THE JOURNEY IS HALF THE REWARD...

FUTURE ORCHARDS – JULY 2015
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Topics for discussion

- Where we began
- Change in motion
- Travel and participation
- Measure, Monitor, Improve
- Working smarter not just harder
- Risk management
- Varietal transformation
- The transformation summarised

Behind every good man there’s an even better woman
Where we began

- 6th generation apple grower
- 6 x 4.5m plantings
- David attended college & returned to the farm
- Married a 3rd generation fruit grower – Sue
- Growers always think they have an answer to the problem – was this holding us back?
- Still operating in the work harder mindset
Change in motion

• Early 2000’s – more intensive plantings
  5 x 3m
  4 x 2m – Red chief
• Rootstock experimentation
• Began keeping more detailed records – wife is a CA
• Attended a ‘Succession or Sell’ seminar – first lightbulb moment
• Triggered capital works

*You cant be a little bit pregnant ... are you growing or not!*
Travel and participation

• Get off your farm! Look over the neighbours fence!
• Travel broadens the mind – *study tours off shore, witnessed new varieties, systems and approaches* -2007
• The European and New Zealand experience
• Active members of Future Orchards – *it asked all the right questions*
• If someone else is doing things better how are they doing it?
• Gave us confidence and helped define our competitive advantages
• We were reinvigorated
Measure, Monitor, Improve

• Become a huge part of how we operate – second lightbulb moment
• OrchardNet helps drive the business – block by block, identifies key drivers, backs up ‘gut feel’
• Spray application monitoring
• Pest and disease monitoring – RimPro
• Weather monitoring – Meteye.
• Fruit Size monitoring is critical
• Labour management and staff pay – tracked by job/block
RimPro/Meteye

Digital Fruit Size Gauge – can enter 280 measurements in 2hrs into OrchardNet
This system allows us to do accurate labour budgets which are critical to determine timing and numbers required under the Pacific Islander Work Scheme.
Working smarter not harder

• When things become financially difficult you are forced to analyse the numbers and make tough decisions – need to be smart
• The Australian Orchard Business Analysis was very beneficial – now we had a benchmark and the next leg of the journey could begin.
• The analysis of our numbers drove strategic investment where there was an obvious ROI – net, Extenday etc.
• Identifying the drivers of profitability – yield, packout, efficiency
Working smarter not harder includes adequately resourcing your business...
TREE EFFICIENCY
What did the numbers tell us this year?

• Higher yield but will be tempered by lower prices.
• 900 extra bins committed to a “for profit” packhouse instead of in-house cost centre.
• Wages are up – more spent in pruning and harvest and planting 2.5 hectares of new orchard plus trellising grafts and new orchard
  - 3% national wage rise last year
  - Extra full time person put on
• Operating costs are down – spray down but $46000 less in net repairs as very large repair item last year
What did the numbers tell us this year?

- Administration costs up
- Extra tax planning this year to ensure business structure and year end tax planning legitimately minimised tax – looked at repairs, stock values, small plant purchases and depreciation
- Extra staff training and seminars, trips included Pacific Seasonal Workers (we use Nivans for harvest), Chile orchards and NZ orchards
- Interest down – paying down more than borrowed and interest rates moving favourably
- We lost two older family members last year and we were fortunate to receive some funds from them. This has been put to orchard development and capital purchases without having to increase borrowings.
What did the numbers tell us this year?

WAGES

• We spend considerable funds putting out temporary nets, orchard development.

• Extenday is included in harvest cost as this can be attributed to harvest only, this includes putting it out, shifting blocks and returning to shed on harvest completion. (This yr. is $14,196).

• Total harvest related expenses - $149,000

• Total pruning cost - $91,000

• Total thinning cost - $38,000

• Total DrapeNet handling cost - $33,000
Risk management

• We are professional gamblers!
• Environmental risk is huge - Sun, birds, bats, hail, wet winters, pollination...
• Focussed on managing as many aspects as possible through monitoring and physical intervention – net, evaporative cooling
• Market risk = managed by quality and varietal mix
• Financial risk = good data is essential to managing that risk
• Labour risk = managed with seasonal workers
THE PRESSURE IS CONSTANT
MANAGING OUR LABOUR RISK
MANAGING POLLINATION RISK
MORE RISK MANAGEMENT
Varietal transformation

• Major shift in varietal mix between 2005 and 2015
• Arguably the biggest change the farm has undergone
• Travel and market returns were the catalyst
• Productions levels have not quite caught up yet
• 2924 bins – 2005 and 2487 bins – 2015 but set to explode!
• Big yielding varieties were pushed – Golden Del, Red Del, Sundowner
• Jazz now representing 22% of the planted area and increasing
• 59.2% of production coming from 36% of the planted area
The transformation continues...

- Over half the planted area is now on dwarfing stocks, mainly M26
- Of those 13ha, 11.4ha are planted at greater than 2770 trees/ha
- Grafting has also played a significant role in upgrading colour and increasing density
- Pruning is in complete contrast to 20yrs ago
- Tree architecture in complete contrast to 20yrs ago
From 1650 to 6600 leaders/ha Jazz grafts 2yr old

2yr old Envy grafts, 3m high
Summary

• Talk, Travel, Try
• Generate meaningful numbers and learn to respond to them
• Work smarter not just harder
• Engage with your industry
• Measure, monitor, improve
• Manage as much risk as you can
• Be robust when assessing varietal performance

You can’t be a little bit pregnant – *Sell or Succession?*