BUSINESS Clinic

In the next in our series on financial performance, **Tim Harper**, head of Data at Promar, looks at the impact of variable costs.

National viewpoint: What has been happening to margins?

The initial Milkminder results to December 2019 show a small increase in technical and financial performance owing to more milk from forage resulting from the higher silage stocks, and this follows the shortages during the winter of 2018-19 on many farms.

The rolling annual results show a 190-litre increase in average yield per cow, up to 8,535 litres/cow/year. Milk from forage has also increased, up 238 litres to 2,628 litres/cow/year, 31% of all production.

Concentrate fed per cow remained static but feed rate per litre has been trimmed back to 0.32kg/litre due to the increased yield per cow and contribution from forage. Margin over purchased feeds per cow increased to an average of £1,803.

Looking at the results for the month of December gives some indications about what might happen during the next few months.

Yield/cow/day and feed rate/litre have remained unchanged year-on-year, but farmers are on average producing an additional 0.8 litres/cow/day from forage.

This is due to the recovery in silage stocks achieved last summer, with most farmers able to feed more home-grown forage this year. While concentrate feed rate is unchanged, the average farmer has spent £289 less on roughages and bulk feeds needed to eke out silage stocks.

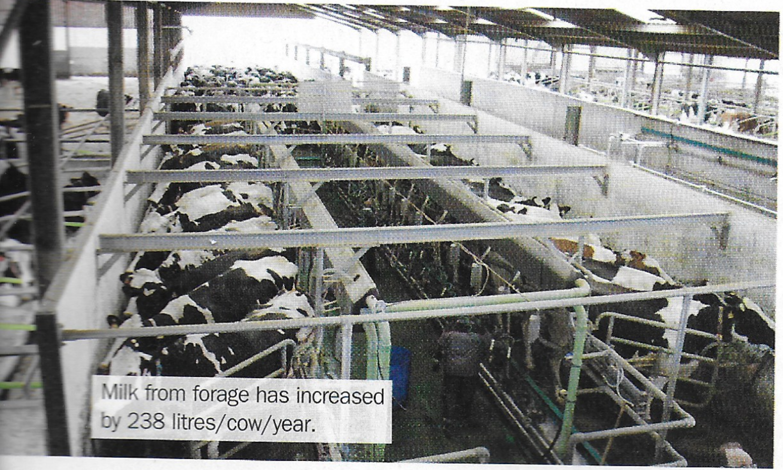
Butterfats

Interestingly, milk quality, particularly butterfats, are much higher, which is almost certainly a reflection of improved silage quality, particularly NDF levels. There is no reason this should not continue for as long as diets contain a high proportion of grass silage.

The improved compositional quality has moderated the decline in milk price, which has fallen from an average of 30.746ppl in December 2018 to 30.017ppl. There is clearly a huge range around the average reflecting contract types.

The good news is that concentrate cost has fallen to £235/tonne in December 2019, £14/t lower than the previous year, and in spite of the general increase in grain prices. The lower feed costs have helped offset the reduced milk price, meaning margin per cow per month is virtually unchanged.

Looking ahead, given a falling milk to feed price ratio for the next few months, it will be important to maintain the contribution from forages in the diet, especially as this should assist milk quality and milk price.



Milk from forage has increased by 238 litres/cow/year.

After a bit of a rollercoaster 18 months, our aim now is to give everything a chance to settle down so we can see exactly how the system is performing and what it can deliver before we look for more change. Cows crave consistency and I think we humans need some too.

We have certainly made progress in the last year. We have taken silage-making back in-hand to improve forage quality, have increased the number of our own heifers coming into the herd and we have tightened up on fertility.

Our latest Promar FBA results give a good summary of performance and costs.

We have put more than 700 litres/cow on rolling yields and produced an additional 300,000 litres without resorting to the blend delivery lorry.

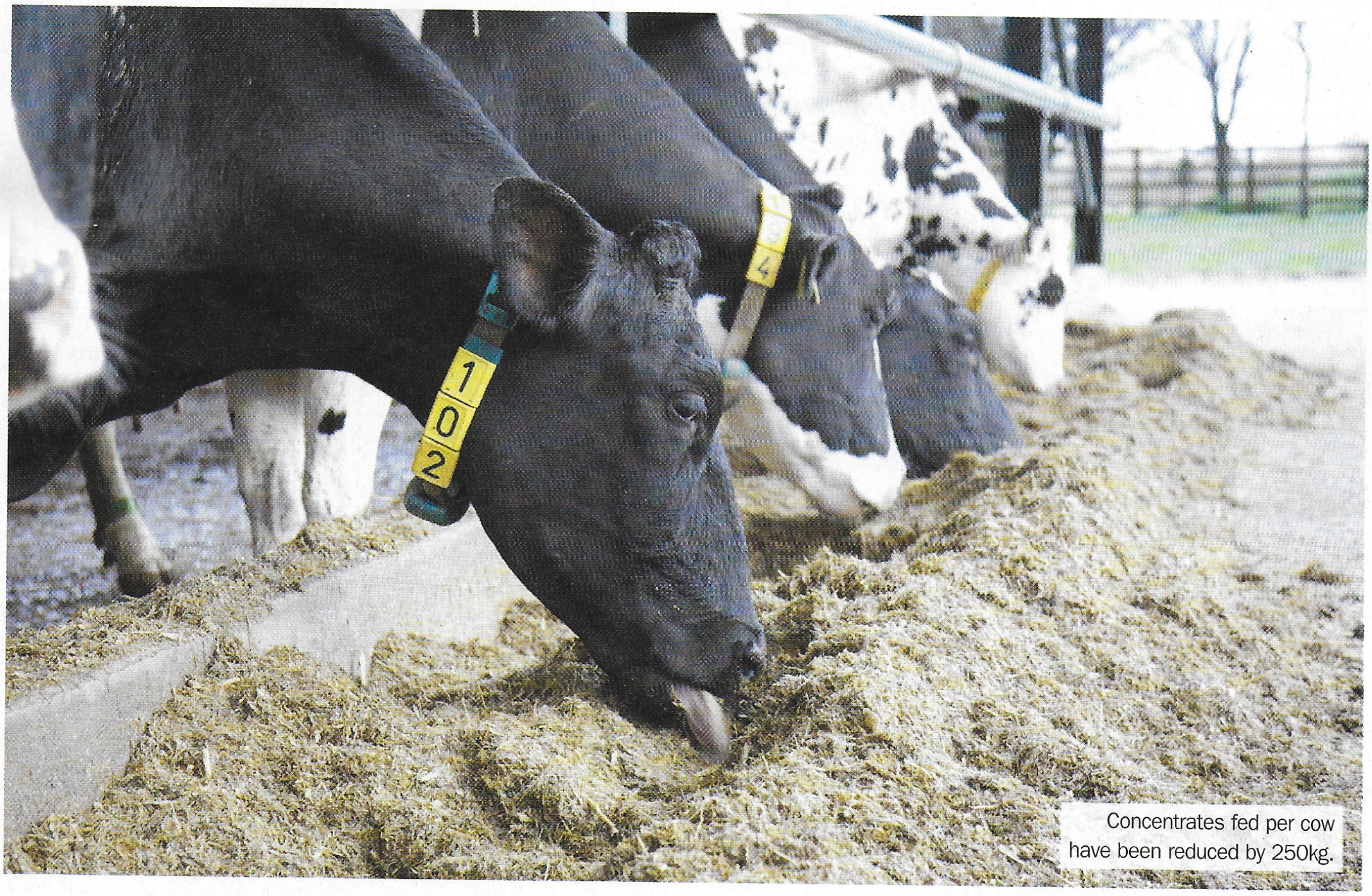
Concentrate cost per litre has fallen by 0.35ppl, or 4%, despite higher feed prices. We have reduced concentrates fed per cow by 250kg and now

Fairy's Lodge Farm facts

- 465 cows
- All-year-round calved and housed
- Milked three times-a-day
- Average yield per cow of 10,685 litres
- Concentrate feed rate of 0.38kg/litre

Oliver Williams, Northamptonshire producer and Promar client, outlines the challenges facing his business and what action to take in conjunction with Promar consultant Emma Thompson.

Farmer viewpoint: Time to take stock to achieve the best results



Concentrates fed per cow have been reduced by 250kg.

produce more than 2,000 litres from forage – not exactly pulling up trees, I know, but moving in the right way.

Most other gross margin costs are similar or slightly above last year, except bedding. This is something we have focused on and it has reduced from 0.53ppl to 0.32ppl.

So this suggests we are heading in the right way, but I want a period of stability now to ensure we have the foundations in place before we push on again. There is no need to keep looking for change.

Since November, we have had to change the diet five times to reflect the forage available. I have previously mentioned that running out of maize knocked yields back by more than one litre/cow/day. It also reduced our pregnancy rate from 23% to 20%.

Decision

I could have chased production by increasing the blend, but I believe the decision to accept a bit less milk was the correct one. It forces us to focus on forage budgeting and we know we will not run out of maize this year – and will have more in the clamps next year.

I want a period of consistency with the cows on a settled diet so we can assess how things are performing. We have invested in more forage, therefore it will be good to see it delivering in terms of production and overall cow health.

I want to give the fertility a time to settle down again. We see real benefits when we hit our target calving per week and so want to get back to this. It suits the transition accommodation and helps with cow movements.

We also need time for the new team to settle in. Our people are key to everything we do.

Having had a few changes it will be good to leave the system unchanged and really help them settle into everything we do, and why we do it.

This is not to say we will become complacent and allow things to coast.

We still have targets for all the key activities and will monitor them closely so we see how a settled system really performs. But we will not constantly change things and chase performance or results.

By accepting a period of consistency I hope we will be better able to identify which changes will deliver the best return on investment, and then plan carefully rather than jumping around too much.