Lift-out

Dairy counsellors funding extended for another year

WestVic Dairy welcomed the decision by the government to extend the funding for the farmer wellbeing counsellor positions.

The farmer wellbeing counsellors will continue in 2017-18 to ensure farming communities receive much needed mental health resources. The positions were part of a $1.5 million package of mental health support for dairy farmers, in response to the dairy downturn last year.

Ann-Marie Byrne from Colac Area Health and Helen Chapman from South West Healthcare filled the positions last year and have been working with WestVic Dairy to provide the best outcomes for farmers.

WestVic Dairy's Regional Manager Lindsay Ferguson said the decision to extend the funding highlighted the importance of looking after farmer wellbeing.

"We need to make sure that not only is the business healthy, but the people within it," he said.

"There has been a gap in the mental health space for farmers in the past, so it is good that this has been recognised."
"The dairy downturn really highlighted the industry's ability to pull together to support farmers through a variety of channels."

Minister for Agriculture Jaala Pulford said that this was very welcome news for dairy farming families who have been doing it tough.

"While the season ahead looks more promising, many of our farmers are still feeling financial pressures," she said.

To ensure the support provided meets the needs of dairy farmers, the Government has consulted with farmers and their families, and worked with local health services, community groups and industry.

Healthcare contacts

South West Healthcare	Colac Area Health	Primary Care Partnership
Helen Chapman	Ann-Marie Byrne	Abbie Cameron
55 644 269	0447 321 599	55 645 851
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Dairy Mediation - What you need to know

David Stafford, Executive Officer at Rural Financial Counselling Services

A referral to a Rural Financial Counsellor should be the first step to be undertaken by a client facing debt mediation- there is a lot of work to do in preparation for the mediation process and our counsellors are involved in this process on a regular basis- it can be very daunting for a client to undertake on their own. Getting a counsellor involved will open up other avenues to be pursued and is the best option for a farmer in trouble.

Agriculture Victoria has provided a fact sheet that outlines the farm debt mediation process. Some of the key points are:

What is farm debt mediation?

Farm debt mediation is a structured negotiation process where a neutral and independent mediator assists the farmer and the creditor to try to reach agreement about current and future debt arrangements. The mediator's role is to facilitate the discussion. They will not provide advice on the matters in dispute. Mediation is a simple, voluntary and confidential process that is quick, accessible and affordable. Agriculture Victoria administers the scheme and the Office of the Victorian Small Business Commissioner (VSBC) arranges the mediation service. The cost of mediation is currently $195 per session for each party. The Victorian Government subsidises the full cost of mediation making it significantly lower than market price. Parties are responsible for their own costs in preparing for and attending mediation.

How does farm debt mediation work?

Under the Farm Debt Mediation Act 2011 (Victoria) [FDM Act] there are two types of mediation available.

a) Creditor initiated mediation

- Creditors must send notice under section 8 of the FDM Act to farmers alerting them that mediation is available before initiating debt recovery on farm mortgages. Farmers have 21 days to respond to an offer to mediate.
- If a farmer does not respond to the offer to mediate a creditor can commence recovery action on the farm mortgages. If farmers are planning to be away from their farm at a time when they believe there is a risk a creditor may seek to commence recovery action, then it is very important to ensure someone is checking their mail.
- If a farmer agrees to mediate, a creditor will not be able to commence recovery action until mediation has concluded to the satisfaction of the Victorian Small Business Commissioner.

b) Farmer initiated mediation.

- A farmer takes the initiative to request mediation with their creditor. While a farmer may initiate a request for mediation, a creditor is only obliged to mediate if a farmer is in default.

Following mediation, or when a farmer refuses to mediate, the creditor may apply to the Victorian Small Business Commissioner for an exemption certificate. Once an exemption certificate is issued, the creditor can commence enforcement action.

If granted, this certificate will last at least three years exempting the creditor from having to offer mediation in the future. If a creditor is refusing to mediate and the farmer is in default, the farmer may apply to the Victorian Small Business Commissioner for a prohibition certificate. If granted, a prohibition certificate remains in place for a period of six months or the day on which the farmer and the creditor enter into mediation. During this time, the creditor is precluded from undertaking enforcement action. Farmers cannot be asked to waive their rights under the legislation - for example, as a condition of entering a new loan, or altering existing loan agreements.

Who can help with the farm debt mediation process?

It is recommended that farmers seek assistance from their local Rural Financial Counsellor (RFC), solicitor, accountant or some other appropriately qualified person. These people can assist farmers to prepare for mediation, attend the mediation session with farmers, and help with any actions that need to be undertaken after the mediation session. They can also assist farmers experiencing financial difficulty that may not require mediation under the Act. For mediations held during 2014-15, 61.8 per cent had a RFC supporting the farmer. The RFCs provide assistance to the farmer through emotional support, financial guidance and document preparation in what is often a highly emotional time for farmers. This is a free service for farmers and small rural businesses who are suffering financial hardship and who have no alternative sources of impartial support. To find your nearest RFC call 1800 686 175. Farmers in difficulty should try to maintain open communication with their creditors and act early when problems arise. Acting early can only help in the long-term.

If you would like to receive this publication in an accessible format, such as large print, audio or in another language, please call the Department of Economic Development, Jobs, Transport and Resources on 136 186, email customer.service@ecodev.vic.gov.au

STEADY STATE – ARE YOU THERE YET?

John Mulvany, OMJ Agricultural Consulting

I recently attended a Field Day conducted on the farm of ex- Gippslanders Ruth and Neville Kydd who have farmed at Finley in NSW since 1985. The day reinforced some very strong business principles held by the Kydds and the importance of what is described as the 'steady state' dairy business.

All dairy businesses go through a growth phase, when cash is very tight and genuine progress is often questioned; there is high capital expenditure and high debt servicing. However, following on from that there should be a phase when the business is in a "sweet spot" and the major settings of stocking rate, calving date, and land resources are constant. During this period, consolidation and debt reduction can occur. It is also the time when analysis of the business shows clear messages. True performance, good or bad, becomes very evident. In the absence of steady state it is far more difficult to identify progress. Signs of an inability to achieve steady state are large fluctuations in cow numbers, low replacement numbers and even volatility in the farming system.

The Kydd business grew from 167 cows in 1985 to 1,250 cows in 2016. However, over that 31 year period there were periods of steady state involving consolidation and debt reduction. From 2010 to 2016 cow numbers varied by only 20% on the same milking area; prior to that there was a steady state of 800 - 900 cows on a smaller milking area. The message is clear that once you have the right combination don't change it unless one of the basic resources such as land changes.

Despite farming in a very volatile environment, with water availability and price both varying dramatically, the Kydds have averaged 11.74% return on asset and an $EBIT of $2.20/ kg milk solids over the past 5 years. They do not receive a "premium" NSW milk price. The business has grown in stages and now has a net worth (assets minus liabilities) of $13.6 million.

Some comments, notes, and observations from the Field Day were:

- "...We did a whole farm plan, so we could be more efficient at growing grass, and so that we knew that any improvements or changes we did would fit into our long term plan and add value..."

- "...We had 40% equity early in our career, but decided early that when we had debt the objective was always to pay it off..." Equity has only varied from 92-100% since 2004. This is exceptional in the dairy industry, but is regarded as a resilience strategy by the Kydds. If debt is present it is paid off as soon as possible.

- The farming system is simple and conservative with a moderate per cow production from a three way cross, high fertility herd (96% in calf rate). Only 27% of feed was imported in 2015/2016.

The Kydds' dairy business principles are equally applicable to all dairy businesses, irrespective of where you farm or how many cows you milk. Obviously the older you are the more relevant the debt reduction story becomes, as this introduces flexibility for the individuals in the business.

Ruth and Neville were asked to list what they saw as the critical success factors in achieving their success, to which they replied:

- Monitor, review, and be prepared to change.
- Do the important things well.
- Do the little things on time, so they don't become big things.
- You need to be a team heading in the same direction. Take everyone on the journey with you.
- You need to question and understand advice you are given.

STEADY STATE – ARE YOU THERE YET? Continued...

John Mulvany, OMJ Agricultural Consulting

- Everyone has good ideas; you need to pick the ones that work for your business.
- Don't waste your time on stuff you are not good at, get help.
- Time is not infinite - use it well.
- Build relationships - they will support you when things are tough.
- Enjoy what you do.
- Don't expect someone to do something that you wouldn't do yourself, unless it's their passion.
- Be prepared to be flexible with loan repayments so you can be in a good position when opportunities come up.
- Adversity always opens up opportunities. Always try to be in a good position when these arise.
- If you pay too much for something, it's very hard to make money on it.
- In tight times, decide what you can't afford not to do.
- Deliver on things that you say you are going to do.
- Focus on returns, not on production.

These might all sound just common sense, but sometimes in an industry that suffers from "complexitis", a focus on production rather than profit, and excessive debt in many cases, a dose of simple common sense, from individuals who have gradually grown after periods of steady state, can help to re-focus.

It might also serve to support the reader who has a dairy "model" that seems to work and generate profits, even if it is not the "glossiest". There was nothing fancy at the Kydd farm. Everything was earning its place.

If milk price and season are reasonable next year, and you are in a period of "steady state" then a practical objective could be to reduce a specific debt and consolidate, rather than expand or expend. However, debt reduction is not something that people boast about and is generally private. That can make it harder to do, but it is very satisfying when it happens!

If you are not in a period of "steady state" ask yourself "Why not?" Is it because you are genuinely in a growth phase and are working to a definite plan with a definite outcome, or are you just swapping and changing because you can? That tactic might need deeper thought.

Dairy advocacy for the future

Advocacy is an important part of securing the future for the dairy industry. Victorian dairy farmers are conducting an independent study of the challenges and opportunities for the leadership, governance and effectiveness of advocacy for the dairy industry in Victoria and in a national context.

The Dairy Advocacy Review Team (DART) has been established to provide recommendations on the most effective advocacy model to take the industry forward over the next 20 years. The project is supported by the United Dairyfamers of Victoria (UDV), the Victorian Farmers Federation (VFF) and with UDV project funds from Australian Dairy Farmers (ADF).

The DART consists of a group independent, successful, young farmers brought together by UDV Vice-President and Gippsland dairy farmer John Versteden, with former Department of Primary Industries Executive Director Dr Clive Noble as Executive Officer.

To learn more about the DART and the opportunity to make comment, please visit www.darteam.com.au