

263 Revised

### STORED FEED IS LIKE MONEY IN THE BANK

How many times have you heard your parents say 'save some money for a rainy day'? You have definitely heard me say 'cash is king', and of course the favourite farmer saying 'stored feed is like money in the bank'.

These are all old fashioned, but true statements and something we could do well to remember them, in this world of 'instant gratification'. I believe we have moved away from the traditional 'squirrel mindset' of storing and saving, but in farming, some sort of buffer is still essential.

What are some of the issues and downside risks that could occur?

#### MONEY:

What happens if you have spent up to your credit limit and have no 'squirrel' buffer to give you flexibility or room to move when things go wrong - such as an emergency in your life? For example, the variable weather, like the recent blast from the Antarctic. If you have no financial buffer and you need to purchase feed or buy a generator, you have no where to go.

What happens if you miss the monthly grind of the mortgage payment? Even if you make that payment by increasing the overdraft limit, the bank is still going to get concerned. They will be asking you to find an alternative banker if you keep missing those payments.

I prefer to structure finance, on the basis of having all your term debt, plus your 'working overdraft' in credit. Your total debt might be \$1,100,000, but you have \$100,000 of unused capital on deposit in the Bank. This enables you to have an immediate snapshot of the health of your business, ie: how much credit do you have? It will also influence you, to only spend your credit, and further influence you to increase it.

You have heard me talk about the structure 'renting the money' before? In this case, you pay interest only, on the \$1,100,000, with \$100,000 in credit at the Bank.

#### FEED:

Stored and available feed is essential for the abovementioned shocks. For example, under the Kaimai Ranges, where they get Foehn winds, the wind can be so strong, up to 200 km/hour, that it is impossible to shift the cows to fresh grass. Imagine having 1000 cows all hungry, with no stored feed reserves and no ability to shift them to fresh grass.

As our small country's temperate climate can be subject to weather shocks, such as snow, droughts, cyclones, flooding and power outages, we all know that stored and available feed is an essential part of any farming business.

#### HUMANS:

Included under the animal welfare umbrella is farmer welfare. I presented at a recent farmers meeting and what I learnt most powerfully there was, to put your partner first, ahead of everything. Without your partner, your farming business will not survive. At its core relationship pressure, is often, just straight lack, of meaningful communication.

Stress and lack of caution, in farming, is common and something I see a lot, with my work. We know farming can be all consuming, with work requiring to be done at all hours. It is a 24/7 lifestyle. It can be daunting, running the business, feeding the stock and paying the interest bill. Unrelenting pressure almost inevitably lead to overload, ill health and often depression, as we struggle to keep up.

Like the squirrel, store up some extra sleep and energy for yourself, instead of running on empty all the time. Plan and take adequate time off. Just relaxing on Sunday afternoons can help your mental wellbeing, along with your relationship.

#### DISPOSABLE RESERVES AND FUEL:

Have you got enough fuel to get your family to hospital, if one of them is sick in an emergency? Do your batteries all work, or do you have to tow start some of your vehicles? Does all your gear work, or will it let you down through lack of maintenance at the most inappropriate time?

We all bury our heads at times, feeling safe and secure on our land, but if it all goes haywire, as it does sometimes, so we need to be better organised.

In Summary:

- Do you have a 'squirrel' mindset, have you stored and saved for the rainy day that dad always talked about?
- Can you weather the storm if there is an emergency?
- Have you got enough money stored to run your business?
- Have you got enough feed?
- These are very uncertain times and never has it been more important to have sufficient reserves of everything.
- Failure to do so could see your business at risk.

These are the opinions of Don Fraser of Fraser Farm Finance. Any decisions made should not be based on this article alone and appropriate professional assistance should be sought.

Don Fraser is the Principal of Fraser Farm Finance and a consultant to the Farming Industry. Contact him on 0800 777 675 or 021 777 675.