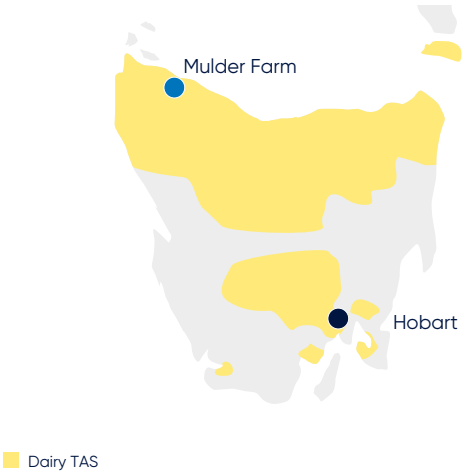
MILK VALUE MONITOR

Gerard and Ria Mulder

CASE STUDY

Farm location



Farm background – the people

Gerard and Ria Mulder moved to Tasmania after dairy farming in Europe for about 25 years. In Europe, they worked on the family farm in Holland and then leased farms in Germany, they have always had a goal to own their own farm. They investigated where in the world would be the best place be for dairy farming and came up with Tasmania. Gerard, Ria and their children moved to Tasmania in 2007. They first worked on a farm in Mawbanna for two years and then purchased their own farm at Forest. Their son Ronnie is now involved in the business and is taking on more of the management responsibilities.

Farm description – at a glance

Farm details	Farm system	Farm performance ($)
Gerard, Ria and Ronnie Mulder	Cross-bred Fresian and Jersey	EBIT per kg MS $1.36 average and range $0.99 to $1.66 over three years (16/17 to 18/19)
Milking area: 120ha, including new block being developed	300 cows (aiming for 350 cows in 2020/21)	ROTA 5.2 % average and range 3.7% to 6.3% over the past 3 years (16/17 to 18/19)
Average rainfall: 1,080mm	500 kg MS/cow (76% cow liveweight)	
Irrigation: 65% irrigated – average water use 200ML	Spring calving	
	3.3 cows/ha	
	Concentrates: Approx. 1t DM/cow	

Australian Government

Dairy Australia

This project is supported by the Department of Agriculture, through funding from the Australian Government.

KEY TAKE HOME MESSAGES

Low Cost – benchmarking to identify where to improve; investing profitably, e.g. where it will help to minimise risk or increase pasture productivity; a team effort with good skills so most of the work is done by the family.

Productive pastures – focus on pasture utilisation (don't waste any grass); about 10% of the pastures is renovated each year; monitoring pasture leaf stage and rotation length to ensure productive pasture; focus on lowest cost, home grown feed, and feed the grain to what is necessary to maintain the appropriate rotation length for the time of the year.

Healthy cows – identify problems early; a cross-bred herd focussing on good technical results and profitability. *"So long as the cows are healthy and the pasture is alright, then the milk will come".*

The story

Why employ the farm system that they have?

When the Mulders arrived in Tasmania, they worked on a dairy farm at Mawbanna for two years. This was part of a visa sponsorship. The farm system was totally different to what they were used to in Europe, so they had to learn a completely new system. In Europe there was year-round calving and the cows spent half of the year in barns, completely different to the Tasmanian pasture-based system.

"We came from outside. So straight away the idea was we had no history. That's probably a big benefit as we see it. So, we could go and talk with people and look at the literature in New Zealand and here and consider what would be the most profitable system. From history I'm not hung on anything, on black cows or black and white, or high production. We said, well, what is the best system to run here."

The farm system is based on what is most profitable.

"…. it was pretty much clear for me that the most money is made by spring calving system where we are pasture based."

Pasture production is seasonal with a large peak in the spring. Therefore, timing of calving is a large factor in efficiency of production. A majority of herds in Tasmania calve in the spring. Unless you get a much higher price for your milk, spring calving is most profitable.

How they go about their decision making?

The Mulders are always willing to learn. When they first arrived in Tasmania, they learned from their sponsor, they looked at other successful farms in the regions, attended industry events and also looked at the literature.

Their approach is to keep things simple and they focus on a low-cost system. Because they employ a simple system, their approach to decision making is often based on experience, but they still rely on benchmarking as an annual review of business performance.

"I'm not such a big star in crunching numbers. What we do is, from the beginning, even in Holland and Germany we were always a big fan of benchmarking."

While their experience means that they don't always need to do detailed calculations, Gerard and Ria know when they need to look at things differently.

"When the milk price is going the wrong way, it wakes you up and you probably look into it again. What we did before, in a bad year, we used a Taking Stock session, and then things worked out for the rest of the season."

Risks to their business and how they mitigate against them?

When they purchased the farm in Tasmania, they had high debt, so a low-cost system was the lowest risk for them.

"We took the lowest risk possible in that sense. We had a big loan…. so, we had to go low risk and I think this is the system that is really low risk, e.g. focus on pasture production and the lowest feed price. And for us that is the lowest risk. Low cost, low risk."

Another risk is loss of a key person. With only two key workers, if one was sick that would present a problem. The Mulders are planning to expand and employ staff in order to manage this risk.

Milk price is a risk, but the low-cost system helps to mitigate that risk. When milk prices are low, they are almost able to make a profit. The business figures over the last few years have shown that.

Gerard believes that their biggest risk is a dry season with poor pasture growth.

"To lower those risks, we do investments always in the years where we have the money for it."

"We look around the farm (to see) where we can do useful investments… I don't like new tractors, so I don't buy them often, but just upgrade the farm where it is necessary, like better drainage, a new bore or a new irrigator."

What business management tools do they use and how they monitor cost of production?

The Mulders have always undertaken benchmarking and they use DairyBase to compare with others. They participate in the Tasmanian Institute of Agriculture (TIA) benchmarking program and won the 2017 Tasmanian Dairy Farmers of the Year award.

"Even in Holland and Germany, we were always a big fan of benchmarking."

They use benchmarking to compare their costs with other dairy farms in the region and to identify where they can potentially reduce costs. However, they are not afraid of spending where it makes sense.

"So, we are not afraid of putting more nitrogen or fertiliser or feeding more grain. We try always to find the ideal spot. It's not about the lowest cost it's about the ideal place in there. So, where we have to spend, we will spend."

The Mulders run a low-cost system, and the focus is always on profitability, not necessarily production.

Costs are monitored annually via benchmarking. They know they have to go into winter with a certain amount of reserves.

"When things are going alright and good season and good milk price like last season, we don't have to worry too much. It works pretty good for us; we are not all the time in the books. We don't spend too much anyway. We don't have a big farm. It is easier with a smaller farm size. We know what we're doing pretty much."

What do they monitor to keep on track?

Pasture monitoring is the main thing. Pasture leaf stage is monitored, and pasture cover and growth is monitored weekly.

"That's probably the main thing, pasture walks all the time."

The Mulders have also participated in the Fert$mart program, to ensure efficient use of fertilisers.

What do see as the strengths of the business that drive the consistent returns?

Gerard said that their main strengths were:

- A consistent workforce with three family members with very good technical skills
- Managing costs
- Focussing on good technical results.

Ria and Gerard make a good team. Ria does all of the bookwork and also has a background in AI. Gerard knows what to do on the farm. They have a simple workforce and they are highly qualified. Gerard said that this was a big part of their good results.

Low-cost is a focus for the Mulders. They keep machinery costs low. Maintenance costs are also kept low by doing most of the work themselves. The farm system is low input, focussing on home grown feed.

"We are not afraid of spending; we bought a farm with high debt here, so we are not afraid of spending, but whether it is little things or farm things we tend to spend low."

"My focus was always on growing grass more than anything else I think."

In addition to the focus on pasture utilisation, the Mulders also focus on cow health, good udder health and fertility. Having a healthy herd means not only better productivity, but also low-costs, e.g. low animal health costs.

How has wealth been grown?

The Mulders worked on a sponsor farm for two years when first arrived in Tasmania, but they always had a goal to own their own farm. They started out small with high debt and have built wealth through increasing cow numbers and buying additional land.

When they purchased their own farm at Forest, they started with 140 cows on 80 hectares, then grew the herd to 300 cows. With the additional land purchased in 2020, they aim for 350 cows on 120 hectares in 2020/21. They aim for 3.3 cows/ha when the block is fully developed.

What's next?

The Mulders have plans to expand the business and have investigated purchasing a farm of around 500 cows. While this has not eventuated yet, they recently increased farm size by purchasing more land, which is currently being developed. They will increase the milking herd to 350 cows for the 2020/21 year.

"Our plan for now is to increase the farm size, so I can step back and Ronnie can have one or two workers and have a good lifestyle as well."

ADVICE TO NEW ENTRANTS/ KEYS TO BUSINESS SUCCESS

Gerard said that number one, is a high level of discipline including early up in the morning and spending wisely.

Compassion to challenge everything - learn from others, always question why.

When you are young, go out and see different things. That was one of the benefits for Gerard. He has seen a lot; he has seen the Dutch system; the German system, which was different; and the Tasmanian system, which was different again.

"Go out. See different things. Learn different things. So you have an open mind, an open view for different systems and different possibilities."

This message was especially for young farmers who take over the farm of their parents; they tend a lot of the time to do it exactly the same way as their parents did it. Gerard said to go out first and look around and see how it is done differently. Then you make better decisions.

The numbers behind the story

Farm details

	2016/17*	2017/18	2018/19
Milking Cow Numbers	283	279	295
Total useable area (ha)	87	88	88
Rainfall (mm)	1,383	1,096	1,044
Irrigation (ML)	178	180	220

Primary indicators

	2016/17*	2017/18	2018/19
Business Efficiency			
EBIT per kg Milk Solids ($)	1.05	2.56	1.81
Return on Total Assets managed (%)	2.9	9.5	5.4
Return on Equity (%)	2.2	10.1	5.5

Secondary Indicators

	2016/17*	2017/18	2018/19
Milk price ($/kg MS)	4.56	5.67	5.77
Total Variable Costs ($/kg MS)	3.11	2.32	3.09
Total Feed Costs ($/kg MS)	2.80	1.96	2.68
Homegrown Feed Costs ($/t DM)	104	79	96
Total Labour Costs (paid plus imputed) ($/kg MS)	1.33	0.77	1.21
Cost of Production (including inventory changes) ($/kg MS)	4.85	3.63	4.58

Tertiary indicators

	2016/17*	2017/18	2018/19
Milk solids as a % of Cow liveweight	61	98	76
Proportion of homegrown feed in the diet (%)	73	59	60
Homegrown feed consumed (t DM) per 100mm rainfall	0.75	0.97	0.89
Homegrown feed consumed (t DM/ha)	11.7	12.6	11.5
Milk solids per Labour Unit	53,736	90,906	55,960

*2016/17 year involved the milking once a day in response to difficult operating conditions.

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2719.2 | Dec 2020