Tasmania’s Dairy Industry & Opportunities for Employment

Information Session for Employer Service Providers

June 27th 2012
Demand for labour (incl. seasonality)

• Cows create work
  – Limited efficiencies around scale

• There are about 140,000 cows in Tassie
  – Requires about 1,400 labour units on-farm
  – Peaks at 90 - 150 cows per FTE at calving
  – Post Christmas can drop to 100-200 cows/FTE
    • But less cows

• Expected growth means 70,000 more cows and 450-700 jobs
Regional aspect of dairying

• Predominates in Circular head
  – No close major centre (other than Smithton)
• Other areas Central North, North East, South (small) and Midlands (new and growth area)
  – Midlands and Circular head likely to see bulk of growth
Type of farm business ownership

• Owner operator
• Equity partnership
• Owner/sharefarmer
• Owner/sharemilker
• Corporate/high net worth
Type of farm structures

- EP/EM
- Owner/Sharefarmer
- Owner/Sharemilker
- Owner/manager
- Sharefarmer-50:50
- Sharefarmer-32:68
- Sharefarmer-20-25%
- Sharemilker-$/kgMS
- Manager-salary
- Profit share exists but not common

Remuneration is high
Farm size

• Farm
  – Average
    • Cows 400+
    • Area 200 ha
  – Range
    • Cows 60-2500 cows
    • Area 50-1000ha

• Business
  – Average
    • Cows 500+
    • Area 300+
  – Range
    • Cows 60-2500 cows
    • Area 50-40,000ha
Role of corporate investors

• Very likely to increase
  – Provide capital
  – Facilitate outside investment
  – Increase wealth
  – Work with families
  – Facilitate co-investment

• They will have the capital to invest in structures
  – Employment
  – OHS
  – Career paths
  – Support
Managers, sharefarmers, employees and others

• Managers
  – Responsible for all aspects of either farm and/or herd management
  – Paid a salary (often incentives)

• Sharefarmers
  – Generally responsible for farm and/or herd management
  – Will generally bring some capital
  – Paid on a percentage of income (production)
  – Pay percentage of costs
Managers, sharefarmers, employees and others

• Sharemilkers
  – Responsible for most aspects of herd management
  – Varying degrees of farm management
  – Usually paid on a production basis$/kgMS

• Employees
  – Limited responsibility
  – Have to work unsupervised
  – Jobs regular (monotonous) with significant consequences
  – Generally wage/ some incentives
## How farmers go about employment

<table>
<thead>
<tr>
<th>Position</th>
<th>Employment strategy</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manager</strong></td>
<td>Poach</td>
<td>Poaching is very common for higher level positions. There are two reasons, managers can quickly outgrow a farm if they are good. If they are no good they quickly move on. Advertising in NZ is common and there appears to be significant numbers of managers there.</td>
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<tr>
<td></td>
<td>Gumtree</td>
<td>Advertise locally</td>
</tr>
<tr>
<td></td>
<td>Advertise NZ</td>
<td>Immigrants</td>
</tr>
<tr>
<td></td>
<td>MSO</td>
<td>Consultants</td>
</tr>
<tr>
<td><strong>Sharefarmer</strong></td>
<td>Poach</td>
<td>In reality there is a low number of sharefarmers, in particular 50:50 sharefarmers. Poaching is again common for the reasons above.</td>
</tr>
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<td></td>
<td>Advertise locally</td>
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# How farmers go about employment

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<tr>
<td>Sharemilker</td>
<td>Poach</td>
<td>Sharemilkers are a newer breed. They fulfil the roles of managers. It is more incentive based but often ends in tears.</td>
</tr>
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<td></td>
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<tr>
<td>Employees</td>
<td>Poach (but far less common)</td>
<td>Usually local papers. Job agencies tend to reply on behalf of applicants. Often plenty of low quality applicants. At certain times very low levels of applications.</td>
</tr>
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<td></td>
<td>Advertise locally</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employment agency</td>
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In my experience when checks are done 80-90% are hopeless cases.
How farmers go about employment

• Farmers as employers
  – It's lots easier to manage 350 cows than 1 staff member
  – Many farmers are not good at staff management
  – In many instances there are economic pressures
  – Minor cock-ups have major downsides

• Many run a high turnover “revolving door” policy
  – We (MF/BD) often encourage that!
Opportunities to support dairy employment

- 35% of dairy farmers are concerned
- 25% of dairy farmers list it as their main concern (milk price at 30%)
- 1 person turned over every 2 days on farm
Opportunities to support dairy employment

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<td>All positions</td>
<td>To understand dairy farming. That it is one of the most complex small businesses (People, Animals, Environment, World markets) This industry needs the best and brightest at all levels. Training for farmers on being better employers. How to attracting the best (industry) Migrant/managers workers (to get supply up)</td>
</tr>
<tr>
<td>Manager</td>
<td>Very specific set of skills required. Often applicants don’t articulate well. Referees and CV poor in general. Demand high/supply low so a lot of movement farm to farm.</td>
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## Opportunities to support dairy employment

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<td>Sharefarmer</td>
<td>Same as manager but may also have to pay labour so additional skills on top of just managing staff and cows. Can be major risks in the contract around low milk price and underperformance. At 50:50 level major investment. Need to be good to get there. Some movement to multi-farm model.</td>
</tr>
<tr>
<td>Sharemilker</td>
<td>Depending on the percentage there is a wide variation in the level of responsibility. There is also significant downside in the contract. Many managers become sharemilkers but result is same.</td>
</tr>
<tr>
<td>Employee</td>
<td>Screen these people and don’t waste time with those that are unsuitable. Basic skill requirements met (ATV, Safety, milking) Send people with drive (many of these people don’t want to get out of bed let alone at 4:30am)</td>
</tr>
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</table>
Summary

• Currently demand exceeds supply for labour
• Dairy needs bright individuals at all levels
  – Currently at best random at worst the dregs
    • Forcing revolving door policy
• Dairy will see 30-50% growth in jobs in next 4-7 years
• Strategic approach required
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