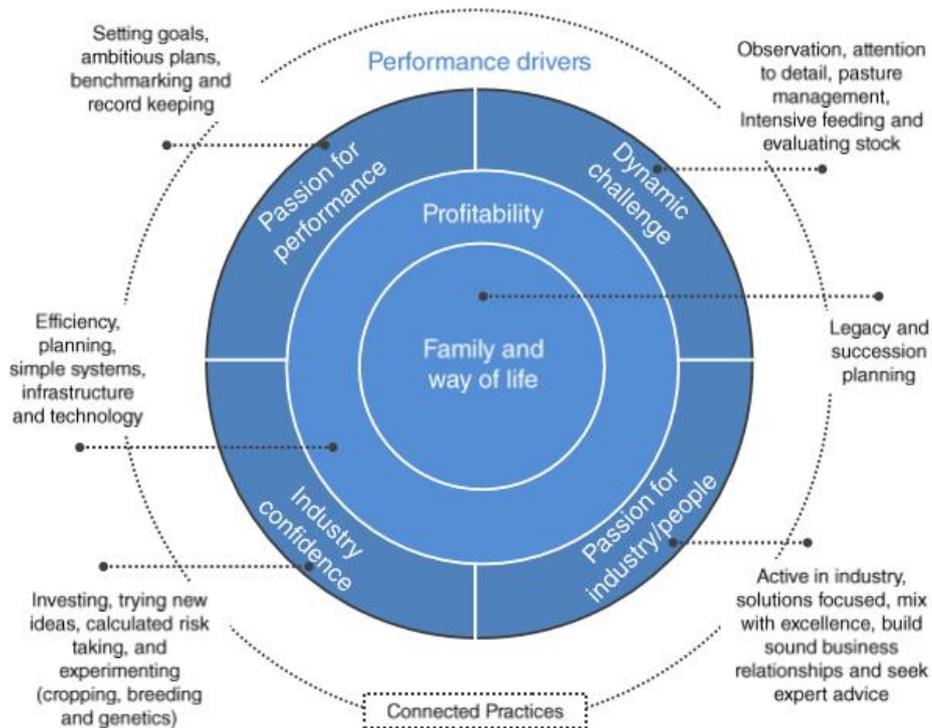


Figure 1 - Summary of the main drivers of performance for top-performing farmers

One driver is not more important than the others as they are all connected in some way.

The underlying motivation for why farmers operate the way they do is the importance of family and the way of life that farming provides.

Profit is crucial. When stripped back, profits allow top performers to provide opportunities for their families and live the farming way of life that appeals to them so deeply. These two factors then link into a range of drivers that form the fabric of where some farmers consistently perform and what drives them to get out of bed each morning and push for greater profits.

The drivers for mid-tier farmers are similar to high performers in some ways and different in others. Family and way of life is also central to these farmers. Passion for performance, industry confidence, passion for industry and people and dynamic challenge are also the same drivers for mid-tier farmers.

However, the relevance of these drivers for motivating them to go the extra mile is not anywhere near as strong in comparison to higher performing farmers.

Those performing at the top end of the scale have an in-built drive for success. This study suggests that most farmers have a sense of what needs to be done to farm successfully but only the top-performers are both motivated to and know how to consistently execute.

Performance Drivers

Each of the performance drivers have been broken down into three components.

What top performers **think**,



do,



and **say**,



to clearly articulate the research findings in a practical and simple way.

Family and way of life

Family is an important driver of performance. Top performers strive to provide their children with similar opportunities they were given by their parents.



Three factors are important when it comes to family;

- Providing opportunities for the next generation.
- The balanced way of living, flexibility and spending more time with their children on and off-farm.
- A desire to continue to build on and develop their family's legacy and the potential of the land first carved out by those who went before them.



Top performers are focused on having strong succession plans in place clearly articulating how they had achieved succession or what plans were in place.



“I am third generation now and you spend your day out and about around the place and you see what your grandfather achieved and what your father achieved. This house we are in here my grandfather built this himself, took him 4 ½ years, started in 1957 and finished in 1961, and that was out of poverty.” (Central Otago, top-performer, male)

“We want a good lifestyle, to enjoy it, to have a farm that is improving to grow our business and successful farm succession. The only way to achieve this is a high-level of productivity.” (Waikato, top performer, male)

All farmers are keen on succession planning, however the mid-tier were generally less confident that their farm would be able to be successfully passed onto the next generation.

Profitability

Top performing farmers are focused on making good profits.



Top performers think differently about the role and use of technology. Technology by itself was never the primary root or cause of top performance but it was used as a tool to support efficiency and planning.



Those at the top of their game consistently generate regular profits. They know which aspects of their operations make the best returns, and consequently this is where they focused their efforts. A key factor was their attitude and focus on being as efficient as they could. This approach drove several practical actions:

- They invest in good infrastructure so jobs can be done as efficiently as possible.
- They have simple repeatable systems in place that can be easily understood and managed.
- They are focused on specific milestones and targets in relation to their animals (weights and lambing %).
- They have developed systems that allowed them to efficiently align their grass growth curve with market opportunities to achieve the best returns possible.

Top farmers understand numbers well and have a firm grasp of their own farm financials. They pay close attention to their financial position and have a deep understanding of the margins of farming and where the best profits could be made. They are **three times** more likely to have a budget and regularly review it than their farming peers.

Top performing farmers are good planners and are always thinking ahead. They have a range of levers in place and were confident to pull these when the timing was right.

Leveraged related to

- Ways to cope with feed gaps.
- Stock that could be marketed.
- Fertiliser.

Overall they were skilled at reading the signs and knowing when to execute.



“We are consistently looking at all the fundamentals, condition of stock, what our financial performance is throughout and at the end of each year and really keeping a handle on what is going on. I think this possibly sets us apart from others.” (Otago, top performer, male)

“Our main goal at the end of the day is to have a profitable operation but we are always looking for opportunities. We want to pay off as much debt as possible but if an opportunity comes along where we can make more money we would certainly have a look at it.” (Hawkes Bay, top performer)

Top performers vs mid-tier farmers are more likely to have firm plans in place for growing their operations, and a stronger appetite for borrowing to both increase returns and/or the size of their farming business.

Industry Confidence

Top performers are confident in their sector, confident in their business and are willing to invest and grow their operations.



Top performers have a bold and brave attitude. Their boldness is driven by both confidence in the market and confidence in their own ability to achieve even greater productivity behind the farm gate. Underlying this confidence was a determination to do better and a belief that they could.



This confidence drove a greater appetite for change and almost constant exploration of new ideas. However top farmers didn't blindly pursue new ideas and take large risks. They applied analytical thinking to quickly assess opportunities and make good decisions.

Top performers are willing to invest to increase returns. Most experiment with a percentage of their farm system every season. Experimentation and investment is focused in two main areas;

- Cropping and new pastures to achieve greater performance from stock. Specialist advice is sought to make sure they get it right.
- Considerable time, effort and money is invested in genetics to make sure they have the best for their system as genetics is viewed as critical to their farming success.



"I am very confident. I have proven that you can get the same returns as a dairy unit off the same area. I think new markets that are opening up in China, although China is fickle, looking good and promising." (Wairarapa, top performer, male)

Mid-performing farmers have mixed levels of confidence in the future of the industry. They were most likely to believe that their ability to earn greater returns was largely governed by off-farm influences. This group were not necessarily risk adverse, rather they tend to be slower to act and less confident about trying something different from what they had been confidently doing for years.

Challenge of dynamic environment

A dynamic sheep and beef farming environment can mean different challenges occurring often. Top performers get it right more often than not and succeed despite the fluid and unpredictable nature of the farming environment.



Those consistently performing in the top bracket thrive on the challenge and uncertainty and get satisfaction out of getting it right. They are competitive, reluctant to accept failure and work hard to be the best they can.



Top performers have the fundamental ability to observe and respond. They routinely allocate time to observing their farm and the market to identify issues as they arise, reacting and fixing issues before they became serious problems. They have flexibility in their thinking and their systems so they can respond quickly. They are good problem solvers and are focused on making timely decisions.

Top performers pay close attention to the basics such as growing grass, keeping their stock healthy and feeding them well. Focusing on details is critical to getting these activities right. Performance is driven by an intensive approach to grazing and feeding

stock meaning emphasis and focus is put on stock water, subdivision and soil fertility. Pivotal to the practice of feeding stock well is time and effort allocated to weighing and condition scoring stock and using this information to make decisions on rotational grazing, preferential and priority feeding.



“Monitoring and reporting is fine and valuable, but you still have to be alive and observant to what is happening around you because it is such a dynamic changing business.” (Southland, top-performer, male)

“Farming success is made in inches. It is all the small little gains you make each day that add up.” (Wairarapa, top performer, male)

Timing, decision making and execution (the right task at the right time) was observed as key differences between top and mid-tier farmers.

Passion for industry and people

Top performers are strongly driven by their passion for the industry and desire to see improvement right across the sector. They are committed to the sector and passionate about the products they produce.



Top performers belief and passion resulted in an attitude of responsibility for the industry. They are positive about its future and are solution focused.

People are viewed as a key resource for the performance of their properties. Top performers go the extra mile to ensure that they attract and retain the best people. They get their staff involved in decision making and support professional development.



Their passion results in their involvement in industry initiatives such as extension activities and competitions.

Top performers are more inclined to want to mix with other people within the industry, seeing them as critical to help drive performance on their own farm. This includes rural professionals, other farmers around the country, suppliers and staff.

Those performing at the top are good communicators. They ask good questions to get the best information and form strong relationships. This is linked to a strong theme that top performers are often part of a strong team (husband and wife plus others) and have a keen focus on staff.



“I think being a good communicator is a big plus. You get the best out of people like your technicians, your specialists, your scientists, and your farm discussion groups if you have good, open, honest conversations”. Being prepared to sit, talk and listen is a real positive.” (West Otago, top-performer, female)

Passion for Performance

Top performers are motivated by performance and achieving goals and targets.



Top performers are driven, competitive and ambitious. These attitudes shape their thinking. They are determined to be the best in their field and work hard to achieve results. They are competitive and driven to compete against themselves and their own

benchmarks. They are ambitious with complex and exciting plans for their business and families and are confident they can achieve their goals.



Top performers have clearly articulated goals for their business and they support these goals with figures and concrete examples.

Their passion for performance results in a greater interest and commitment to record keeping typically measuring overall performance and progress at key times along the way to make sure they were meeting goals and achieving targets.



“Record keeping and benchmarking is critical to our farming success. I measure and monitor everything. I treat information coming in like my dashboard in the car so I know how fast I am going, what temperature I am running at and how much I have left in the tank”. (Wairarapa, top performer, male)

“I have got pretty detailed records however I only keep what is necessary to make good future decisions.” (Wairarapa, top performer, male)

In comparison, mid-tier farmers have less clearly defined goals and their goals are less ambitious. Consistent with their less clearly defined goals and confidence levels, mid-tier farmers are also less likely to keep comprehensive records around stock performance.

Summary

Money isn't the most powerful motivator when it comes to top performance; motivation comes from within and for high performing sheep and beef farmers, family is Number One. Measuring success for individual's families and businesses is not always possible in tangible terms. What matters more is what is important to individuals.

This study highlights that top performance doesn't happen overnight. There isn't one single defining action, no grand program, no one killer innovation, no solitary lucky break, no miracle moment that allowed these businesses to go from a mid-tier performer to a high performer.

The key lies with people. What motivates people to do the things they do? What drives people's behaviours and habits?

What can you as a farmer take away from this research?

Aristotle once said, “We are what we repeatedly do. Excellence, then, is not an act, but a habit.”

Therefore to get the best from this piece of research apply its learnings to you, your family and your business. What could you be doing differently if you want to improve your business? What practical steps could you take to make change to ensure the prosperity and success of your family?

Find out more

The full version of this report including in depth farmer comments can be found on the Red Meat Profit Partnership Website.