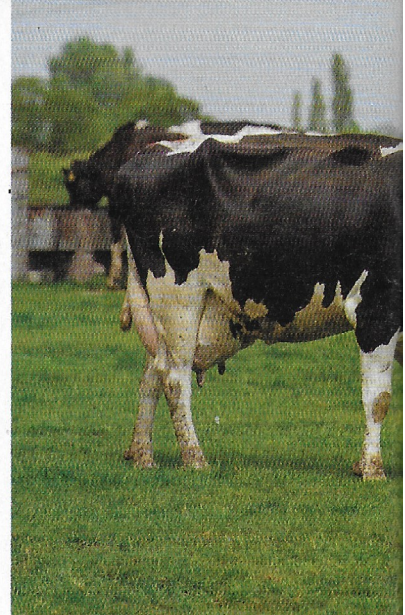


BUSINESS Clinic



In the next in our series on dairy farm financial performance, Promar's **Matt Sheehan** argues that key decisions made in the next few weeks will have a big impact on how herds will be affected by price changes.

Plan ahead to get more milk from forage

The last 12 months have generally been good for the average Milkfinder farmer. Yields have increased and feed rates declined as we saw a better forage year, and remember these numbers include the end of the winter 2018-19 when many farmers were faced with limited forage stocks. (See Table 1).

So, on that basis we might expect to see further improvements to the end of March.

Margin per litre has held up well as efficiencies helped offset a small fall in milk price, and increased yields contributed to a small increase in margin per cow.

However, looking forward margins are likely to be squeezed as economic pressures combine to weaken the milk price to feed price ratio which is an important economic KPI.

While there has been fluctuation for most of the last four years, the monthly milk price to feed price ratio has been above 1.2:1, meaning a litre of milk pays for 1.2kg of concentrates. But we know both milk and feed prices are under pressure due to the Covid-19 situation.

The impact on milk prices will be very milk buyer specific. Those

contracts with high exposure to the retail sector have fared better than those with high exposure to food service, where as we've seen the market has largely ceased.

Those exposed to this sector will be looking for alternative outlets for their milk. Short-term this may come from increased demand in the retail sector, but this will probably be insufficient to mitigate the full impact until food service demand returns. The other option would be milk powder, but the economics here are dependent on drier capacity and on the global markets where prices are currently falling.



Matt Sheehan

Concentrate prices are starting to move upwards for a number of reasons. With most commodities globally traded, currency fluctuations have a major influence. In

addition, there is greater speculation as investors ditch stocks and shares in favour of commodities.

We are seeing increased demand for high quality wheat. At the same time the production of some feed products is in decline as, for example, biofuel production is trimmed back resulting in less rapemeal being available. Shipping issues are also adding to availability for some important products.

The combination of lower milk prices and higher feed costs mean the milk price to feed price ratio will come under pressure. It is likely the average Milkfinder farmer will face an increase in average purchased feed prices, including blends, straights and compounds, to around £250/tonne, but prices could increase further.

Impact

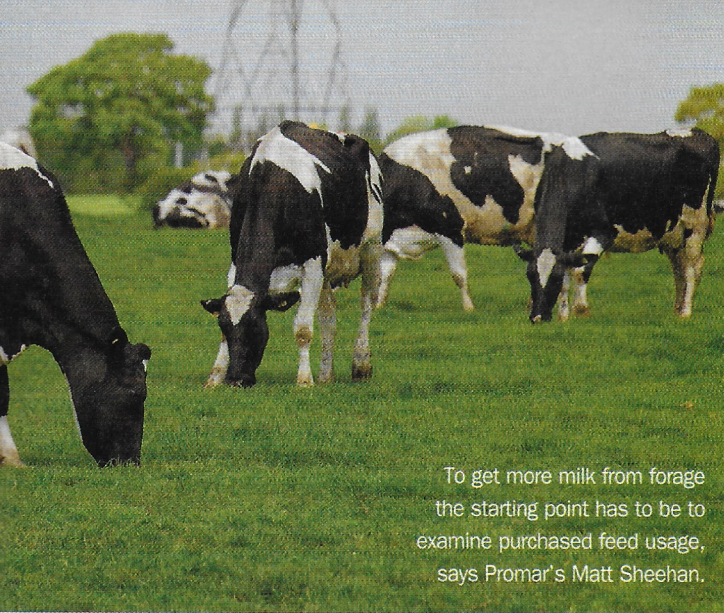
So let's look at the impact of three different milk prices and three different feed costs on the ratio. (See Table 2). At the top end, if the milk price can be maintained at 30ppl with average feed cost at £250, then the ratio will hold at the current level of 1.2:1. At the lower end, if milk price is pegged back to 25ppl with feed at £270, then the ratio becomes 0.92:1. The prospects are that the ratio will be lower than has been seen for many years. For the average Milkfinder farmer, each £10 increase in average concentrate cost adds over £6000 to the feed bill.

It will certainly pay to challenge what goes into your feed to try and hold prices. While quality raw materials are always required, it may be possible to amend the overall specification.

Table 1: Trend in average Milkfinder results Jan 2019 – Jan 2020

| | January 2019 | January 2020 |
|-------------------------------|--------------|--------------|
| Cows in herd | 216.3 | 218.9 |
| Yield per cow (L) | 8347 | 8500 |
| Yield from forage per cow (L) | 2306 | 2610 |
| Milk price (p) | 29.674 | 29.181 |
| Concentrate feed rate (kg/l) | 0.34 | 0.33 |
| Concentrate use per cow (T) | 2.821 | 2.770 |
| Concentrate price (£/t) | 241 | 241 |
| Feed cost per litre (p) | 8.46 | 8.12 |
| Margin per cow (£) | 1771 | 1790 |

Source: Promar



To get more milk from forage the starting point has to be to examine purchased feed usage, says Promar's Matt Sheehan.

At best, the expectation is that unless management is changed margins will not increase due to prices, and in many cases will decline. So, the question is what can be done to offset the impact of milk and feed prices to drive margins. The starting point has to be to examine purchased feed usage.

Feed remains the largest single input cost of dairy farming and efficiencies in feed usage can soon add

up. For every 0.01kg/l reduction in feed rate the saving per cow works out at £20.40, or £4460 for the average Milkminster herd of 219 cows.

The key to reducing feed rate and purchased feed use is to produce and utilise more forage. Yield from forage may not be the be all and end all, and there are those who might debate whether it is a relevant indicator in certain situations, particularly where land is limited,

and the cost of buying-in forage is high. But it is a good starting point to address farm efficiency in most situations and the differences can be significant.

Compare

Comparing the Milkminster average farmer with the top 10% selected by yield from forage makes stark reading. Despite both groups producing 8500 litres/cow, the average farmer produces 2560 litres from forage per cow in milk per year while the top 10% ranked on milk from forage produce over 4400 litres from forage, a difference of five litres per day. (See Graph 1).

The extra milk from forage allows a saving of 700kg of concentrates, worth £170 per cow or £37,000 for the average Milkminster herd.

The better performance from forage is not just from smaller herds,

or lower yielding herds or those with a less-intensive stocking rate. Better production from forage is not related to any of these but is a consequence of attention to detail and a determination to produce more off the farm before producing milk from purchased feeds. Higher milk from forage comes from making better use of what you produce rather than necessarily producing more.

Whether grazed or housed all year round, most farms should be able to achieve 4000 litres/cow from forage. Three factors will influence this. These are: the amount of forage you produce, the quality you produce, and the amount cows are able to eat. So now is a good time to challenge your system. What factors in your forage management plan need to change to achieve this?

■ Does your forage plan indicate that you will have sufficient total forage dry matter (DM) and energy to achieve this?

■ Does your plan confirm that grazing DM availability will support 16-18 litres/cow/day in May and June?

■ Are you walking fields and measuring grass growth and managing grazing covers effectively?

■ Is your silage-making strategy focusing on quality and palatability – what are your targets?

■ Is your forage harvesting and clamping approach designed to minimise losses?

■ Are cows challenged to maximise production from forage?

■ Are cows given sufficient time and feed space to maximise intakes?

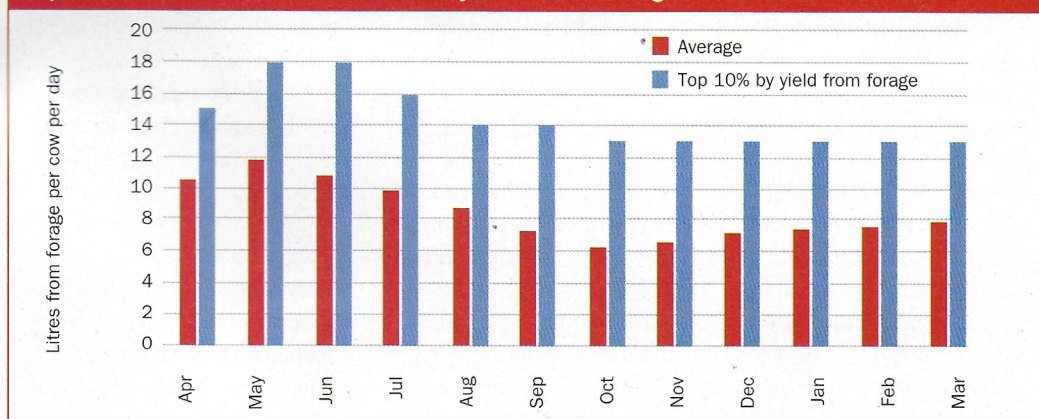
This is not an exhaustive checklist by any means, but they are good starting questions. Time spent challenging your system in the next few weeks could have a significant impact on margins and performance this year.

Table 2: Effect of milk and concentrate prices on milk price: feed price ratio

| Feed cost (£/t) | Milk price (ppl) | | |
|-----------------|------------------|---------|---------|
| | 25 | 27 | 30 |
| 250 | 1.0: 1 | 1.08: 1 | 1.2: 1 |
| 260 | 0.96: 1 | 1.04: 1 | 1.15: 1 |
| 270 | 0.92: 1 | 1.0: 1 | 1.11: 1 |

Source: Promar

Graph 1: Comparison of milk from forage per cow per day between average and top 10% Milkminster herds ranked by milk from forage



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