Farmers Guardian
11th May 2018
Nigel Davies

Reproductive performance key to boosting cattle margins

▸▸Beef herds falling short of calving targets

By Alex Black

DAIRY and beef producers were being urged to pay attention to reproductive performance to boost profit margins in the year ahead.

Fertility was key for both dairy and beef herds as they pushed to become more efficient.

For dairy, Promar's February Milkminder report showed farmers had continued to improve outputs on 'all fronts' in the 12 months to February 2018.

Average butterfat and protein percentages continued to increase year-on-year, to 4.05 per cent and 3.29 per cent, respectively.

Cow numbers, average yield and stocking rates also increased, with the impact on margins boosted by an improvement in the milk price to concentrate price ratio, from 1.17 to 1.34.

Improvement

Nigel Davies, Promar national consultancy manager, said with the prospects of this weakening in 2018, herd reproductive performance would be a key factor to sustaining improvement.

He said: "If they can master that, they will be one step closer to repeating the success of the last 12 months, in the next 12 months, and sustaining the gains made so far."

Hybu Cig Cymru (HCC) highlighted how many calves beef dams produce over their lifetime was vital to improving efficient beef production.

Figures from the British Cattle Movement Service said an average beef dam in Wales which died in 2017 had produced five-and-a-half calves over a nine-year lifespan, but increasing the number of calves could have a marked effect on productivity and reduce the cost of buying-in replacements.

Welsh average age of first calving was 1,009 days, compared to 998 in England, with a calving interval of 426 days (419.7 days in England).

But beef herds across the UK remained short of the target interval of 365 days.

HCC data analyst Glesni Phillips said a controlled breeding programm[e] would 'improve herd profitability, a[s] the maximum number of calves pos[-]sible in a dam's lifetime would rise'.

HCC has said how many calves beef dams produce over their lifetime was vital to improving beef production.

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Higher constituents maximise milk contracts

Higher butterfat and protein levels helped producers maximise returns on rising milk prices, according to Promar Milkminder results for February.

Butterfat levels across a sample of Promar costed herds, representative of the UK dairy herd, increased year on year to 4.05%, a rise of 1.14% on the same month in 2017.

Protein content also rose, up 2% compared with February 2017 to average 3.29%.

Higher butterfat and protein levels meant producers were exploiting increased farmgate milk price returns, whose rolling average was 22.7% up in 2018 compared with the year before.

"This is really positive news for this group of producers, with the impact on margins aided by a backdrop of the rolling 12-month milk price to concentrate price ratio for the group having improved from 1.17 to 1.34 in that time," said Nigel Davies, Promar's national consultancy manager.

However, with the prospect of the milk price to concentrate ratio dropping over the course of the year, increases in herd reproductive performance would be crucial in sustaining the current level of farm business improvement according to Mr Davies.

He recommended that producers and their consultants pay particular attention to herd reproductive performance as they plan ahead this year.

CONSTITUENT CONTENTS FOR PROTEIN AND BUTTERFAT ROSE, HELPING MAXIMISE RETURNS FROM RISING MILK PRICES

	Feb 2018	Feb 2017
Average 12 month rolling butterfat (%)	4.05%	4.04%
Average 12 month rolling protein (%)	3.29%	3.26%
Average 12 month rolling cows in herd	209	204.1
Average 12 month rolling yield a cow (litres)	8,244	8,014
Average 12 month rolling stocking rate (cows a ha)	2.46	2.39
Rolling 12 month milk price to concentrate price ratio	1.34	1.17
Rolling 12 month average calving % (/100 cows)	97.6	98.6
Rolling 12 month margin over purchased feed (p/litre)	21.85	17.08

The Farmers Mart
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Nigel Davies

BEATING INFLATION ON DAIRY FARMS

Promar's December 2017 Milkminder herds report indicates that total milk output has grown by 31% from £383,883 in the 12 months to December 2016, to £503,379 in the 12 months to December 2017.

NIGEL Davies, National Consultancy Manager at Promar, highlights the key factors that have driven this growth, during a period in which costs increased due to a rise in wider inflation rates to over 3%, back to levels not seen since April 2012.

"Not surprisingly in 2017, almost 23.5% of this increased output is attributed to higher milk price, an external factor which farmers have relatively little control over," he says.

"However, the key thing to note is that the remaining 7.5% has been driven by progressive herds driving up their returns by increasing yield per cow, and keeping six more cows on average.

"In other words, this added output has come from internal management actions, as these businesses prepare for future increases in inflation."

Given that there will always be inflation to beat, Nigel recommends that like the progressive herds in the Milkminder average sample, and with consultant input if needed, producers continually focus on clear, defined targets for improving production.

'Not surprisingly in 2017, almost 23.5% of this increased output is attributed to higher milk price'

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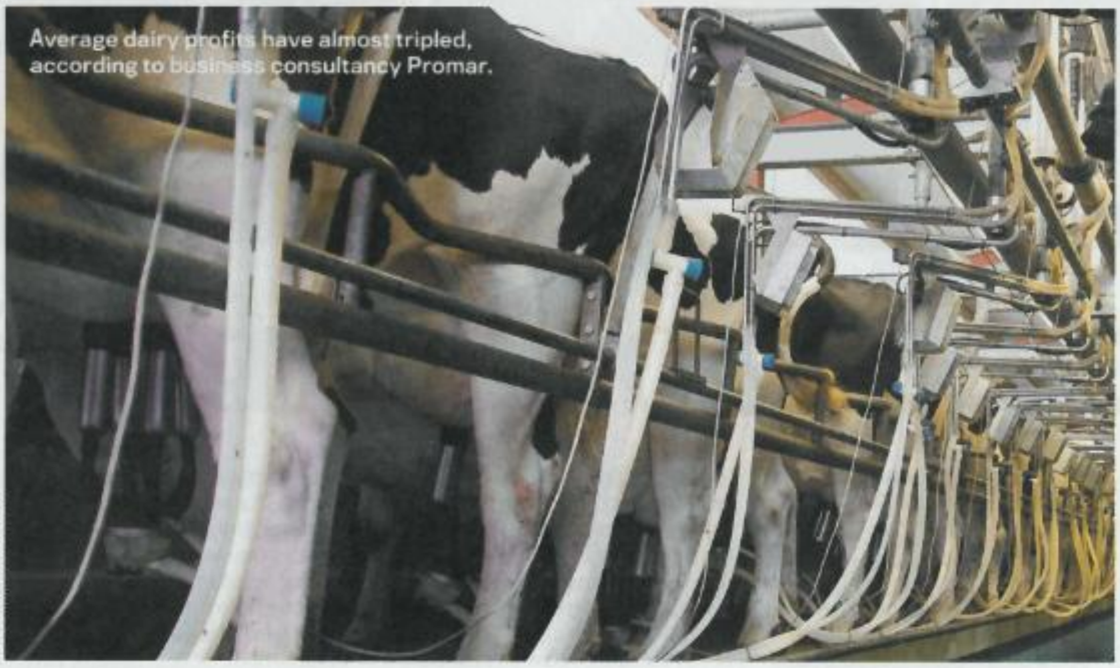
Nigel Davies / Tim Harper



Average dairy profits have almost tripled, according to business consultancy Promar.

PICTURE: JOHN EVESON

Milk price rises boost dairy profitability

▸▸ Dairy market going forward very volatile

By Ewan Pate

HEADLINE profits have made a remarkable recovery in the year to March 2018, according to business consultancy Promar.

Interim figures showed a herd of 205 cows, the survey average, will have left a profit of £125,000 in the year, a huge increase on the £43,404 recorded in the previous year.

The boost is largely due to a lift in milk price of 4.98ppl, although physical outputs have also increased, with herd size up by five cows and yields by 241 litres per cow.

However, Promar's national consultancy manager Nigel Davies warned producers not to get carried away.

"Remember, this is not cash. The profit has to cover private drawings, loan repayments and investments. It is important also to understand the tax implications.

"It is good to have something tangible to show for a good profit, such as buildings or equipment or a meaningful reduction in outstanding debt."

Analysis

Benchmarking remained important, with the Promar analysis showing big differences in performance.

The top profit of £885 per cow greatly exceeded the average of £437 per cow. The disparity had little to do with herd size or milk price.

Going forward, Tim Harper, Promar head of data, said there was a 'volatile background' to the dairy market.

Apart from weather challenges, the increases in oil prices stemming from President Trump's cancellation of the Iranian nuclear deal were feeding through into general farm inflation. The Brexit effect was as yet unknown and currency exchange rates were subject to fluctuation.

Dairy farm profitability was unlikely to reach the same highs this year. Mr Harper predicted prices were likely to drop to about 28.5ppl by June but this was from a reasonable base – milk prices were 5ppl higher than they were at the low point of June 2016.

Internationally, the New Zealand Government was still culling hard in an attempt to control the M.bovis disease which could affect volumes. Australian output was up and the US was continuing to grow its dairy industry steadily.

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Use profits to prepare for rising dairy costs

MILKMINDER HERD STATS

241
Year-on-year gain in litres a cow

5
Increase in number of cows in herd in the past 12 months

£2,483
Average borrowed external debt a cow

2.5p
Cost/litre of debt, spread over 15 years at 3% interest

£885
Profit a cow for herds in top 25% of operators

£437
Average profit a cow for all businesses in group

By Andrew Meredith and Jack Yates

Dairy farmers who are celebrating improved profits from the past 12 months need to prepare for rising costs by paying down debt or investing in efficiency measures.

That's the message from agricultural consultant Promar, which warns that rising input costs in the next six months are likely to eat into profit margins.

Figures released this week show higher milk prices during the last financial year pushed up profits to an average of £125,000 for the farmers costed by Promar, up from an average of £43,000 the previous year.

The figures are drawn from a sample of more than 200 dairy farmers spread across Britain with an average herd size of 203 cows and an average yield a cow of 8,281 litres.

Producers will also be cheered by the forecast that no significant deviations in the milk price are expected for at least the first half of the financial year.

But Nigel Davies, national consultancy manager with Promar, said farmers should make sure they are using the money to improve their business' resilience to combat rising production costs and static milk prices.

He said farmers should analyse their books to have a firm understanding of where the additional income coming into their business is being deployed, and investments that either cut costs or improve output should be top of the list for spending.


TIM SCRIVENER

FOUR WAYS TO USE HIGHER PROFITS

1. Have something tangible to show for it – investments that improve efficiency
2. Understand potential tax bill – engage early with accountants
3. Understand debt burden – each £1,000 of debt a cow can equate to a cost of 1p/litre
4. Continue to compare yourself against the best – the top 25% of operators have double the profit a cow compared with the average

ONLINE

Keep up to date with the latest tech on offer for the dairy sector at **www.fwi.co.uk/dairy-tech-guide**

The cost of purchased concentrate feed has already risen by an average of £14/t in the year to March 2018 to £217/t, adding £10,400 to feed bills.

Additional pressure from inflation, variable costs and other overheads has also added £10,700 to the cost of production for these herds in the same period.

While farmers are price takers on many inputs, Tim Harper, senior consultant at Promar, said they can maximise the value of feed by careful monitoring of cow performance, particularly during diet transition.

This means not just testing the quality of feedstuffs, such as silage, but also monitoring how cows are performing on it, particularly lower-yielding animals, which can get less attention than higher-yielding cattle.

Slash debt

A focus on paying down debt with any available cash is also recommended in order to prepare for tighter times ahead.

Promar figures reveal the average farmer in its sample has debts of £2,483 a cow, which would equate to 2.5p/litre if paid off over 15 years at 3% interest.

Other farmers have debts of up to £5,000 a cow, which would equate to 5p/litre on the same terms.

Investment in housing

Dairy farmer Paul Tomkins, who milks 200 cows in the Vale of York, said he has been investing additional profits in improving calf housing and feed storage facilities in a bid to lower his cost of production.

Mr Tomkins said one of the primary goals of the business is to reduce reliance on purchased feed.

"I definitely have more control over my costs than I do my income, where I am definitely a price taker. That's why I focus on reducing my costs," he said.

With input costs already edging up, he said his buying group's advice is to start buying required inputs forward now.

HIGHER MARGINS IN YEAR ENDING MARCH 2018, BUT FEED COSTS ARE RISING - PROMAR

	March 2017	March 2018	Change
Yield a cow (litres)	8,207	8,416	209
Yield a cow from forage (litres)	2,476	2,392	-84
Milk price (p/litre)	24.054	29.063	5.009
Concentrate use/litre (kg)	0.33	0.34	0.01
Concentrate price/t (£)	203	217	14
Other feed cost a cow (£)	16	20	4
Total feed cost a cow (£)	563	635	72
Total feed cost/litre (p)	6.87	7.55	0.68
Margin over purchased feed/litre (p)	17.19	21.51	4.32
Margin over purchased feed/cow (£)	1,411	1,811	400
Margin over purchased feed/herd (£)	289,529	380,122	90,593