

Article first published in The Weekly Times on 3 June 2015



Warakirri Dairies reaches for the stars

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Cow call: Warakirri Dairies chief executive Ben James on a dairy farm near Glenfyne in Victoria's Western District. Pictures: Zoe Phillips *Source: News Corp Australia*

SITTING at a board table in Queen St, Melbourne, Ben James, chief executive of one of Australia's largest dairy businesses, dispenses some advice.

"There's one thing in agriculture you get for nothing and don't have to pay for, and that is timing," he said.

Ben was told this "some time" ago, but it underpins the success of Warakirri Dairies, an operation milking 8500 cows, running 5500 heifers and producing 60-70 million litres of milk a year.

Timing plays a huge part in the operation's three strategic priorities: driving efficiency; optimising the cost of production; and executing the business of dairying really well.

The latter has timing as a core ingredient. “Every time we calve a cow, every time we join a cow, every time we dry a cow off, every time we graze a paddock — all those little things,” Ben said explaining what a well-executed dairy business was. “Dairying is made up of a whole pile of smaller components, getting all the little things right, all the one percenters right, is absolutely key in terms of being able to generate the result.

“(Margin) is absolutely part of that, those management elements are the things you get for nothing. Positioning ourselves to respond quickly and efficiently to changes in operating conditions, really comes back to timing, doing the right thing at the right time.

“Changes can be changes in milk price, seasonal conditions and changes in supplementary feed price.”

EYES ON THE PRIZE

MARKET and seasonal volatility are not unique to the big end of town when it comes to dairy farming, and Ben insists that Warakirri really isn't that different to traditional “Mum and Dad” farming operations.

For instance, maximising profit comes down to concepts known within Warakirri as “the five Ps”: Pasture, profit, pregnancy, productivity and people.

“Pasture is the first one,” Ben said. “Maximising homegrown feed, getting our pasture management right, fertiliser timing right, all aspects to execute pasture well, maximise what we use off each farm.”

Warakirri operates 11 dairy farms, two in South Australia's South East, six in western Victoria, two in Gippsland and one in northern Victoria.

They range from 200ha to 500ha in size with most farms milking off 85-90 per cent of the land.

Six farms are irrigated. Three have groundwater systems and three have surface water systems. The amount of irrigation varies from a third of a farm to 80 per cent.

Maximising consumption of homegrown feed is vital to keeping costs down and supplementary feed is also managed to ensure directly grazed pasture makes up the largest portion of herd diets.

In terms of “P” for profit, Ben said supplementary feeding was one way of managing the business's margin.

“Supplementary feeding fits into our system with a number of objectives,” he said.

“One is trying to increase the amount of homegrown feed we can use. The other one is to increase the total margin over all of our feed costs, so that means that under certain

conditions, in terms of milk price and supplementary feed price, there's a margin in feeding supplementary feeds.

"That's open to change. It fluctuates with operating conditions, stage of lactation.

"There's a whole pile of factors that can influence that."



Dairy dream: Warakirri Dairies chief executive Ben James. *Source: News Corp Australia*

MATERNAL INSTINCT

THE "P" for pregnancy, which is known in terms of reproduction efficiency, is described by Ben as "absolutely core" to the efficiency of converting pasture to milk.

Depending on its farm's circumstances, Warakirri uses a combination of synchronisation, CIDR programs and bulls to ensure cows get in calf and there's a higher proportion of fresh cows in each herd.

The Warakirri farms stock predominantly Holsteins, but those with slightly lower input and production systems run a proportion of crossbreds. "We have a really good-quality herd and I guess the breeding is really focused around having a good functional commercial type cow," Ben said. "A lot of those health traits, conformation traits — sound feet and legs and good udders — those things are key, and also production traits as well. Calving is very farm specific, a mix of autumn and spring and typically split, the proportion (of the split) is dependent on farm location and farming system."

Herds are renewed at a rate of about 20-25 per cent a year, with the average age of milking cows four to five years.

Eighteen months ago, Warakirri reached a point where it had enough heifers to operate a self-replacing herd.

Bulk milk cell counts sit between 100,000 cells/ml and 200,000 cells/ml. This all feeds the fourth “P”: productivity.

“When we talk about productivity we are really coming back to production and cost - effective production per cow (and) per hectare, and that productivity is really around trying to dilute fixed costs, reducing the unit proportion of our fixed costs across the business,” Ben said. “On any farm you have certain costs that are actually per-cow costs, then there are some that are unit production costs. “Then there are some that are relatively fixed outside of the number of cows you milk or the amount of milk you - produce. Some of those, the more milk we can produce on an individual farm on a unit basis, would actually reduce that cost (because it is) spread over more production.”

TOP PERFORMERS

BEN wouldn't comment or provide a cost of production for the Warakirri business (“We don't specifically discuss commercial arrangements”) but he said the business was in the “better proportion” of the industry when it came to the cost of production. Fodder and grain costs, and sometimes supply risk, are managed using forward contracts.

Warakirri would also not comment on its farmgate milk price, but acknowledged most processors had an incentive for bigger farms when compared with smaller operations. Warakirri supplies Murray Goulburn.

The fifth “P” is people and Warakirri has between 75-100 people employed, depending on the season. “They are all managed farms. Depending on the size of the farm there are a number of different structures within the farm,” Ben said. Farms operate on a ratio of one full-time equivalent employee to 115 cows, up to one to 150 cows. This is benchmarked against the industry. Currently 80 per cent of the Warakirri farm managers “have come from within”, a statistic Ben is particularly proud of. He said the attraction and retention of staff in the dairy industry was a challenge for all players, but Warakirri believed it had unique benefits.

This included career development and progression opportunities, training and support. With 11 farms, Warakirri employees are also able to take the opportunity to visit other operations within the business. Ben said Warakirri strived to be an employer of choice. A large part of that is developing the staff they have.

“One of the most satisfying parts of my role is working with our great team and seeing our people develop,” he said.



Moover: Warakirri Dairies' Ben James says good staff is key to any dairy operation. *Source: News Corp Australia*

SAFETY PRIORITY

SAFETY of people and sustainability of the farming business are also key factors within the business. Ben said there had been no lost time from injuries across the business this financial year.

But Ben said Warakirri was not immune to the staff challenges faced by the rest of the industry. Providing “good” infrastructure and resources helped deal with the challenges of dairy farm working environments, but Ben said having more people interested in the industry would help.

“The industry would benefit from a greater pool of people available to choose from,” he said. “We have a number of people who I guess have come from outside of the industry as well, and I think that is a good sign for us in particular but probably a good sign (for the industry in general).”

Ben pointed to a particularly trying time in the industry when Warakirri’s ability to provide job security was a benefit of operating as a corporate in dairy. “You go through and look at 2012-13 industry-wise, it was a pretty tough time, so I guess through that period it was probably easier for us to retain people,” he said.

Warakirri Dairy Industry Trust was originally established in 2006 to take advantage of the Australian dairy industry’s reputation as a pasture based, low-cost producer and a major exporter of dairy products, said Warakirri’s agribusiness investment manager, Will

Heath. "I think those fundamentals and comparative advantages are still there. It hasn't really changed over time," he said.

A wholesale trust, Warakirri was established with investments from a small group of large Australian institutional funds and a small group of private investors. This hasn't changed. Warakirri also operates a cropping business, which is "more than twice the size" of its dairy operation.

FULL FORWARD

WILL said Warakirri was not looking to buy any other dairy farms at the moment and the business now had the "geographic" diversity it wanted when it was first developed.

When asked about investment, generally, in Australian dairy he was optimistic.

"From an investment point of view the fundamentals are pretty strong," he said.

"We have good land for dairy and a pretty competitive cost of production. There's an ongoing heightened demand for dairy products. I think you will see corporate investment continue to grow over time.

"Steady growth across a number of different types of structures, I suppose. There will be more and more innovative, different corporate models around providing farmers an alternative source to capital than debt, providing benefits to both investors and farmers. I also think there will continue to be fully owned and operated corporate investment."

Looking ahead, Warakirri is confident of the future of dairy. "Australian processors are pushing their way up the value chain and that should lead to a higher farmgate milk price," Will said.