



Award winning business strategies for rangeland producers

Background

Andrew Dufty and his wife Kim run a 1,450 hectare property close to Hamilton in western Victoria. Twelve years ago they started from scratch with an ambitious goal of being in the top one per cent of woolgrowers in the country by volume.

How Andrew thinks about and approaches his business saw him achieve his goal within five years. It also enabled him to keep the business profitable through the worst drought his region has seen, and turn a major challenge facing the industry to his advantage.



Andrew Dufty, Melville Forrest, Victoria

Whilst Andrew's farm is in western Victoria, his methods and approach can be applied to farming enterprises anywhere in the country.

Case study snapshot: Andrew's approach

Make sure you're set up for success:

- Setting an ambitious goal
- Making some difficult decisions
- Working out how to make money off ALL the land

Stay pointed in the right direction:

- Benchmarking
- Networking with other producers, industry experts and through leaders
- Focus on how you spend your time

Also build in:

- Flexibility: Allow your plan to be flexible to manage your way through inevitable challenges
- An understanding of the big issue: Keeping a finger on the pulse of the big issues affecting the industry

All of these elements can be applied to any farming business. In Andrew's case they demonstrate not only the effectiveness of each component of his success, but how integrating them can build a better business.

Andrew's journey

Andrew grew up on a mixed grazing property in Branholme near Hamilton, Victoria. When it came time for him to decide on a career path, his father encouraged him to get experience working off farm. Andrew followed this advice but didn't stray far from his agricultural roots.

Following an Agricultural Science diploma and a postgrad Agribusiness degree, he began working in rural agencies including Southern Cross and Elders. Working mostly in wool, he travelled around the country, meeting producers and visiting their properties. He credits this time with giving him the drive to get back on farm and follow an extraordinary goal.

In the late 1990s, Andrew and Kim made the decision to get back into farming. They wanted to focus on wool and ensure a succession plan for their children. With this in mind they started to crunch the numbers and build a picture of what the business needed to look like.

1 – Setting an ambitious goal

The first step was having a clear picture of what they wanted to achieve. Knowing the end point meant they could make the right decisions to set up the business to be successful. Putting a number to the goal and making it measurable was important.

“By doing this we knew what we were working towards and that we'd know when we got there. We had a good hard look at the business we wanted



Melville Forrest, Victoria

to be in and decided that to be in wool for the long term, we would need to be in the top end of production volume wise. The increased volume would also allow more avenues to market the clip in a creative way,” Andrew said.

“Looking at wool prices and what was achievable for the area we wanted to farm in, we worked out that the most profitable production point for us would be at the finer end of the spectrum – around 19 microns.

“Once this decision was made it set our basic production parameters. Working backwards we calculated that we'd need to produce upwards of 300 bales a year. On average, properties in the western district produce 10 bales off 100 acres, which meant we needed over 3,000 acres or 1,250 hectares of land.”

2 – Making difficult decisions

Knowing how much land they would need left Andrew and Kim facing a difficult decision.

“The family farm was 668 hectares, which meant we needed to expand our base - either by adding to the property or selling and buying somewhere bigger. We looked at expanding, but the options were very limited.

“To achieve our goal and the future we wanted for our family, we decided to sell and in 2000 we purchased Melville Forest. It was a difficult decision, but one we had to make.”

3 – Benchmarking

To build up the flock they brought sheep from the former family farm, purchased more Merino ewes and bred up.

Through the Victorian Department of Primary Industries Wool Industry Farm Monitor Project, Andrew has undertaken comparative analysis to benchmark since 2003-04.

“Benchmarking has been instrumental to our success. It is a critical decision making tool and enables us to track our progress.

“In 2003, labour efficiency on Melville Forest was at 6,126 dry sheep equivalents (DSE) per person. In 2007 it was 8,983 DSE/person.”

4 – Networking

For almost ten years, Andrew met with farmers and visited properties all over the country through his agribusiness work. Looking at what made them successful and how he could adapt their innovative practices to his business gave him a clear plan of what he wanted to achieve.

“Networking with other producers, no matter where or how they farm, can open you up to new ways of thinking and approaching various aspects of your own business.

“We joined our local Bestwool/Bestlamb group in 2002. It has been invaluable for us to see what others in our region are doing and how they are tackling challenges similar to ours. Networks like this allow you to tap into emerging innovations and learn from the successes of others.

“It’s important not to underestimate the social aspect. Talking through your challenges, building a sense of community and knowing that what you are going through isn’t unique, is all part of it.”

5 – How you spend your time

Andrew talks about the importance of how you spend your time - are you doing \$25 per hour work or \$250 per hour work?

“I think about it in terms of working on the business, not in the business. Focussing on the big issues for the business and not the small day to day activities allows me to keep improving what we do and how we do it.

“We endeavour to do as much as we can without employing someone full time, which sees us bring people on board on an as needs basis. This means we use a lot of contractors for jobs like drenching, lamb marking and shearing.

“We focus on monitoring management and strategic issues that have a direct financial implication for the business. This includes tasks such as sheep classing and monitoring worm egg counts.”

This approach has also enabled Andrew to work off-farm part time as a real estate agent. In addition to supplementing the farm’s income, this has the added bonus of enabling him to expand his network and build his knowledge base.

6 – Making money off ALL the land

When they bought the property Andrew saw opportunities to make substantial improvements to the land management, including an integrated approach to environmental improvement.

“We knew there were parts of the property that were never going to perform under grazing or cropping. We could have poured money into them, but the reality was that the productivity and potential dollar return on a per hectare basis wasn’t going to be where it needed to be.”



Forestry plantation, Melville Forest, Victoria

Andrew extended and improved the laneway systems, fencing off creek areas, and putting in significant environmental plantings to revegetate difficult to manage areas and fence lines as part of his approach to environmental sustainability. This reduced erosion problems, at the same time as improving pasture management and mustering.

"We decided to take some of the land out of agricultural production and into forestry by leasing it. This has now generated considerable income. We also entered into an agreement to share carbon trading rights should any arise."

7 – Flexibility

Andrew’s management systems largely rely on flexibility, recognising the importance of working with the seasons and the markets – a technique that has stood him in good stead.

“In 2006 we had a drier year, but we were optimistic. The district had seen similar conditions in 1967 and 1982 – both very dry years. But after those years it began to rain again. Not this time.”

Andrew had to change his plans during the drought and was able to keep the business afloat by focussing on flexibility in his operations. He retained Merinos and his investment in genetics, but decreased their numbers and started breeding cross bred ewes for sheepmeat.

“This gave us stock we could move off farm quickly, before the summer months and added input costs for water and feed. The focus was on survival.”

Andrew estimates stock numbers dropped by about 25%. Interestingly, the addition of cross breeds has gone from being a matter of survival to another way to profit, given the price for sheepmeat in the current market.

“Our Merino flock reached its lowest numbers two years ago; but since then, with better conditions we have been bringing the numbers back up.”

“Having a goal and the ‘right’ formula to achieve it is clearly important, but having the flexibility to adapt your plans to unseen circumstances is essential to the survival of any farming business.”

8 – Keeping a finger on the pulse of the big issues

Understanding the big issues facing agriculture and what they mean to your business enables you to be prepared to manage these challenges and seize possible opportunities.

Andrew was concerned by political talk of a carbon trading scheme or tax, and like many farmers had heard a lot about how methane contributes to Australia’s carbon output.

He wanted to know what it may mean for his business and went straight to the top, turning to a model developed by the University of Melbourne’s Director at the Primary Industry Climate Challenge Centre, Dr Richard Eckard to assess the property’s carbon performance.

Due to the revegetation and planting works, the assessment showed the farm sequesters more carbon than it produces, making it essentially carbon neutral. Andrew was one of the first farmers to take advantage of this situation by selling carbon credits to overseas companies.

Results

Andrew feels the real key to his business is its integration. All of the key components that are applicable to rangeland producers are used in conjunction with each other: goal setting, benchmarking, networking, time management, clear understanding of the big issues, how they affect the business and how to use them to advantage.

By combining all of these aspects to his business and financial planning, he has capitalised on opportunities at the same time as retaining the flexibility every farming business needs.

In 2005-06 Andrew achieved his goal and was in the top 1 per cent of woolgrowers in Australia, producing over 300 bales of 19 micron wool that year.

Quickly following that success, however, came the worst drought his region had ever seen. By understanding the importance of flexibility, Andrew was able to adapt the farm’s operations quickly. By shifting the proportion of Merinos and cross breeds, Andrew reduced input costs and capitalised on sheepmeat prices, which kept the business afloat during this period, and enabled a quick return to profit and growth. A long-lasting impact from the change in production system to include some cross breeds is a financial buffer against the vagaries of price movements.

At the height of the drought the cost of production was \$11.83 clean wool/kg and the wool gross margins \$127 a hectare. The operating profit for the wool enterprise was minus \$4/ha.

This is compared to 2007, when the drought was just starting to bite. Cost of production was \$10.82 and wool gross margins were \$237/ha, an increase of \$115/ha since 2005 and well above the state average of \$157/ha. Operating profit for the wool enterprise had increased dramatically from \$61/ha during 2005 to \$108/ha in 2006. The state average was minus \$44/ha.

By seeking expert advice on emerging issues and understanding the market, Andrew was able to capitalise on a big trend and be ahead of the curve.

In 2010 Andrew's integrated approach saw him host the Australian launch of the wool supply arrangement brokered by The Merino Company with the world's largest suit retailer, Aeoyama in Japan.

Aeoyama, in response to Japanese demand for carbon neutral wool, signed a three-year agreement with The Merino Company to supply 2000 bales a year for the production of men's suits that meet the carbon criteria. Andrew's wool is part of that pool and he was also able to negotiate a contract that enabled him to lock in June 2011 prices for his wool for the next three years. The Eastern Market Indicator at June 30 2011 was around 1425 cents.

As well as his plantings enabling him to profit through carbon markets and the deal with The Merino Company, the environmental benefits to the property are numerous. Reduced dryland and creek bank salinity, greater topsoil retention and shade and wind breaks are key benefits.

Andrew has won a number of awards for his business model and approach. These include the national prize in the Raising the Baa competition (run in conjunction with Australian Wool Innovation, Kondinin Group, Meat & Livestock Australia, the Sheep Cooperative Research Centre, Grain and Graze and supported by the Rural Press), and most recently winning the Primary Producer of the Year Award at the annual NAB Agribusiness Awards for Excellence in 2011.

Andrew doesn't see that he is doing anything innovative. Instead he says he has taken the best from everyone he's met; the best advice from his local Best Wool/Best Lamb group, his neighbours, his former clients and his parents; and vigorously studied how it could apply to his business.

This vigour holds a key for all farmers. When was the last time you reviewed your business goals, or attended a local meeting to meet your neighbours and pick their brains? Have you thought about how to improve your difficult to manage areas, how to stay flexible in times of drought?

The key for any business lies in establishing a desired outcome, a method to get there, planning for success, but also for challenges such as drought or market demand. Add excellent time and resource management, plus a little thinking outside the box. It's anyone's business!

