

## Eastlake Farm



### Owners:

Gordon & Wendy Williams

### Leasing collaboration:

Since 2001

### Industry:

Cattle and sheep grazing

### Location:

New England High Country between Uralla and Walcha, NSW

### Region:

The Northern Tablelands is 1000m above sea level making for cold winters and mild summers. It is generally a high rainfall region. The area is dominated by livestock production which contributes to 90% of annual agricultural income.

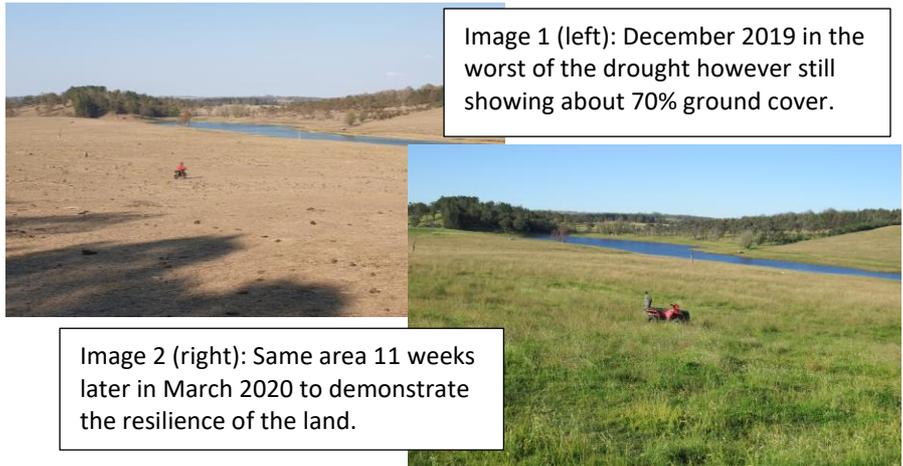


Image 1 (left): December 2019 in the worst of the drought however still showing about 70% ground cover.

Image 2 (right): Same area 11 weeks later in March 2020 to demonstrate the resilience of the land.

Eastlake has been in Gordon's family since 1931. Gordon started farming Eastlake in 1971, married Wendy in 1975 and took over from Gordon's father, John, in 1980. They all saw some key lessons from the 1965 drought and applied these to their farm leading up to and through the 1980 drought, and in subsequent droughts. In 2001, they decided to lease their farm to pursue other interests and have been actively involved in overseeing the leasing their property since then, and for the past four years assisting with management.

### Success Story

- In the twenty years that Gordon and Wendy managed, they focused on optimising production by improving water supply, pasture management, soil fertility, appropriate extra subdivision and running a stocking rate at around 75% of maximum potential which improves ground cover, which in turn improves water retention, and thus quality and quantity of native and exotic pastures.
- Over the last twenty years, Gordon and Wendy have continued to actively develop their land to ensure that the lessee gets optimum return for their investment and that the land is viable for the future.
- Gordon and Wendy have leased their property to four lessees in the twenty years with three successful collaborations and one less successful that Gordon states was a big lesson in how to better manage lessor/lessee relations. They are currently enjoying working with their neighbours Joe and Steph Van Eyk.



## The Catalyst for Change

- Gordon admits that after 20 years of farming with heavy droughts and unpredictable returns, he started feeling burnout and after 30 years he knew it was time for a change.

## The Opportunity

- Rather than selling the family farm, Gordon and Wendy decided to lease the farm. As Gordon shared “never make big decisions under stress”. He discussed his decision with a friend who was looking to expand his operation. Gordon and his friend negotiated a deal to lease 1/3 of Eastlake for cattle grazing, and the then remainder to another family for sheep and cattle.
- The decision *not* to sell Eastlake in 2001 was made easier as they had no debt. They sold their livestock and had a SMSF from previous farming profits, as well as lease payments to support them and father, John, for the future.

## The Challenge/s

- The third lessee was unreliable in many areas of the arrangement, and the lease was terminated.
- From this, Gordon fine tuned some aspects of the lease, particularly relating to fertilizer requirements to average stock numbers run pa.
- Gordon advises all parties to do the sums by visiting their accountant/financial advisor.
- If a farmer (lessor) wants \$100k for a lease and they have never on average made that profit, how could it be reasonable to ask for that? Just sell the farm and move on, and let the potential lessee find someone else who is realistic.

“Farming is like playing poker; make the most of a good hand, but don’t gamble on a bad one...”

*Gordon Williams*



## Questions to consider when leasing

- What does each party need to gain from this partnership?
- What is a realistic return to capital for the lessor, and the lessee?
- What are the actual returns from the farm in question?
- What are the professional and personal credentials of the lessee and lessor?
- Has the lessee the skills and wherewithal to manage the farm?
- Can the lessor stand back and observe comfortably?
- What time frames suit both parties?
- What are other issues important to both parties?

## Keys to effective collaboration

- **Goodwill.** “You can write anything and everything into the agreement but without genuine goodwill, respect and understanding nothing will come of the arrangement” stated Gordon Williams.
- **Mutual respect and profit.** You must be able to get along and have mutual respect; know each other’s intentions and why you are both going into the agreement. Profitability must consider realistic financial returns for both parties, along with long-term maintenance (not mining) of the land asset- soils and infrastructure.
- **Protection.** Ensure you are legally and financially covered should any challenges or unexpected problems arise. Both parties must understand what they are agreeing to. Have some sort of legally binding agreement.
- **Transparency.** Gordon shares that “Full disclosure of current and past financials is necessary in my view”.