

## **Change and challenge for the future of farming**

Reflecting on 2010 and looking to 2011 and beyond has got me thinking about the characteristics of businesses that will be sustainable, profitable and satisfying for the long term.

In my view, the future will challenge farm business leaders and owners to be more self aware, better in tune with relationships and people in their business, committed to robust financial and monitoring systems and focused on a strategy to balance lifestyle and job satisfaction. Those who keep striving for excellence for these aspects of their operation are likely to see real rewards.

During 2010 there has been a pleasing consolidation of the Dairy Sector helped by the recovery of and relative stability for international product prices. Long awaited gains in trade access, demand for dairy products from world population growth and increasing focus on healthy diets in large, emerging nations are playing in favour of New Zealand and Australia's Agriculture Sector.

Balancing this has been an escalation in the range of opinion about how farms should operate. Consumers in developed markets are clamouring for sustainability, prudent environmental practices, animal welfare and food safety. Gone are the days when a farming operation can operate solely with the spirit of independence and the "can do" Australasian approach that has been worked in the past. There is now much more red tape to comply with. The expectations of interest groups, demands of legislative requirements and heightened awareness of the need for good stewardship of resources is having a greater influence on management strategies.

This means an increased requirement for sensitivity and response to changing public sentiment when developing farm business direction. Farming will need new skills and systems to manage perceptions and communicate the reality of what happens in modern farming. Our city cousins have long lost their understanding of our innovative, proactive and nationally productive sector.

This year has seen a significant lift in debate around land ownership -- especially from an international perspective. As countries and corporates position themselves for food security in the future, their desire to get involved in land ownership has raised conflicting views about who should control land resources and what will be appropriate ownership structures on both sides of the Tasman.

In New Zealand, at least, there has been a sharp reminder of the importance of sustainable capital structures and debt levels. The runaway train of capital growth and irrational investment of the past is getting itself back on track through much closer attention to return on capital, prudent debt levels and year in, year out cash profits. The land market is in limbo and the large number of properties for sale offers genuine choice and competitive purchasing options for investors. This is a welcome environment for those in expansion mode.

In my view, these drivers of our industry are likely to mean a more "corporate" style of farming. The importance of scale, the need for financial momentum to support best practice and the demands of effective governance and operational procedures will require a collaborative management approach. This will as much involved families joining forces as part of a succession strategy as it will development of independently owned joint ventures.

I have no doubt family farming operations will continue to be the foundation of the rural sector. There is, however, significant pressure on an ageing generation of farm owners to find a way forward as they approach retirement years.

Bigger, bolder, leaner and best practice focused farming ventures are likely to see real opportunities and returns from business growth.

The past fascination with land ownership "for the sake of it" will transition to a focus on options that offer more positive returns -- most likely from business growth that expands investment in stock and plant and is less focused on land ownership. Leasing and sharefarming may well evolve as part of this "corporate" strategy.

So we can look forward to more time on the learning curve for those who choose to be part of this exciting farming future. When combined with growth in technology, better people management strategies (see Dairy Australia's "The People in Dairying " project,) more sophisticated planning and monitoring systems and it all adds up to more potential for reward and challenge.

For those looking for a career or investment pathway, farming is again a 'rising star'. There are real opportunities to be part of exciting and innovative enterprises that must generously reward the intellect, people skills and technical know how as well as the undeniable practical and physical commitment to plain old hard work that has always been fundamental to farming success.

This is not for the fainthearted or uneducated -- it offers a bright future indeed!

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