

David and Robyn Kucks

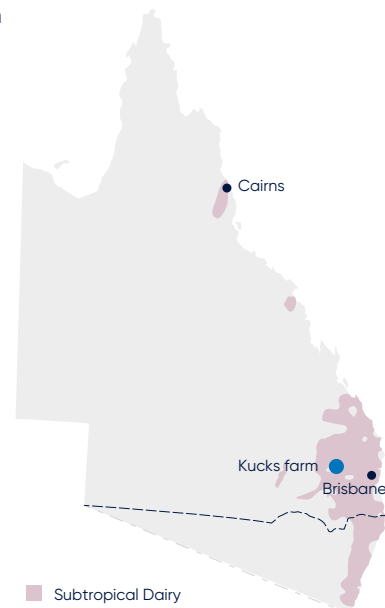
CASE STUDY

Farm background – the people

David grew up in a dairy farming family and came home from Ag college in 1996 to work on the family farm. In 1997, David started on the current family farm in the Darling Downs, milking 120 cows. David and Robyn took over management in 2000 and built a new dairy in 2002, with the dream to milk 250–300 cows and a commitment to an intensive feeding system. Since then, there has been continual growth in cow numbers with the milking herd currently about 450–500 cows. There are five paid employees, plus the owners' labour. Their children are getting close to finishing secondary school.

There was a gradual transition in ownership of the business with David and Robyn buying assets in stages and David's parents providing some vendor finance at times. Since 2000/01, David and Robyn's Net Worth has grown from \$1.5M to over \$5M.

Farm location



Farm description – at a glance

Farm details	Farm system	Farm performance (\$)
People: David and Robyn and generally 5 employees	Total Mixed Ration system	EBIT per kg MS \$1.96 average with a range of \$1.06–\$3.00 over the past 4 years
Land area: 980ha useable (includes 274ha leased land, leased area has varied over the years)	Herd type: Predominantly Friesian	ROTA 6% average, with a range of 4–8% over the past 4 years
Average rainfall: 630mm (long-term)	Herd number: 520	
No irrigation	Year-round calving pattern	
	Concentrate feeding, including by-products 4.7 t DM/cow/year (4.2–5.3)	
	Proportion of homegrown feed in the diet 42% (26%–56%)	
	590kg Milk solids/cow (543–616)	
	Production % liveweight 98 (90–102)	



Australian Government



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KEY TAKE HOME MESSAGES

Optimise (make the most of) the unique set of resources that you have available.

Make decisions early to manage risk and avoid exposure to the fodder market in drought periods, when it is expensive.

Use debt as necessary to enable growth and development but, keep it to manageable levels and invest in options that allow you to pay it down over time.

Involve staff in planning.

The story

Farm system

They run a Total Mix Ration (TMR) system. They purchase all the grain and also purchase by-products when the opportunity is favourable. They aim to grow all the fodder required but, will purchase silage/hay if a good opportunity arises. The focus of their fodder production is to generate a large quantity of silage, they then balance the ration with the grain and by-products. They predominantly grow sorghum, as it is a reliable option that suits their soil types and dryland system. It is difficult to grow high quality pastures in their region without irrigation, so their resource base leans itself better to a TMR system. Also, their close proximity to grain growing areas keeps the cost of transporting grain down.

The annual rainfall was well below the long-term average in all of the last four years that were analysed. The proportion of homegrown feed varied from 36% to 56%, which was related to rainfall and the amount of land leased.

The herd are predominantly Friesian with a year-round calving system. They use bulls for joining and don't AI, which they find works well with the year-round calving. They are happy with the genetic makeup of the herd.

While the feed costs can vary markedly between years, the feed costs in their TMR system don't generally vary from one time of the year to another within years. Hence, their milk payment system would need to change before they are likely to consider moving from their year-round calving pattern. There are periods of the year when it is humid/hot and it is more difficult to maintain milk production, but they are more likely to invest in infrastructure to cool the cows and maintain production, than to change the calving pattern to combat this.

Tactical decisions

They do monitor the cost of their ration closely. They keep regular contact with their nutritionist (generally remotely) to balance the ration. As the milk price is typically about 68 c/L, they generally maintain supplementary feeding at a high level, but carefully monitor responses to ensure that enough extra milk is produced to cover the extra

cost and increase profit. When fodder reserves looked like running low in the drought, they culled early and heavily to manage risk. They do a fair bit of scenario planning/feed budgeting typically with a planning horizon of about 3 months.

They prefer to start making decisions early, while they still have a range of options available. For example, they didn't wait until the silage was getting close to running out before they started culling cows in the drought

Risk

They see running out of fodder is a key risk to their business, so they try to have at least 18 months of feed in storage after they harvest the summer crop. They lease 240ha of cropping land to grow additional fodder. They will purchase additional silage and store it, if it is good value. In the 2017/18 drought, they continued to purchase by-products (even when prices rose) to maintain a reserve of fodder, which kept becoming even more expensive and difficult to source.

Having a market for their product is a risk that most businesses face. However, they feel comfortable that with the deficit between milk production and consumption in their region, there will continue to be demand for their milk and hence they are in a good position to handle this risk.

Grain price is a risk to their business, and they tend to lock in contract prices to avoid too much exposure to fluctuations.

Physical monitoring

They place a lot of emphasis on observation, look at the milk vat, look at the feed trough to see if any is left behind, look for hungry cows and unhealthy cows.

Business analysis tools

They have been involved in the Queensland Dairy Accounting Scheme (QDAS – similar to the Dairy Farm Monitor Program) for a number of years and find the process of sitting down, reviewing and reflecting on the last year useful, before planning for the next year. They don't do a formal cash-flow budget, just regularly monitor bank statements and provide the bank with the QDAS report as an update on the financial position each year.

Evolution of their business

They say their business has evolved over time "by making lots of mistakes". They have tended to push to increase production (giving a fair bit of attention to the cow nutrition) and then use the additional income to help fund the next farm development project. Since 2000/01, David and Robyn's Net Worth has grown from \$1.5M to over \$5M.

They see debt as necessary to enable growth and development but, like to keep it to manageable levels and see it come down over time (the gradual transition in ownership from David's parents, helped keep debt levels manageable).

They have several long-term employees and see that one of the keys to the success of the business is to involve staff in the planning.

What's next?

They did have a 10 year plan when they started but, they have basically achieved all those goals and it is probably time to revisit this. Their children are approaching the end of high school and may want to return to the farm at some stage. The current infrastructure is a limitation to further increases in herd size at the moment but, there is still potential for further expansion in the longer-term.

They have a picture in their heads of where they want to get to but, it isn't written down.

ADVICE TO NEW ENTRANTS/ KEYS TO BUSINESS SUCCESS

An all-round approach, not any one thing.

- Being flexible. Start making decisions early, while you still have a range of options available
- Have a positive attitude, someone else is always worse off
- Learn as you go
- Keep it simple (KISS)
- You have to enjoy what you do
- Hard work, dedication and some business sense
- They have a good network of nutritionist, bank manager, advisors, other farmers that they bounce ideas off
- Involve staff in the planning.

The numbers behind the story

Farm details

	2016/17	2017/18	2018/19	2019/20
Milking Cow Numbers	510	525	540	530
Total useable area (ha)	1,367	1,367	885	981
Rainfall (mm)	580	505	446	481

Primary indicators

	2016/17	2017/18	2018/19	2019/20
Business Efficiency				
EBIT per kg Milk Solids (\$)	3.00	2.29	1.06	1.49
Return on Total Assets managed %	8.3	7.2	4.1	5.6
Return on Equity %	13.2	10.7	4.3	6.3

Secondary Indicators

	2016/17	2017/18	2018/19	2019/20
Milk price (\$/kg MS)	8.25	8.30	8.98	9.78
Total Variable Costs (\$/kg MS)	4.64	5.42	7.31	7.30
Total Feed Costs (\$/kg MS)	4.15	5.00	6.83	6.97
Homegrown Feed Costs (\$/t DM)	72	63	192	117
Total Labour Costs (paid plus imputed) (\$/kg MS)	1.53	1.37	1.18	1.42
Cost of Production (including inventory changes) (\$/kg MS)	7.87	7.57	9.35	10.34

Tertiary indicators

	2016/17	2017/18	2018/19	2019/20
Milk solids as a % of Cow liveweight	90	100	103	100
Proportion of homegrown feed in the diet (%)	52	56	36	26
Homegrown feed consumed (t DM) per 100mm rainfall	0.35	0.57	0.29	0.46
Milk solids per Labour Unit	34,614	39,453	48,916	46,757

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