

High-performing farmers

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Author - Marc Elliott (Director, UMR Research)



Abstract

Most high-performing farmers are continuing to do what they have already been successfully focusing on for many years. These farmers do not blindly follow trends, rather when they introduce new practices, they tweak them to suit both their style of farming and the environment they operate in.

This research identified five challenges these high-performing farmers face that stood out as being at least more prominent than in 2015. The five main challenges detected in this study were:

1. An increasing need to farm sustainably linked to proof of activity via quality assurance programs.
2. An increasing sense of negative public perceptions linked to growing regulations.
3. Facing droughts, dealing with climate change, and the need to map pathways towards becoming carbon neutral.
4. Changing consumer preferences and what this means for the long-term viability of their businesses.
5. COVID-19 was a new challenge this year that presents both challenges and opportunities.

In most cases, high-performing farmers were working to front foot these issues and adapting their businesses to rise to the challenge. This meant they were already laying down pathways to mostly address these issues that other farmers could follow.

The critical characteristics that help drive performance are universal, therefore these remain mostly unchanged since 2015. The three central characteristics identified in this research as driving performance are: 'consistency of execution', 'attention to detail', and 'measuring and recording performance'. Another characteristic that stood out this year is that high-performing farmers through a strong sense of 'self-awareness' are particularly good at translating their values (or what's important to them) into a 'style of farming' that is profitable and sustainable for the environment they occupy.

We believe this research suggests a way to help other farmers improve their performance is to first assist them to understand what they value most in farming and then translate this into a plan that suits the dirt they occupy. This will be a several-year journey and is likely to require facilitation and peer support. We suggest that the capacity to consistently execute will be hard to build among other farmers who may not be interested in working the long hours required to achieve this. However, while each plan may be slightly different - measuring and recording performance should be universal and small steps adopted. The decision (arrived at via facilitation and peer support) on what to measure and focus on first should be driven by what the individual farmer values and enjoys the most about farming. The ultimate outcome from this approach will be sustainable (in every sense of the word) ways of farming.

Aside from this core suggestion, there are several other practices documented in this paper that help to drive performance. Other farmers, seeking to lift their performance could consider which ones they would like to introduce into their own style of farming.

Introduction

In 2015, on behalf of the Red Meat Profit Partnership (RMPP), UMR Research undertook a study among a group of New Zealand's highest performing red-meat farmers. This year a similar study was undertaken.

The study in 2015 identified the main drivers of performance for New Zealand's best red-meat farmers. This earlier study also interviewed a sample of mid to lower performing farmers. This was done to compare and contrast the main differences between these high and mid to low performing farmers.

The 2015 study found that the core drivers for why top performing farmers operate the way they do is the importance of both family and the 'way of life' that farming provides. While profitability is critical, when it is boiled down, profits allow top performers to provide opportunities for their families, and live the farming 'way of life' that appeals so deeply to them. These two factors are then followed by a diverse range of drivers that all form the 'fabric of farming' that drive top performers to get out bed and push for even greater productivity and profits.

This year (2020) the focus was on identifying what, if anything had changed for these farmers, particularly around challenges they were facing and how they were responding to these. This included opportunities they were pursuing in their industry. We also identified the critical characteristics these high performers possessed that allowed them to consistently achieve such good results.

Methodology

A similar qualitative in-depth interview approach to 2015 was undertaken this year. However, due to COVID-19 restrictions interviews were not conducted face-to-face. Most research conversations with these farmers were undertaken online via the Zoom platform, while about a third of these farmers were interviewed by telephone.

Not all farmers from 2015 were available to take part resulting in a total of 22 interviews being conducted this year down from the 29 high performers who participated five years ago.

Farmers were interviewed from right across the country and they mostly operated mixed sheep and beef operations. There was also a range of scale represented some owned one farm and others owned several properties.

To determine the findings in the final report, a thematic qualitative analysis approach was adopted. Initial themes were identified from interview notes and conversations between the two researchers who worked on this study. The prevalence and strength of the themes were then tested via reading and searching transcripts of the interviews. To understand if much had changed for these farmers over the last five years, these findings were then compared back to the 2015 study.

A full PowerPoint-style report called 'High-Performing Farmers – a qualitative study – July 2020' with extensive use of farmer verbatim has been produced.

This paper summarises the findings of this larger report into a few pages. In this document, we also provide some suggestions for the industry to consider for helping other farmers improve their farming performance.

Sample selection

In 2015, we followed a rigorous and objective process to identify the top sheep and beef farmers in New Zealand. This was done by asking the partners in the RMPP to identify the top-performing farmers they each had financial records for.

Once permission was given from the individual farmers, their KPIs on two key financial measures were shared with the RMPP. The measures used were economic farm surplus per hectare (EFS/ha.) and return on assets (ROAs). Each selected farmer had to show consistent high performance on these measures over the three financial years up to and including the 13/14 financial year.

From the exercise we identified a list of the 60 top performing farmers that came from the following sources:

- ANZ and Rabo Bank
- The three farm advisory firms of: MacFarlane, Baker and Associates, and AgFirst
- New Zealand Institute of Chartered Accountants, and
- Browns Glassford and Co Ltd.

The 30 farmers that we interviewed in 2015 were all in the top 40 of this list of 60 farmers. Out of the 22 farmers who participated in this study this year checks were undertaken to ensure they were still all performing at a high level. This included the researchers assessing this qualitatively in the interviews. Also, some more formal checks were carried out by RMPP through consulting with the original partners and others who had provided the financial data in 2015.

The checking exercise showed as that high-performance is a mode of farming that these farmers enjoy and continue to pursue until the end of their careers. Almost all participants indicated to us that they were now performing at a higher level than five years ago. Several had purchased additional properties or were planning to do so.

Main findings – challenges

1. *An increasing need to farm sustainably linked to proof of activity via quality assurance programs.*

Among these high-performing farmers, there is now a stronger focus on addressing environmental challenges linking through to proof of activity (quality assurance). There is also a general hope, but still not much evidence, that participation in quality assurance schemes would earn a premium and/or in some cases avoid being penalised in the market.

If you want to sell at the top end of the market, you are going to have to differentiate yourself somehow or another and by higher quality standards that are documented would be a pretty good start. (Canterbury, female)

In almost all examples, sustainable environmental practices equated to sound farming business principles. This meant many of these high-performing farmers were already mostly meeting the challenge of farming sustainably. A significant component of being more environmentally sustainable is using technology to accurately target the use of inputs such as fertiliser (via extensive soil testing and targeted application technology). This more efficient application of costly inputs helps to create profit by increasing margins. This targeted use is also more environmentally sound because it reduces run-off and wastage from unnecessary use of off-farm products used to support animals and pasture health. They also focus on breeding and managing animals in a way to reduce costly animal health interventions. Good farm management practices (such as grazing management and maintaining covers on pasture) protected the soil, which improved waterways and reduced run-off.

[Main drivers for all your environmental practices?] Because it is good for our bottom line. Plain and simple. There is no point in trashing pastures in the winter for example up on the hill that struggles to come back. There is no point in putting on more fertiliser than you need to. There is no point in letting your soil erode and go down the creek. No point in doing that, because your good topsoil, if you are going to lose that, that is where all your nutrients are. (North Canterbury, male)

Some were also experimenting with regenerative agriculture that potentially held some solutions to meeting environmental challenges.

2. *An increasing sense of negative public perceptions linked to growing regulations.*

Concerns about negative public perceptions of farming were evident five years ago, however, these apprehensions are more intensely held this time around. Concerns are unpinned by increasing regulations which are linked to the view that the general mood of the country is against farmers.

There is a strong theme among this group of wanting to take ownership of this issue. Some want to help show the public how they farm with integrity as the welfare of their animals and the environment are central to their business models. However, many were sick of the harsh criticism coming from others and the resulting blanket regulations that they believe will do more harm than good as all farmers would be penalised. They do acknowledge some farmers are letting the industry down and this is where regulations should focus.

So we are doing a lot of stuff very well, we just need to improve our image a little bit and just not rest on our laurels. We have a licence to farm, it is not our land, we look after it really, so I think that is important and that is something that we will be focusing on. (Gisborne, female)

These high performing farmers are good at what they do because they have an intimate understanding of their farm and animals. They know that both the land and animals must be kept healthy, or their intergenerational businesses will not stand the test of time. This means they mostly farm in a way that is in keeping with the environment they live in, achieving a balance between sustainability and profit.

We put the animal welfare first and then build a cost structure around the animal and then figure out the profit after that. We don't sit down and go, "We need to make 'x' profit". We sit down and we go, "If we are going to run sheep here or deer or cows or whatever it is going to be how are we going to make sure that their welfare is sorted out first before we worry about how much money we are going to make". Because if you don't do that you don't get the animal performance. (North Canterbury, male)

3. Facing droughts, dealing with climate change and the need to map pathways towards being carbon neutral

Concerns about drought and climate changes are more to the fore this year. Some farmers are thinking about pathways to being carbon neutral. However, as there is no current clear way to measure their farming carbon footprint there was much uncertainty around how this was going to play out.

I have done the online calculator. Lincoln University has got an online calculator for carbon and it is only pretty rough, but I could see that we could get to being carbon neutral with a bit more forestry and maybe down the track we could look at a few things, like possibly using electric vehicles on the farm. Maybe some solar energy – not sure quite yet. But, at the end of the day, we would maybe command a bit of a premium for our product. (Southland, male)

This means there was a bit of a wait and see mentality as they did not want to rush into major changes until there were better ways to gather evidence.

[Have you been doing some work to measure your footprint?] *Not hugely, a little bit. Only with the tools that are available. I don't think they are that good. I don't think they are really helpful to get your head around. [Is it Overseer you are talking about?] Yes. You hear comments from other people too that they are not that user friendly and helpful as to actually, really measuring what your carbon footprint is. (Gisborne, female)*

The whole carbon thing is a real issue it will be interesting to see what is going to happen on that front. (Gisborne, male)

A few felt affronted by what they perceive to be an unfair assessment of the impact of sheep and beef farming on the climate. These farmers believe that much of sheep and beef farming (particularly sheep farming) is already very close to being carbon neutral.

4. *Changing consumer preferences and what this means for the long-term viability of their businesses*

Another topic that many of these high-performing farmers identified as an emerging challenge is concerns about changing consumer preferences. In the 2015 study, these farmers were focused on producing quality products that consumers wanted – this is still a focus. However, in this 2020 study, some apprehension is creeping in about the desire of consumers to keep eating ‘cute lambs’. While these farmers are mostly confident that there is a medium-term future for lamb, some are less certain of longer-term demand over the next 20 to 50 years.

We had an American / Australian wedding on the farm, and we served up lamb and it was going really well, and they loved it ... but when we took them out into the paddock and showed them the lambs, they did not want to eat any more. And I think that has just come from when New Zealand used to bash seals over the head and kill whales for their economy and that is no longer an acceptable practice and my gut feeling is 20 to 50 years lamb will struggle. (Southland, male)

As most of these high performers are generational farmers they focus on long-term planning. This means they are starting to consider how to respond to these trends now. The main response was an increasing focus on diversification. Some believe that wool, given its sustainability credentials, will have its day again and are pursuing this via mid-micron merino cross-breeds. These cross-bred animals were delivering significant wool and meat income while having a much better constitution than straight merinos (cheaper and easier to farm). They are also accessing long-term (up to 10 years) contracts with some processors of merino wool.

I guess I like to see where it ends and how far we can push the Merino or the polars as we call it. It was just a wool breed, and now we are pushing it into a dual purpose and getting results that people can't believe really. (Otago, male)

Others note that we must prepare for changing consumer preferences by ensuring that farming practices are completely up to standard. They suggest that to satisfy the health-conscious consumer the industry needs to develop recording technology and use science to show the nutritional value of New Zealand farmed produce.

So we still have to have that ethical, moral, food safety, animal welfare type of approach, because at the end of the day there will still be people with money around the world that will want to eat well. Once you have got your DNA profile marked, someone will be told you are prone to colorectal cancer so if you are going to eat meat, eat lamb meat from New Zealand, because it will be far more nutritious than anything else. Then the QR code on the product, you will check it with your phone as you are shopping, if you click the wrong thing the algorithm will say, “No, you are not allowed that because you are prone to liver disease”. We need to be prepared for this. (Southland, male)

5. *COVID-19 was an obvious new topic this year that presents both challenges and opportunities*

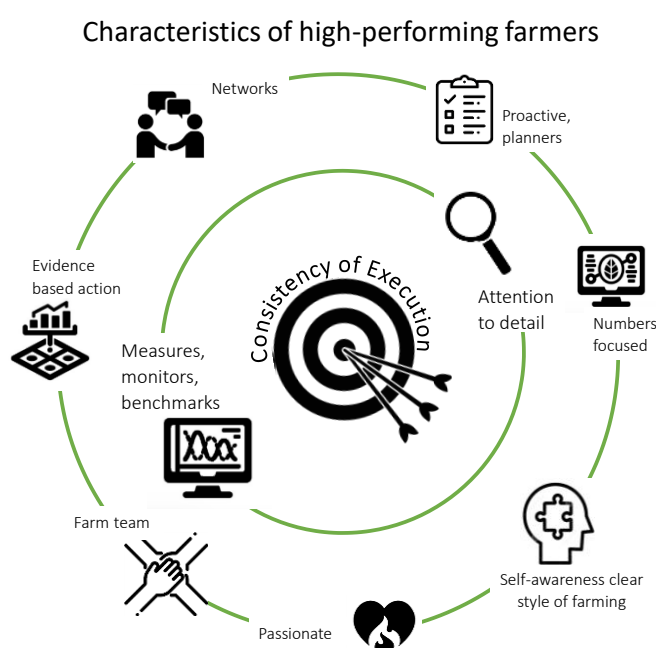
When it came to the challenge of COVID-19, these high-performing farmers were not strongly concerned either way. There was some apprehension about a potential recession over the next 12-18 months and a move away from more expensive lamb cuts in overseas markets, in response some were thinking about pivoting more towards the ground beef markets.

On the other side, farmers were equally buoyed that they worked in an essential industry that was becoming increasingly important to a New Zealand economy that no longer had tourism to rely on. During the New Zealand COVID-19 experience some of these farmers had also noticed a definite warming towards their industry from the general public and this was well received.

Characteristics of high-performing farmers – Discussion

As shown below the central characteristic that ensures these high-performing farmers continue to operate at such a high level is their ‘consistency of execution’. Linked closely to this is their absolute ‘attention to detail’. Also, by measuring and recording their observations they can track where they are going and where they have come from. Having this record of performance information means they know from experience and by looking at past data when early decisions need to be made to ensure they halt any loss of stock and pasture condition.

Managing to maintain and improve stock and pasture condition, through changing and challenging seasons is the critical skill of success in farming. This is hard to achieve for anyone, so the importance of having performance data to support decision making cannot be underestimated.



These three areas of ‘consistency of execution’, ‘attention to detail’, and ‘recording performance’ appear to be the best places for other farmers to start if seeking to lift performance on their own properties.

Both farmers and the properties they occupy all have their own idiosyncrasies. What was also very interesting about these farmers is that through a strong sense of ‘self-awareness’ they were able to translate their values into a ‘style of farming’ that they enjoy and that works for their piece of land.

In pastoral farming, a range of styles can be successful. The style adopted depends on what the individual farmer or farm team finds most enjoyable, how that intersects with their values, and what is possible within the constraints and opportunities that their farm provides.

Among the group of high-performing farmers, there were ones who had a strong focus on technology and others not. Some like extensive farming, others intensive. Some had a stronger focus on sustainability. Others had a passion for breeding, while some focused more on finishing. They had all

worked out a plan to succeed in farming following mostly what they enjoyed, and what they knew would work on their property, supported by years of experience and the recording of performance data.

This research suggests that helping other farmers to understand what they value/ enjoy most about farming is a good place to start for improving performance. This will then need to be translated into a style of farming that best suits the environment they occupy and the kind of person they are. This is a long-term proposition and will vary depending on the depth of understanding and information these farmers have on how their farm performs through a range of different seasons. Therefore, starting with a more comprehensive focus on recording farm performance makes sense.

Both this research and the evaluation of the RMPP Action Network shows the best way to achieve this is via facilitation and peer support. Facilitators are needed to ask farmers the right unjudgmental questions that will determine what they value and to then structure a plan to suit their farm type and the style of farming they wish to pursue. Other experienced farmers (peers) are needed to provide local support and insight into what is likely to work in their part of the country guided by expert advice as required.

Once this has been established there are a range of other high-performing farmer practices, that other farmers could consider using and these include:

- Using technology to target inputs more efficiently, especially around fertiliser and animal health interventions.
- Making early decisions to pre-empt the loss of stock and pasture condition. This is achieved by using in-depth knowledge of their farm and animals via close observation over many years. These observations are almost always recorded, generally via technology, but also in some cases via extensive handwritten diary notes.
- Having a clear picture of the three to five aspects of their farm that drive performance and almost always getting these right.
- Investing in quality infrastructure (through time), as the consequences of not doing so are a distraction from focusing on what is most important, animals and grass.
- Making sure you are alert to what is happening on your farm by remaining physically close to your pasture and animals. While planning and office work are important, more money can be lost if you are not continually observing what is happening on your farms. For example, to accurately understand a lamb's condition, you need to touch the animal.
- Always paying close attention to both their stock and pasture and being prepared to more regularly shift animals to achieve this. This means focusing on trying to balance both pasture and stock condition throughout the year. One farmer said they prefer to ride two-wheeled motorbikes around their property as opposed to side-by-sides or a ute. This way they are always looking at the grass.
- Working to surround yourself with other well-regarded farmers, rural professionals, and family members. This is needed to test and tweak ideas and find new ones.