



DAVID AND ROBYN KUCKS

Case study

Farm background and the people

David grew up in a dairy farming family and came home from Ag college in 1996 to work on the family farms. 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 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. 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). Since 2000/2001 David and Robyn's Net Worth has grown from \$1.5M to over \$5M.

They say their business has evolved over time "by making lots of mistakes and learning from them". They have tended to push increased

production (focusing on cow nutrition) and then use the additional profit to help fund the next farm development project.

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. There are five paid employees plus the owners' labour. Their children are getting close to finishing secondary school.

Image

Take home messages

- Optimise (make the most of) the use 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.

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 four years
Land area 980 ha useable (includes 274 ha 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 four years
Average Rainfall 630mm (long-term)	Herd Number 520	
No Irrigation	Year-round Calving Pattern	
	Concentrate Feeding, including by-products (4.2 – 4.6 t DM/cow)	
	Proportion of homegrown feed in the diet (36% - 56%)	

Below table have a graphic with location of the farm.

Farming System

David and Robyn 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 however, will purchase silage / hay if a good opportunity arises. The focus of their fodder production is to generate a large quantity of silage and 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 leant 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.

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. However, they are more likely to invest in infrastructure to cool the cows and maintain production than to change the calving pattern to combat this.

They keep regular contact with their nutritionist (generally remotely) to balance the ration. 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, when fodder reserves looked like running low in the drought they culled early and heavily to manage risk.

They see running out of fodder as 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 240 hectares 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.

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

The Kucks place a lot of emphasis on regular observation. They look at the milk vat, the feed left in the trough, hungry cows and unhealthy cows.

Business Analysis Tools

They have been involved in QDAS 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 but, regularly monitor bank statements and provide the bank with the QDAS report as an update on the financial position each year.

What's next?

They did have a 10-year plan when they started but, they have basically achieved all those goals and are planning 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 however there is still potential for further expansion in the longer-term.

Advice to new entrants / Keys to Business Success

The Kucks believe that success is from an all-round approach, not any one thing;

- Being flexible. Start making decisions early while you still have a range of options available
- You have to enjoy what you do. Have a positive attitude, someone else is always worse off
- Learn as you go
- Keep it simple
- Hard work, dedication and need 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	90%	100%	103%	100%
Proportion of homegrown feed in the diet	52%	56%	36%	?
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