

<b>PASTURE SUMMIT 2018 - ANSWERS TO QUESTIONS POSTED ON SLI.DO APP</b> <b>Day 1 – Session C – Pete Morgan, Dairy Farmer (North Island)</b>	<b>Event / Session</b>
<p><b>Question:</b> Do your costs include wages of management</p> <p><b>Answer:</b>  Yes we always include a standard management wage in the same way that Dairybase does. This enables us to compare our system with another that employs someone to do the management that I do (as I get my income via drawings out of profit) It is important that we know that our system is performing well and not being masked by our own inputs.</p>	<b>North Island - Session C</b>
<p><b>Question:</b> Pete, Great preso. Can you explain the heart rate graph? Also why regressing doubles benchmark cost?</p> <p><b>Thanks</b></p> <p><b>Answer:</b>  The “heart rate” graph is a broad perspective tracking grass growth rate variations season on season over my career. More philosophical than practical. The rhythm of it and the variations between seasons gives a perspective on our lives that keeps me grounded about the good and bad years as well as the “pulse” keeps our pastoral industry alive. Yes, regressing costs were higher. We had a very dry summer that necessitated undersowing of a third of the farm as well as our post cropping regressing. We used Shogun to allow us to space out the more permanent solutions for those areas.</p>	<b>North Island - Session C</b>
<p><b>Question:</b> Please tell us more about how you manage drought</p> <p><b>Answer:</b>  Unfortunately we are getting more used to being very dry on our light soils for a long period most summers. We now make sure we achieve some key targets.</p> <ul style="list-style-type: none"> <li>- Tight calving and earlier calving date now (20/7 vs 27/7) to get days in milk to the end of Dec.</li> <li>- Spring residual management to ensure summer feed quality and growth is optimal</li> <li>- Summer crop use especially chicory and plantain on poorer paddocks and winter pugged</li> <li>- Pre summer round length (32days) cover (2300kgdm/ha)</li> <li>- Making maximum amount of supplements out of surplus feed</li> <li>- Carrying over some maize</li> <li>- Doing the autumn feed budget from February onwards and making financially and logistically rational decisions about which contingency to go with. These are based around whether to feed out, cull, buy feed or dry off.</li> </ul>	<b>North Island - Session C</b>

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<p><b>Question:</b> How are you positioning yourselves with environmental change legislation? What are your driving rules in this space.. Please share!</p> <p><b>Answer:</b>  Phew. Yes the rules and climate challenges itself are going to see that the positioning of our business is vital to continued success. Key things for us are.  Tools (under sowing, direct drilled crops, weather and climate prediction, and environment monitoring and decision-making tools)  Budgeting feed and finance for more volatility  Effective insurances reviewed regularly  The BIG one is going to be carbon and what legislation is actioned. What that looks like and how we will have to change is unknown but rest assured that if I am marginally economic now, it will be even harder later.</p>	<b>North Island - Session C</b>
<p><b>Question:</b> Peter what has the change in pasture harvest been on your farm over the past 5 years. What do you contribute that shift (if any) to.</p> <p><b>Answer:</b>  I attribute the variation to more volatile extremes of climate and its impact on animals, utilisation, soils, weeds, pests and therefore pasture persistence. It is the primary driver of our farm. It has varied from 9,5t/ha to 14,0t/ha.</p>	<b>North Island - Session C</b>
<p><b>Question:</b> Would you advise young people that are wanting to eventually buy a farm to go sharemilking, 50/50, contract milking or farm management</p> <p><b>Answer:</b>  Good question.  It needs to match the experience, challenge tolerance/need, equity, borrowing capacity, security, goals, personal and family situation, off farm involvements....  Most of all robust budgeting on any scenario including realistic sensitivity analysis is vital.  Ultimately my answer would be a good 50:50 position is a good route if you have an appetite for running your own business. That doesn't suit everyone, independently of ability, and so professional management positions give security for both parties.</p>	<b>North Island - Session C</b>

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<p><b>Question: What are the main criteria for assessing staff?</b></p> <p><b>Answer:</b>            Good phone interview to sort potentials down to a shorter list and then a well planned interview.            Tight set of Qs for phone and personal interviews. DairyNZ have good templates we have used.            Specifically we are after attitude as much as aptitude, but reference checks and all the interviews must reinforce this and have practical application of it.</p>	<b>North Island - Session C</b>
<p><b>Question: What is your biggest worry?</b></p> <p><b>Answer:</b>            Day to day it is getting the small details right that I might have taken my eyes off like residuals. Staying on top of job lists for everyone.            Longer term it would be climate, both for us and our farm as well as the rest of the industry, country, markets and world. There are few who benefit from instability and uncertainty.            Funnily I never worry about money or weather.</p>	<b>North Island - Session C</b>
<p><b>Question: With running low input systems how do you manage cow condition and animal welfare issues whilst still being stringent on no/ small input systems.</b></p> <p><b>Answer:</b>            Very relevant question. 2 parts to this:            1 Set the system, CSR feed PSC budgets and policies. This gets you settled in your system with all the inputs that it needs to maximise pasture and milk production while minimizing the cost of production. This relationship will generate the best profitability.            2 IF (or when) things don't go to plan (like a summer dry unexpected feed deficit) I assess a response to it that will both achieve our best outcomes (and profit) that will handle the challenge. (e.g. buy in feed) This response is not a change to the system</p>	<b>North Island - Session C</b>

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<p><b>Question:</b> Both of you seem extremely comfortable with numbers! What would your advice be for young people in the industry to start getting their head around the numbers?</p> <p><b>Answer:</b>  We have different skill in this department. Ann is detail and routine necessities of recording, processing and monitoring financials. I am bigger picture, strategy, production, animal and feed. We must come together to look at budgets to make the key decisions with the business. Practice, keeping the process simple and relevant to where we are going is key.</p>	<b>North Island - Session C</b>
<p><b>Question:</b> Pete - you briefly mentioned virtual fencing - can you explain how it works? Does it help production/profitability??</p> <p><b>Answer:</b>  Boy! Watch this space. There are some game changers in the tech space. The virtual fencing has the potential to improve feed utilisation and efficiency, all aspects of animal management. Profitability would follow if the rest of the farm system was able to provide the right pasture and other feed information and the interface with us as the farmer was able to mimic our normal decision making process. Early intervention with any animal problem (calving, lame, bloat, metabolics), labour savings (moving and drafting animals) and repro management (heat detection) lifts would drive efficiency.  The first commercial operations will be running in 2019 and will no doubt have issues but will get there in the end. Check out Halter.co.nz. But remember ‘it’s the second mouse that gets the cheese!’</p>	<b>North Island - Session C</b>
<p><b>Question:</b> Do you show your staff your financial budgets and is financial training something you do with them. And if you do, what are their reactions.</p> <p><b>Answer:</b>  Yes we do. Total transparency. We even try to help with theirs.  The advantages to us re they can contribute to our higher level decisions from their grounded perspectives, it stops money being a touchy topic, it’s easier to talk finance issues when it does need to be faced and it’s good practice for us to verbalise our financial strategies and rationale. They love it being demystified and we find they care even more about cost control and the financial impact of management decisions.</p>	<b>North Island - Session C</b>

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<p><b>Question: How has the industry strayed so far? And why have our leaders do not sing the praises of profit not production?</b></p> <p><b>Answer:</b></p> <p><b>Production is immediate, tangible and the responses to supplements are short term and obvious. Hidden costs, substitution, depreciation and the value of our own time is not.</b></p> <p><b>There are commercial interests that will “interpret” the available information on feed conversion efficiency and the cost benefit of buying supplements with bias.</b></p> <p><b>We as farmers do want to do the best by our animals and uneconomic feed decisions are often done with the best intentions.</b></p> <p><b>It is inherently difficult to track through the full cost and benefit of many decisions, especially feed ones. The work here and in Ireland all agree that the total cost of bought in feed is about 1.5 times the purchase price. I now use this multiplier in my partial budgets. It is brutal but not surprising and shows how disciplined we need to be.</b></p> <p><b>Yes good leadership is needed, by all the players DairyNZ, MPI, Feds, vets, consultants, accountants, banks...etc.) and if we agree on what the facts are, we need to all stick to them. There will be financial literacy issues but understanding the fundamentals of pasture management and how it interacts with supplements is core.</b></p>	<p><b>North Island - Session C</b></p>