

BUSINESS Clinic

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

National viewpoint: Take a closer look at your machinery costs

Machinery and labour costs are the two most significant costs on dairy farms after feed. In theory, investing in mechanisation within a dairy farm business should enable savings in labour costs. However, evidence from Promar's Farm Business Accounts (FBA) service is that this is not necessarily the case, as the most profitable farms tend to have both lower machinery and labour costs.

Key factors which appear to distinguish farms with low labour and machinery costs are having a relatively simple setup in terms of infrastructure (buildings and land) and management within the business with an attitude of keeping things simple.

Performance

FBA demonstrates it is possible to achieve very good cow performance from such systems, even without block calving.

Regarding managing power and machinery costs, key questions are the balance between doing jobs using owned machinery or using contractors, and the policy with regards to machinery replacement versus repair.

In the case of the latter, it



would be logical that farms re-investing in machinery should have lower repair bills.

However, evidence from FBA is that often this is not the case, with those farms spending most on machinery reinvestment also spending more on repairs.

This appears to be a consequence of simply having more total machinery on farm as, in general, they are spending less on contractors.

Evidence from FBA is that there are farms achieving high profits per cow from systems using largely their own machinery and from those using largely

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contractors. However, the most profitable farms keep their total machinery costs down no matter what approach they take.

Machinery cost is not an area which is often examined in detail, but it will pay to challenge your system, examine the balance of doing your own work versus using contractors, analyse the costs and explore opportunities to change.

For example, Oliver Williams, our viewpoint farmer, reviewed his system and determined that it would be more efficient to take silage-making back in house to help ensure he had the forage quality he needed.”



“Last month I commented we had lost a bit of yield recently, owing to having run out of maize and replacing it with wholecrop, which was drier than we would have liked. Our Promar Milkfinder results show the impact of this.

Yield per cow has fallen back and feed costs per litre have crept up. However, milk quality has remained good, helping support income, and we are still averaging two litres per cow per day more than last year.

While I could have increased concentrates to try and push yields, I am not convinced it would be economic and, with maize now back in the diet, I am hoping things will pick up again.

One area of cost the Milkfinder figures do not highlight is herd replacement cost, which has been a significant number for us as we expanded the herd. We were having to buy a large number of cows over several

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 challenges facing his business and what action he is taking in conjunction with Promar consultant Emma Thompson.

Farmer viewpoint: Heifers helping us shape the herd

“Inevitably with a rapid expansion, we were playing a numbers game

OLIVER WILLIAMS

years, as we tripled herd size and were not able to fuel expansion from our own resources.

Inevitably with a rapid expansion, we were playing a numbers game and the result is you keep cows which ideally you would move on. This affected many aspects of performance and will have held margins back.

So reducing replacement costs has been a focus over the last couple of years.

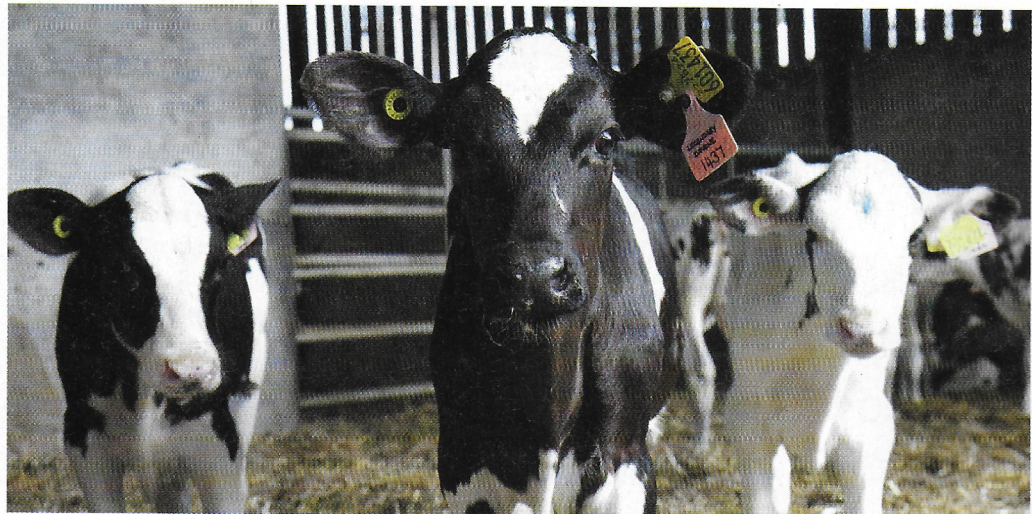
Our approach has not been about minimising costs, but more about understanding the cost we have to carry for what we want to achieve.

We are now at the stage where we have stable numbers and, through the use of sexed semen on maiden heifers and the best cows, we have sufficient heifers.

This means we are able to look at sorting the herd out and replacing poorer cows with our own better heifers.

We are bringing heifers in at two years old and we operate six two-month service periods, so calvings are spread through the year to help us achieve our target of 10 per week.

We are happy to carry more heifers at the minute because it



gives me the flexibility to remove cows I want to. Two things I have learned about replacements are, firstly, that it is more profitable to sell a cow alive than have her die. We want cows moving on before problems become too serious.

The second is that if we remove problem cows, everything becomes easier. If you are having to deal with increased cases of mastitis, fertility issues and difficult calvings, for example, suddenly time is at a premium, attention to detail slips and performance suffers.

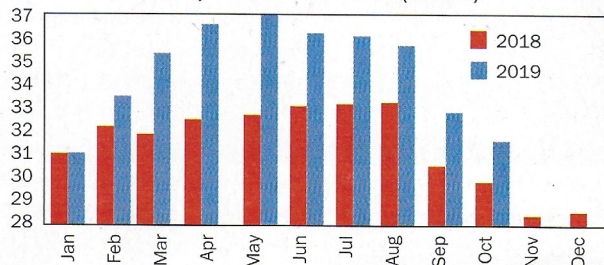
So I am prepared to have a replacement rate of about 30%. I know this is higher than the textbook figure and I appreciate it means my replacement costs will be higher. But it lets me focus on moving cows on which do not fit the system at the time that suits me best, and replace them with heifers which we have bred to suit the unit.

This will allow us to improve performance and, hopefully, have fewer issues and more time to focus on things which can drive profit.

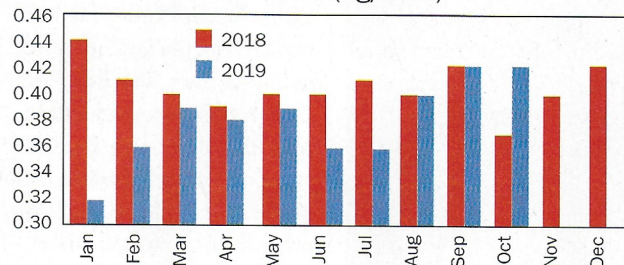
SOURCE: Promar Milkfinder

Key performance data at Fairy's Lodge Farm

Yield per cow in-milk (litres)



Feed rate (kg/litre)



Feed cost (ppl)

