

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: Look at other variable costs



» We have had to manage our way through a number of changes recently which demonstrate two things: firstly that cows crave consistency, and secondly that there are real benefits to planning well ahead.

Over the last couple of months, we have had to make more changes to the diet than we would like. We ran out of maize so moved onto wholecrop before opening this year's maize sooner than was ideal, but needs must.

At the same time, we had some staff changes, with a new herd manager starting and the new team needing to bed in.

Together, these resulted in us losing yield with cows dropping back to about 32 litres/day, with late lactation cows in particular falling back, leading to some being dried off early. But now that we are back on a more even keel with a settled diet and team, yields are back up to about 36 litres/day and we are focusing on tightening fertility and lameness.

To me, this demonstrates the importance of planning,

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

When assessing the gross margin variable costs of production, it is easy to focus only on feed and herd replacement costs, as these are the two key cost contributors. However, the other dairy gross margin costs still contribute more than 20% of the total variable costs (Source: Promar Farm Business Accounts, 2018-19), and there are many opportunities to optimise them.

We have looked at the 10% of farms with the highest and lowest figures for each of these costs ranked by individual cost headings. Farm Business Accounts record income and cost headings consistently across all farms to give a valid comparison.

There is a considerable range in costs, suggesting there are opportunities for efficiencies to be made, but it is important to stress the lowest costs are not necessarily best, and reducing a cost may be a false economy. What really matters is understanding your costs, why they are where they are, whether they are appropriate for

your business, and whether they represent a good investment.

It is also important to remember that costs are interrelated.

For example, investing in veterinary help to improve fertility may allow a reduction in semen costs. If you cut back on vet visits, will semen and AI costs increase?

For veterinary and medicinal costs, prevention is better than cure. Invest time with your vet, other professional advisers and farm staff to ensure there are agreed animal health and welfare protocols, including appropriate preventative strategies.

Invest time

When it comes to AI and semen, invest time in ensuring your genetics choices are consistent with the strategy for the dairy herd. The ability of genetics to improve animal health and welfare measures, as well as environmental outcomes such as carbon footprint, is likely to play an increasing influence on choices moving forwards. Improving fertility is the best way of ensuring reductions in this cost. Work with farm staff to



develop protocols to optimise bedding usage. Get new quotes each year.

Using a combination of agreed protocols to optimise usage, plus getting regular quotes from different suppliers, is likely to deliver optimum spend on a number of dairy sundries.

Dairy office is predominantly milk recording (where undertaken). Ensure the service used is appropriate to requirements and the data generated is used to make improvements to herd management.

Cost per litre (ranked by individual headings)

	Highest 10% of farms	Lowest 10% of farms	Difference (high minus low)
Vet and medicine	1.64	0.39	1.25
AI and semen	0.91	0.07	0.84
Bedding	1.7	0.23	1.47
Dairy sundries	1.16	0.34	0.82
Dairy office	0.81	0.24	0.57

Source: Promar Farm Business Accounts 2018-19

Oliver Williams, Northamptonshire producer and Promar client, outlines challenges facing his business and what action he is taking in conjunction with Promar consultant Emma Thompson.

Farmer viewpoint: Making plans to increase overall maize area

with a planning window of close to two years. This is particularly important this year, as like many farmers we are working out what to do after the very wet autumn left fields unworkable and a lot of seed still in the sheds.

I am making decisions now which will impact the herd right through to late autumn of 2021. The basic objective is to ensure a consistent high quality diet to support more milk from forage.

The first thing we have done is budget maize usage to make sure we will not run out this year and will not need to open the 2020 harvest clamps before the crop is properly fermented. This will remove the need to grow any wholecrop which is convenient as we have only managed to drill half our wheat and a proportion of that has failed to germinate.

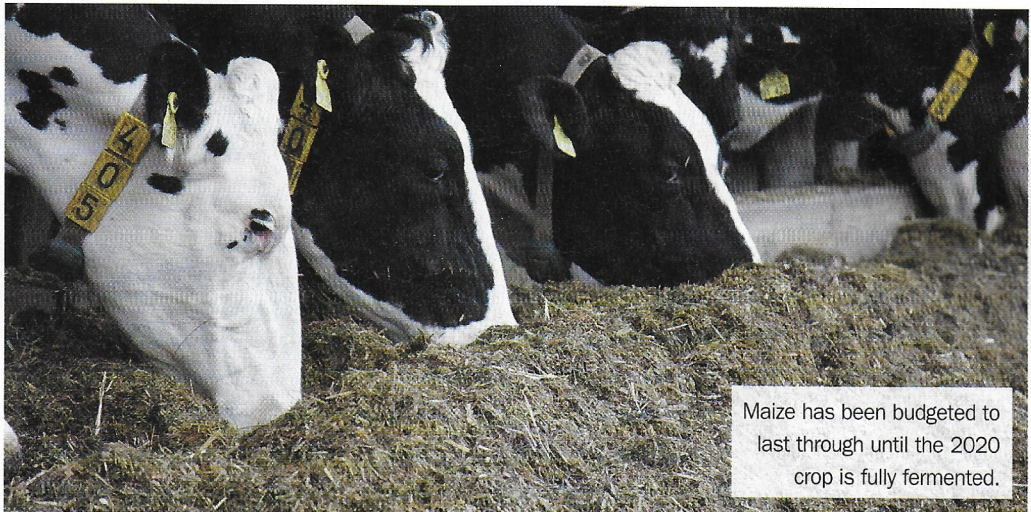
Blend

We have also forward-bought our blend until the end of the year. I think we have bought well and this, along with a higher proportion of maize, will reduce the impact of variable grass silage.

We are facing a challenging first cut, because some of the new leys have failed due to plants struggling in the wet field, so our focus with grass silage will be on making good quality rather than going for quantity.

To that end, we will be looking to establish some high protein leys to help with quality.

I will be looking to increase the maize area by about 10%. To some extent, this is an easy decision. It yields more reliably than grass and is a more consistent feed.



I am confident fields will have recovered by May when I drill it, so it will go into a good seedbed. I will be better off growing maize and ensuring plentiful stocks right through to autumn than growing a low gross margin cereal crop.

Increasing the maize acreage and growing fewer cereals has an impact on cashflow, but working through the options it is the best plan, especially given the current drilling season and the prospects for cereals. But I am confident we have a plan in place which will ensure we have the quality forage we need right through to autumn.

One area we have to keep an eye on is the potential position with straw for bedding.

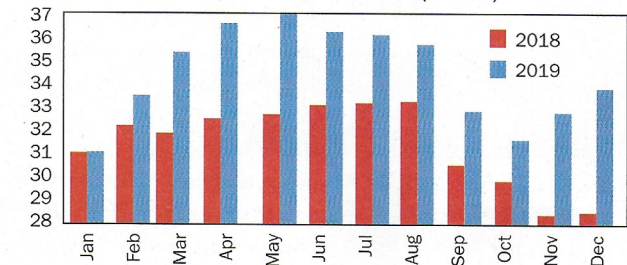
We will certainly be producing less and many of my neighbours who supply me with straw are faced with drilling more spring crops which will affect the straw situation.

Bedding costs are something Emma and I will look at closely when I get my Promar Farm Business Accounts Annual Report in the next few weeks.

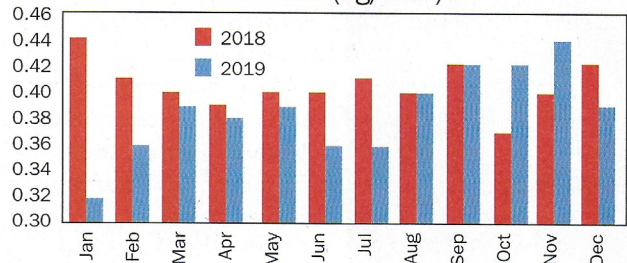
SOURCE: Promar MilkReminder

Key performance data at Fairy's Lodge Farm

Yield per cow in-milk (litres)



Feed rate (kg/litre)



Feed cost (ppl)

