British Dairying
November 2017
Promar

Beef Index from Genus

Independent research from both Promar and Genus ABS shows that using beef bulls on the dairy herd can increase dairy farm profitability by over two pence per litre. Genus ABS want to provide their customers with the best tool to identify the most profitable beef sires for use on their herds, and this has been developed into an index called BeefAdvantage.

The BeefAdvantage value is the additional financial benefit a proven Genus ABS sire can offer per calving and is an economic index similar to the £PLI score for dairy bulls. For the first time ever, Genus ABS is able to provide its customers with a financial value that each of our proven beef sires can deliver compared to the average bull of that breed, when crossed on to dairy cows.

Taking into consideration current economic values and calf prices, the Genus ABS Beef Calving Survey with over 100,000 records on calving ease, gestation length, calf conformation, calf prices, plus calf survivability, provides the solid foundations from which BeefAdvantage is derived.

Their Beef Cornerstone breeding club facilitates the testing of Genus ABS beef sires with over 800 UK farmers actively involved in testing, generating over thousands of observations per year.

This widespread testing not only means that Genus can eliminate any problem bulls from the programme but also identify those bulls delivering the highest profit potential through their BeefAdvantage index.

Looking at their British Blue offerings, Genus ABS have tested over 150 bulls over 20 years with over 41,000 calving observations to date.

Their British Blue sires boast excellent BeefAdvantage scores,

No.1 continental CBI bull Springhill Improvement.

with Newpole Hearthrob at £76.50, Newpole Easy at £64.90 and Moorsley Hero with £61.00. BeefAdvantage values are available on all Genus proven British Blue, Angus, Hereford, Limousin and Simmental sires. Their top Hereford sire Solpoll 1 Ferrari offers a BeefAdvantage of £58.10, while topping the Limousin ranking is Lodge Hamlet at £65.40 and number one Simmental sire, Denizes Exclusive offers farmers a BeefAdvantage score of £59.20. With Angus being our most popular native beef breed, it is no surprise that Oakchurch Duster, with a BeefAdvantage of £70.60 is their Angus best seller.

Beef indexes can help farmers narrow down a choice of sires to suit their own circumstances but as these are 'in-house' values, they cannot be applied on bulls from other studs and cannot be compared with other companies' own indexes.

• Note: For reasons of space I cannot include every bull and recommend that farmers contact their supplier to check on availability, price and possible alternatives.

AHDB Beef & Lamb
November 2017
John Giles

WHAT CAN THE RED MEAT SECTOR LEARN FROM OTHERS?

Friday, November 3rd, 2017

Background

The general industry wisdom is that post Brexit, farmers around the UK will need to *up their game,* almost regardless of what sort of deal with the rest of Europe we end up with. There is the strong likelihood of reduced Pillar I & II style support payments, *at some stage* in the future. As a result, beef and sheep producers will be under pressure to change how they manage their farms more quickly in the future.

What do farmers need to be thinking about?

Beef and sheep farmers will have to look at a range of measures to improve the overall management and efficiency of their herds/flocks. This will need to see them paying more attention to areas such as feed conversion ratios, calving/lambing, fertility and mortality etc., as well as the better use of forage etc. Being what might be deemed as “a low performer” seems to be less of an option.

In this sort of environment, farmers also need to look to reduce debt levels as fast as possible. Banks are unlikely to be willing to lend to farms that are seen as mid or low industry performers and/or have no succession plan in place. There will, over time, be a drive towards more specialisation of production, as well as more farm diversification and the generation of off farm income. While beef and sheep farms are often family run enterprises and there is less dependence on the use of external (EU) labour, a move towards larger farms will see the increased use of machinery and mechanisation.

Future industry landscape

There will still be a huge variation in the range of performance, profitability and scale of activity within beef and sheep farming and so the sector will remain fragmented. UK retailers tend to buy fewer sheep from the LFA regions (i.e. hill/light lambs etc.) as the product has traditionally been exported and sold in the domestic market to a lesser extent. UK retailers are still keen to source beef and sheep products from lowland areas. This remains a key area of opportunity for UK farmers and affords them some protection in the market.

UK retailers still have some concerns though over the continuity of supply for these products, but still want to secure locally UK based supply and will develop more dedicated supply chains to secure this. As a result, there will be more integrated supply chains and processors will need to provide some form of incentive to secure raw material supplies.

Transferable lessons?

There is likely to be lots of help available to support beef and sheep farmers through a difficult time of transition, not least through organisations such as AHDB. In some cases, it might be an opportunity to really think *outside the box* and look at what happens in other agri food sectors. Such a case might be made for looking at the UK soft fruit sector. This is arguably one of the most successful industries in UK agriculture and horticulture over the last 15 years or so.

Clearly, beef and sheep farming is very different from strawberry production. There might, be however a number of transferable lessons from soft fruit that the red meat sector can learn from and maybe vice versa too. At one level, they are both involved in farming in the UK. They are both providing food to 65 million domestic consumers largely via the leading supermarkets. Both sectors face challenges from strong suppliers of imported products, as well as the opportunity to develop new international markets post Brexit. These points alone might give them more in common than might immediately seem to be the case.

What has the soft fruit sector done that has been so impressive? This might include:

- development of new premium varieties, grown for in some cases, specifically for a nominated retail customer
- benchmarking of technical and financial performance is accepted as the norm amongst growers and seen as an essential business tool to improve performance
- proactive mid to long term promotion of UK soft fruit with retailers and consumers, under the leadership of an industry association, “British Summer Fruits”, which involves all of the leading players in each stage of the supply chain

- ongoing investment in new growing techniques and the use of technology to extend the main UK production season and fend off competition from imports from the likes of the Netherlands, Spain and North Africa
- the development of very close working relationships between the growers and then the packer and distribution groups that serve the leading supermarket chains. Interestingly, the two leading players in the UK have totally different ownership structures, with one being a grower co operative and the other being a private company. What they both have in common is a focus on customers and the development of slick supply chains to serve them and very strong grower relationships at the heart of this
- working in close association with suppliers from outside the UK – sometimes developing joint ventures with and investments in them – to give security of supply on an all year round basis

The development of the soft fruit sector in the UK has revolved around taking a mid to long term view of the market opportunity and a realistic view of what needs to be done by all the supply chain and then working together in order to achieve it. Key transferable lessons for the red meat sector might therefore include:

- the systematic use of benchmarking techniques
- consistent promotion of products to the point of sale and consumers
- the building of solid, mid to long term supply chain relationships with processors, retailers and foodservice companies
- investment in production techniques and the use of technology to increase competitiveness against imports
- working with other international suppliers in terms of market supply

None of these alone is a panacea to the challenges (and opportunities) that the red meat sector faces, but all are aspects of what has driven the soft fruit sector forward over the last 10 – 15 years. They also imply a need to see more collaboration in the red meat supply chain, to achieve what are at times complicated solutions, and have taken time to achieve in other sectors.

Summing up

It would be naive to think that the experience of 20 years industry development in one sector can be immediately transferred to another. We are of the firm belief, though, that industries can sometimes *cherry pick* what they see as being the good bits from another.

By thinking laterally, this not least, can avoid some aspects of going up any learning curve and avoiding possible mistakes made by others in the past. With the challenges ahead for the red meat sector, it might be that looking at the experiences of others provides some of the inspiration for the future development of the industry. The soft fruit sector has historically been subject to a relatively *light touch regime* in terms of industry support.

While it looks as if the UK government will continue to support UK farming in the immediate period, it is also likely that after a while in some way, this will be at a reduced level. This was always going to be the case post the next round of CAP discussions, regardless of the decision to Brexit.

Farmers, not least in the red meat sector, will at some stage in the future need to be able to farm and produce food without the levels of support they have historically received. In this situation, identifying what might be seen as best practice from others in agri food would seem to make sense, and beginning to get to grips with this scenario now, rather than when it happens seems sensible too.

The red meat sector in the UK has some really good operators in it across the supply chain. The challenges it is already facing, and will do so post Brexit, mean though that *upping the game* will be essential. Learning from others, both close to home and further away, will be all part of this.

John Giles, Divisional Director, Agri Food, Promar International

About the author

John as been with Promar International, a subsidiary of Genus plc, for some 26 years, and in this time, has worked in some 60 countries around the world across a wide range of supply chains, including the red meat sector. He serves on the National Council of the Institute of Agricultural Management. He can be contacted at the following email: john.giles@genusplc.com

Eurofruit Magazine
November 2017
John Giles

Getting the market balance right

NANTWICH—John Giles, divisional director of Promar International, looks at the challenge Peruvian fruit and vegetable exporters will face in deciding which markets to prioritise in the future.

John Giles
PROMAR INTERNATIONAL
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John is a divisional director with Promar International, the value chain consulting arm of Genus plc.

The European Union and North America have been at the forefront of Peru's fresh produce export drive during the last ten years. While there still seems to be plenty of further opportunity in these markets, like so many other international exporters, the attraction of Asia is also very strong. Balancing the technical and commercial demands of more established markets with the emerging markets of Asia will be one of the key opportunities for the Peruvian industry over the next five years.

Markets in the EU and the US, in particular, have been hard won and Peru cannot afford to let its position there slip. These markets have a number of really attractive features to them. These include over 750m relatively affluent consumers, well-established routes to market, and the fact that they operate in a reasonably transparent manner and have a proven demand for the products that Peru wants to export.

They are also very receptive to the idea of Peru as a supplier of "super foods". As a result, Peru will continue to have a strong presence at key trade events such as Fruit Logistica, PMA and other events such as Fruit Attraction in Spain. It will also look to influence a combination of leading commercial partners, food writers, bloggers and other industry, market and consumer groups.

BELOW—Peru can't afford to let its position in established markets slide

Within the EU, the UK is a key trading partner and Brexit therefore throws up a number of critical questions. Peru already has a well-developed Free Trade Agreement with the EU, which was concluded back in 2010. There will need to be a new agreement with the UK as a result of the Brexit vote, but the chances of this being in place by March 2019 are slim. The easiest thing to do might be to simply replace the EU agreement with a UK one, with virtually the same terms and conditions broadly applied.

Trade agreements, even when reasonably straightforward, often take longer than expected to finalise and then implement, even when there is a good deal of political will on both sides to reach a deal. Agriculture has historically been the sticking point in reaching such agreement. The other thing that might slow down a deal between the UK and Peru is a preoccupation on both sides with other markets. The UK has made much of its interest in developing new trade agreements with the likes of the US, India, China, Canada and Australia, and maybe most of all its desire to ensure good access to other EU mar- »

LEFT—Peru has a proven ability to negotiate trade agreements swiftly

kets too. That is quite an agenda.

Peru, meanwhile, has made it clear that it is very keen to develop favourable trade agreements with a range of countries in Southeast Asia and other parts of the world too. What is known, however is that in Lima, there is a proven ability to negotiate these at some speed. Nearly 95 per cent of Peru's exports are covered by FTAs currently in force. This enables Peruvian products to enter, subject to the rules of origin of each trade agreement, under preferential conditions to 53 countries.

Peru's proven ability to develop trade agreements suggests that when the moment comes, a deal will be settled upon. The UK has no real strategic interest in making it difficult for Peruvian exports to enter the country. But the stumbling block might be a pre-occupation with other markets on both sides.

From Peru's point of view, China probably still represents the "jewel in Asia's crown". But as others have found, it is also probably the most demanding and challenging of all international markets. China has to date, been the classic "emerging market". Many suppliers have made extensive efforts to understand what is happening here, the scale of opportunity it represents and the implications for their business.

Yet for some, the window of opportunity in China might already be closing. Some industry observers suggest that in five years' time, China will no longer be emerging, but will have emerged. Other markets in Southeast Asia, such as Indonesia, Malaysia and the Philippines, also look interesting to Peru. But to date, direct exports from Peru are still relatively modest. Shipments still often go through gateway markets such as Hong Kong and Singapore, which are often characterised by a lack of transparency in the way they operate. More work is still needed to understand the full opportunity in these markets.

Dealing with all these respective issues represents a considerable "in tray" for the Peruvian government and the commercial industry too. If, however, it achieves its objective of getting "all three engines running" (ie. Europe, America and Asia) at the same time, exports of fresh produce from Peru will continue to see significant growth and the country will be firmly established as one of the leading global supply sources.

NEW TOOL LIFTS PERU'S EXPORT PROFILE

Fresh Fruit Peru has launched a new tool to provide international produce buyers with a comprehensive overview of Peru's fresh produce industry today.

'The supply of fruits and vegetables from Peru 2017' catalogues the country's 12 main fruit and vegetable exports and lists detailed information about the main exporters and what they offer.

It will be distributed to food buyers in all of Peru's main markets via the country's network of international embassies.

"The report is designed to give international buyers a more complete vision of Peru's fresh produce industry – the main exporters, what products they offer, when they are available and what certifications they have," says Carlos Trujillo, managing director of Fresh Fruit Peru.

Fresh Fruit Peru is an agency that forms part of the Preciso Group which provides specialist statistical analysis of the agri-export sector.

Last month the company held a launch ceremony for the catalogue in Lima, at which it also unveiled its Fresh Fruit Data tool, a digital business intelligence platform providing regularly updated information on exports of avocados, asparagus, table grapes, blueberries, mangoes and citrus.

At the ceremony, Foreign Trade Ministry representative Silvia Alfaro Espinosa highlighted that the government operated a network of overseas trade offices in every continent to help promote Peruvian exports.

"With these tools we will have more precise information about what Peru produces and who is growing it," she said. "We are confident that this will boost consumption in markets such as Asia and Europe."

Dairy Industry International
November 2017
John Giles

High Dairy Price Index adds to inflationary pressure

High Dairy Price Index adds to inflationary pressure : According to agricultural consultany Promar International, the UN Dairy Price Index (DPI) is at its highest level since 2014, having increased by a significant 48.2 points in the last 12 months and by 4.5 points during September to reach 224.2 points.

This increase is primarily due to booming global demand, particularly for butter and cheese, combined with supply constraints in Australia, New Zealand and the EU, explains John Giles, divisional director at Promar International.
Giles advises that Promar's insight and data shows that even with declines in milk powder prices, as a result of high intervention stocks in the EU and limited buying interest, the demand for butter and cheese remained high in key consumer markets.
He adds that global food demand is still increasing rapidly in key markets such as Asia, and this is mirrored in the international dairy market. However, production in some key sectors, such as dairy and arable has been less buoyant, resulting in increased prices.
"This is demonstrated in the overall UN FAO Food Price Index (FPI) figure, which has recorded a 10.6 point, year-on-year increase. This could have a significant impact on UK food prices, particularly when combined with a weak exchange rate and other inflationary pressures at work in the economy.
"The UN FAO FPI was at 178.4 points during September, an increase of 1.8 points from August, and UK food inflation has already reached 3% and may carry on climbing before the end of the year. This is something the UK consumer is not really used to, after nearly 15 years of price deflation."
Giles adds that retailers will be extremely reluctant to pass on potential increases to the consumer, and will instead turn attention to driving efficiencies within their supply chains.
"Unlocking and analysing data throughout the supply chain from farm to retailer, including processing, will highlight where the best efficiency gains can be made, and help to keep food prices under control," he says.
"Balancing supply and demand of products both in the UK and globally is complex. However, being well informed and having access to the right sort of data, allied to additional insight on key market trends and developments, can help UK and international supply chains to deal with increasing pressure in the future. Ultimately, generating efficiencies throughout the supply chain, will help ensure sustainable food production for years to come."

Unattributed
[sourcelink]http://www.dairyindustries.com/22669/news/high-dairy-price-index-adds-inflationary-pressure/
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Darlington & Stockton Times
November 2017
Nigel Davies

News briefs

Herd report

THE latest Milkminder costed herds report shows that increased butterfat and protein percentages led to a 0.26ppl equivalent improvement for August 2017 compared to 2016.

Nigel Davies, Promar national consultancy manager, said the figures showed an improvement in butterfat and protein to 3.97 per cent and 3.27 per cent respectively for the average producer in the sample.

Belfast Newsletter
November 2017
Nigel Davies

Latest data from Promar shows the challenge of the bottom line

The latest data from Promar's Farm Business Accounts (FBA) for the year-ending March 2017, shows that the upturn in on-farm milk prices came too late in the year to hugely impact the bottom line, as profit after depreciation for the average farm in the sample fell by 20% to £43,404, compared to the year-ending March 2016.

Nigel Davies, Promar's National Consultancy Manager.

Reporting from Promar's annual data briefing, Nigel Davies, Promar's National Consultancy Manager, identifies that a big factor in this fall was a decrease of £90 per cow at gross margin level.

However, he remains more optimistic about the March 2018 year-end outlook, which should report improved profitability for most. "The sustained milk price increases in the year to date are feeding through to notable improvements in gross profits so far into the year," says Nigel. But he adds that a comprehensive approach to financial performance and planning remains key, as gains this year are likely to be diluted by increased overheads and inflationary pressures, and post-March 2018, milk price volatility is likely to continue.

He also encourages producers to review every aspect of their business to drive efficiencies and ultimately increase profitability. "This is something that the top 25% practice continually and one that with help, the majority of farmers can also employ.

"The data identifies huge disparities in the performance of the top 25% of the sample. For instance, the operating profit per cow is more than double compared to the average, at £885 per cow, this amounts to a staggering difference of over £90,000 in resulting profit for an average sized business in the sample."

He adds that with the average herd size increasing by four cows, and farm land increasing by 2.4ha per holding, many producers are driving economies of scale. "Scale is important, but critical to profitability is a need to continually improve technical efficiencies across the business.

"Interestingly the top 25% of farms have eight fewer cows than the average. And their profitability is also not primarily linked to their milk price, which accounts for just £88 per cow.

"Yield helps, but not at all costs," adds Nigel. "Reviewing gross margins is key, for instance the top 25% reported feed costs of 0.33ppl less than the average, and marginal improvements in herd fertility, culling rates and death."

It's not just about focusing on the milking herd, says Nigel. "Management of grassland and forage crops gives the top 25% an £18 per cow advantage. Better youngstock management can add a significant £28 per cow advantage too."

He also adds that overhead costs shouldn't be viewed as 'fixed'. "A striking £216 operating profit per cow difference in the top 25% comes from efficient overhead cost management, which is the equivalent of 2.53ppl.

"Predominantly this difference is made in labour efficiency and machinery related costs, and all producers should be considering how they can improve these two areas.

"And, with inflation currently at 3%, oil prices increasing and a shortage of quality labour, we forecast that overhead costs will rise rapidly into 2018," says Nigel.

He adds that every enterprise should be carefully considering the dynamics of their own financial performance. "Using data such as Promar's Farm Business Accounts or MilkMinder, will help producers identify key areas for investment and build a clear sense of direction and focus for the future."

Herald Scotland
November 2017
Nigel Davies

heraldscotland
The Herald | sundayherald

BUSINESS HQ

Milk producers must face the challenge of the bottom line

Rog Wood
30 Nov 2017 15:01:32

The latest figures from Promar's Farm Business Accounts for the year-ending March 2017 reveal that profit after depreciation for the average dairy farm in the sample fell by 20 per cent to £43,404, compared to the year-ending March 2016.

Reporting from the agri-food consultancy's annual data briefing, Nigel Davies, Promar's National Consultancy Manager, identifies that a big factor in this fall was a decrease of £90 per cow at gross margin level.

However, he remains more optimistic about the March 2018 year-end outlook, which report improved profitability for most. "The sustained milk price increases in the year to date are feeding through to notable improvements in gross profits so far into the year," said Mr Davies.

He went on to add that a comprehensive approach to financial performance and planning remains key, as gains this year are likely to be diluted by increased overheads and inflationary pressures, and post-March 2018, milk price volatility is likely to continue.

Mr Davies also encouraged producers to review every aspect of their business to drive efficiencies and ultimately increase profitability pointing out: "This is something that the top 25 per cent practice continually and one that with help, the majority of farmers can also employ.

"The data identifies huge disparities in the performance of the top 25 per cent of the sample. For instance, the operating profit per cow is more than double compared to the average, at £885 per cow, this amounts to a staggering difference of over £90,000 in resulting profit for an average sized business in the sample."

With many producers driving economies of scale, Mr Davies warns that: "Scale is important, but critical to profitability is a need to continually improve technical efficiencies across the business.

"Interestingly the top 25 per cent have eight fewer cows than the average, and their profitability is also not primarily linked to their milk price, which accounts for just £88 per cow.

"Yield helps, but not at all costs", adds Mr Davies. "Reviewing gross margin is key, for instance the top 25 per cent reported feed costs of 0.33p per litre less than the average, and marginal improvements in herd fertility, culling rates and death."

It's not just about focusing on the milking herd, said Mr Davies. "Management of grassland and forage crops gives the top 25 per cent an £18 per cow advantage. Better young-stock management can add a significant £28 per cow advantage too."

He went on to add that overhead costs shouldn't be viewed as "fixed". "A striking £216 operating profit per cow difference in the top 25 per cent comes from efficient overhead cost management, which is the equivalent of 2.53p per litre.

Shropshire Star
November 2017
Nigel Davies

Price rises too late to boost farm profits

THE upturn in milk prices arrived too late to boost profits for farmers in the last financial year, a report has found.

Data from Promar's Farm Business Accounts for the year ending March 2017 shows that profit after depreciation for the average farm in the sample fell by 20 per cent compared to the year-ending March 2016.

That meant the average profit on sample farms clocked in at to £43,404.

Nigel Davies, Promar's national consultancy manager, said a big factor in this fall was a decrease of £90 per cow at gross margin level.

However, he remains more optimistic about the March 2018 year-end outlook, which should report improved profitability for most – although it remains important to keep a lid on costs.

He also warned that volatility is likely to continue after March in a sector which has been dogged by large price fluctuations.

"The sustained milk price increases in the year to date are feeding through to notable improvements in gross profits so far into the year," he said.

"The data identifies huge disparities in the performance of the top 25 per cent of the sample.

Double

"For instance, the operating profit per cow is more than double compared to the average, at £885 per cow, this amounts to a staggering difference of over £90,000 in resulting profit for an average sized business in the sample."

"Scale is important, but critical to profitability is a need to continually improve technical efficiencies across the business.

"Interestingly the top 25 per cent of farms have eight fewer cows than the average. And their profitability is also not primarily linked to their milk price, which accounts for just £88 per cow."

He added: "Yield helps, but not at all costs. Reviewing gross margins is key, for instance the top 25 per cent reported feed costs of 0.33ppl less than the average, and marginal improvements in herd fertility, culling rates and death."

NFU
November 2017
Promar

Tesco Sustainability Dairy Group Conference 2017

NFU Dairy recently attended the Tesco Sustainability Dairy Group's (TSDG) annual conference alongside 700 Tesco dairy farmers who came together to celebrate 10 years since the TSDG was launched. The event boasted a packed agenda with presentations from the Commercial Director for Fresh Food and Commodities, George Wright, the Category Director for Bakery and Dairy,Gordon Gafa, and Tesco's Head of Agriculture, Barney King.

Key messages:

- Tesco will now supply all its *One-Stop* convenience shops with milk from the TSDG pool; an additional 25 farmers will be joining the pool
- 33 farmers made the top 5% in this year's QVIS results
- Congratulations to Neil Baker, Somerset dairy farmer who was announced as TSDG's Dairy Farmer of the Year 2017

It is clear that Tesco have been undergoing a change in direction in the last few years, concentrating on innovation, efficiency, R&D and also a renewed focus on own brand products – Tesco has reduced the number of products on its shelves by 26% which has led to a growth in the sale of core products. The generation of cash from "operations" was also named as one of Tesco's 6 key strategic drivers, with the recent acquisition of the wholesale food company *Bookers* meaning that Tesco's target market has moved from a value of 115bn to 200bn.

Dairy wise, Gordon Gafa was positive about recent sales; figures showed 99.9% of households buy dairy and milk is bought on average once every three days. He announced that Tesco would now be supplying all of its *One-Stop* shops with milk from TSDG farmers with the group extended to welcome an additional 25 dairy farmers.

Bill Higgins TSDG Dairy Farmer of the Year 2016 spoke about how his herd and vision has changed in the 10 years since he's been on the TSDG; he now milks 520 cows with 300 followers, has invested in staff, buildings and cubicles and has a long-term focus based around stability, competitiveness and supply chain efficiency. He emphasised that measuring high performance is not just about reducing antibiotic use but improving farm management, animal health and welfare and benchmarking against world class performers.

The findings from the first QVIS (Quality, Value, Innovation and Service) review were announced:

Year 1 findings:

- Level Supply: 255 farmers hit the top bands
- Milk Quality: 251 farmers hit the top band
- Farm Cleanliness: 509 hit the top band
- Red Tractor: 348 farmers passed the audit with 0 non-compliances

The 33 farmers in the top 5% of the group will be offered an additional 100k/l. Those in the bottom 5% who requested a consultation will have been visited by Promar. Promar will then conduct a second visit in January to check direction of travel before a panel reviews whether after 6 months each farm has done enough to stay in the group.

TSDG Dairy Farmer of the Year

Neil Baker, NFU Member and dairy farmer from Somerset was announced as the TSDG's Dairy Farmer of the Year 2017. Neil's 1000 cow dairy unit has a key focus on health when it comes to reducing mastitis, eliminating lameness and increasing conception rates. The farm also produces its own vintage, handmade cheddar and sets ambitious performance targets which all staff are committed to.

The day was positive with most farmers who attended seemingly happy with Tesco's direction of travel; an interactive poll taken on the day showed 76% of attendees believed that the TSDG had driven their business to be more competitive and efficient and 95% believed they had benefited from being a member of the group.

Dairy Farmer
November 2017
James Dunn

Impressive production figures and attention to detail saw Andrew and Pam Pounder, of Stainton Hill Farms, Co Durham, named the Promar Milkminder Manager of the Year.

More than half milk is coming from forage

It was the ability to take more than half the yield from forage that impressed the judges and helped the Pounder family secure this year's Milkminder accolade.

Husband and wife, Andrew and Pam, run a 200-cow pedigree Holstein herd on 320-acres, near Barnard Castle, alongside their 21-year-old son Scott, Pam's father Dennis, and Andrew's parents Joe and Margaret.

The exceptional grassland management impressed competition judge and Promar managing director James Dunn.

He says: "Andrew and Pam have taken a proactive approach to managing their grassland, and the family's drive for continuous improvement across the business is admirable.

"They have seen impressive gains, with milk from forage currently equating to 55% of yield. This was further acknowledged when the farm was named a finalist in the 2017 British Grassland Society competition," says Mr Dunn.

When existing infrastructure restricted herd expansion, the family looked to push milk yields by focusing on making the most of available resources so as to continue business growth for the next generation.

"Two years ago, we made the decision to push the utilisation of our grass and improve our profit margins, with a target of taking milk output to 9500 litres and milk from forage to 5000 litres," explains Andrew.

Averaging

"We are currently averaging 9200 litres, with 4754 litres from forage, at 4.19% butterfat and 3.2% protein, from our all-year-round calving herd.

"We've done this through focusing on grass quality and soil health, which started when our nutritionist recommended we use a plate meter to accurately record grass growth performance, and ensure the cows were entering the paddocks at the optimum time. We now measure every month and have seen a marked difference already with milk from forage up by 12.5% in two years.

"To continue to drive milk from forage we've also tightened our grass paddocks, which has improved grazing efficiency enormously. We've fenced many of the larger paddocks into smaller, more manageable areas, which allows us to enforce a strict grazing routine," explains Andrew.

In addition to utilising existing leys, the Pounders have taken a proactive approach to reseeding management to improve grass quality.

"Where necessary we reseed a portion of the farm each year with high clover content ley varieties from Olivers and Nickersons, to help maintain a good protein level in the milk and ensure a high digestibility for the cows," says Andrew.

In addition to driving grazing efficiency, the Pounders also buffer feed the cows with silage all-year-round to maintain yields, and therefore silage quality is critical to the system.

"We've really pushed ourselves this year, and the good weather in the spring meant we could take the first cut earlier, and more frequently thereafter. Our approach is quality over quantity, and this year's silage is testimony to this ethos, as our first cut analysed at 12.1 ME and 75.9 D-value.

"As we push to improve our milk from forage we've also seen a marked improvement in margin over purchased feed (MOPF). Our MOPF pence per litre was

Andrew and Pam Pounder

19.60 in July 2017, an improvement of 3.11ppl in comparison to this time last year. This is a significant figure and shows what can be done through greater attention to detail in the grazing system."

Nutrient application is equally important to ensuring sufficient grass growth to maintain yields, and in 2011 the farm invested in the installation of a 759,000-gallon slurry store, in addition to the existing weeping wall storage.

Slurry storage

"We previously only had six weeks of slurry storage, which proved a problem in the winter when the cows were housed. Although we are not in a nitrate vulnerable zone (NVZ), we recognised that the land couldn't handle the heavy spreading equipment so early in the season. The bigger store provides us with nine months of storage, giving us much better flexibility with our spreading dates."

In addition to this, annual soil sampling allows Andrew to understand the soil requirements before application.

"We soil sample every spring before turnout to understand what nutrients are required, with targeted P and K applications made where needed alongside the slurry when the ground is firmer and can stand the equipment," he adds.

"This ensures we have good quality grass to turn the cows out to, while also maintaining quality throughout the season."

However, Andrew stresses there is still more work to do. "We are really proud to have been awarded the Milkminder title, as it is great to have the efforts of our family and staff recognised as well as the work we have done to improve our grassland. However, we want to continue to push the farm business, and analysing the data from our farm will give us the insight to drive change."

Farm Business
November 2017
Tom Gill

by Tom Gill

The principal benefit of an AD plant is a higher level of nitrogen

Influencing AD from the farmgate

Tom Gill, head of environment at Promar International, outlines the benefits of correctly managing an AD unit

Anaerobic digestion (AD) has seen increased popularity on-farm as a proven way to reduce environmental footprint, as well as providing an alternative source of income. However, with a potential negative impact on water quality if not correctly managed, influencing AD from the farmgate can ensure that the benefit seen on farm is not at the detriment of water quality.

AD is the process of breaking down organic matter, such as crops, animal and food waste, into biogas and biofertiliser, known as digestate. The resulting digestate has a higher level of readily available nutrients than raw slurry, due to the organic fibres that are broken down during the AD process. This makes digestate a great alternative to artificial fertilisers. However, the timing of application and the application method is vital.

When applied correctly, digestate brings huge benefits on-farm, through more readily available nitrogen and therefore, a reduced requirement for artificial fertilisers, providing the farmer with a valuable saving.

However, there is a continuing need to support farmers to understand the potential negative impact of poorly managed digestate – particularly in nitrate vulnerable zones (NVZ), where there are tight timing restrictions on applications.

Application and storage precision

Application method, timing and precision all need to be considered before digestate is applied. Using ineffective methods such as a splash plate can result in nitrogen and ammonia being lost to the atmosphere, with only a small amount being available to the crop.

Weather, land and soil conditions are also important in reducing the likelihood of nutrient run-off into watercourses. Applying digestate when there is less rainfall likely, specifically when land drains are not flowing, will also guarantee that the crop is getting the most from this valuable resource.

Ensuring there is adequate storage on-farm is also vital, as an AD plant is a continual operation, and produces digestate all-year-round. Managing large volumes of digestate with a limited land bank does pose real issues. It is essential to have the data to understand soil indices (N and P) on the intended recipient land for applying digestate, otherwise pollution run-off will be exacerbated further.

So, supporting the farmer in planning how best to manage and use this digestate – in some cases via export to neighbouring farms – and ensuring they have the means is important.

Careful consideration should also be given to the feedstock grown for the AD plant, which can be vital to soil health safeguarding. Traditional crops grown for AD, such as maize, can adversely impact soil structure, and increase run-off if it isn't used within a rotation or undersown with a cover crop.

Therefore, it is important for the wider environment to understand whether maize is the most appropriate crop a farm can viably produce, while also maintaining good soil structure.

Sustainability

Alongside rising input costs, increased pressure is being placed on producers to provide growing quantities of quality produce, and to do so in a sustainable way.

Diversification into AD can help build resilience and secure the future economic sustainability of farm businesses. The alternative income stream can reduce the fluctuations in the energy market and support an increase in farm revenues. This helps to spread risk and enables businesses to forward plan as the income received is relatively stable and predictable.

Slurry and manure applied to the land is one of the most significant contributors to emissions from agriculture, and ultimately AD is a way to reduce a farm's environmental footprint.

This is a great opportunity for the agricultural, food and water industries to work together strategically, and better use joint knowledge to ensure that the environment is positively affected by technologies such as AD.

Dairy Farmer
November 2017
Promar

News in brief...

Retailers make move

»Tesco is to decrease its TSDG milk price by 0.13ppl from Nov'17, following Promar's quarterly review of the cost tracker using budgeted figures taken from the now larger dataset of TSDG farmers.

The cost tracker review showed a decrease of 0.13ppl in the cost of production from 29.58ppl to 29.45ppl. The drop follows the 0.21ppl rise from Aug'17 and takes our liquid standard for our Muller TSDG supplier to 29.45ppl.

Our Arla TSDG supplier receives the same level of decrease after haulage to 29.2ppl. Our calculations, based on a simple average after the four quarterly price changes, leave the price 0.84ppl positive for 2017.

Sainsbury's has lifted its SDDG milk price by 0.24ppl from Oct'17. The increase this time is determined not only by the quarterly adjustments of feed, fuel and fertiliser prices, but also taking into account actual physical quantities used (following on-farm data collected by Kite Consulting).

This increase, which includes achieving the average animal welfare and environmental bonus of 0.62ppl, takes our liquid standard up to 28.21ppl for our Muller Milk Group SDDG supplier.

Our Arla SDDG producer will receive the same level of increase, taking the price up to 28.09ppl after including the company's 0.12ppl haulage charge.

Meadow up 1ppl

»Meadow Foods has increased its milk price by a further 1ppl from Nov'17, making it the fourth consecutive monthly increase since Aug'17.

The flat rate payment takes our liquid standard up to 31ppl, with this price now just 1.55ppl below the company's all-time high of 32.55ppl paid in Jan'14.

Our manufacturing standard litre increases to 31.38ppl for Chester and 31.25ppl for Cumbria milk pools.

With the 'B' price for August confirmed at 35ppl, the company has held the range for September at 33-36ppl.

Also increasing by 1ppl to 31ppl is Crediton Dairy, which has recently offered producers the opportunity to lock in 10% or 20% of their monthly milk volume for the next two years at 28ppl, based on our liquid standard.

** Our Liquid standard litre is 4%bf & 3.3% protein, and our Manufacturing 4.2%bf & 3.4% protein. In both cases, this is for Bactoscans of 30,000/ml & SCCs of 200,000/ml, 1 million litres/year on EODC, but before B pricing, balancing, seasonality, monthly profile payments, capital deductions or annual/part-annual growth incentive schemes not directly linked to dairy market price movement.*

Farmers Weekly
November 2017
Promar

Focus on labour and machinery costs, dairy farms urged

Monday 27 November 2017 11:16 Isabel Davies

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Efficient management of labour and machinery costs and working to continually improve technical performance are the key to improved dairy profitability, according to Promar. Data from the consultancy firm's farm business accounts for the year ending March 2017 showed the operating profit of the top 25% farms was more than double that of the average farm at £885 a cow. For an average-sized business in the data sample this amounted to a difference of £90,000 in resulting profit.

The Herald
November 2017
Nigel Davies

Average dairy farm profits fall by 20 per cent but Promar says prospects are good for efficient units

FARMING

ROG WOOD

PROMAR'S latest Farm Business Accounts for the year-ending March 2017 reveal profit after depreciation for the average dairy farm in the sample fell 20 per cent to £43,404, compared to the year-ending March 2016.

Reporting from the agri-food consultancy's annual data briefing, Nigel Davies, Promar's National Consultancy Manager, identifies that a big factor in this fall was a decrease of £90 per cow at gross margin level.

However, he remains more optimistic about the March 2018 year-end outlook, which report improved profitability for most. "The sustained milk price increases in the year to date are feeding through to notable improvements in gross profits so far into the year," said Mr Davies.

He went on to add that a comprehensive approach to financial performance and planning remains key, as gains this year are likely to be diluted by increased overheads and inflationary pressures, and post-March 2018, milk price volatility is likely to continue.

Mr Davies also encouraged producers to review every aspect of their business to drive efficiencies and ultimately increase profitability pointing out: "This is something that the top 25 per cent practise continually and one that with help, the majority of farmers can also employ.

"The data identifies huge disparities in the performance of the top 25 per cent of the sample. For instance, the operating profit per cow is more than double compared to the average, at £885 per cow, this amounts to a staggering difference of over £90,000 in resulting profit for an average sized business in the sample."

With many producers driving economies of scale, Mr Davies warns that: "Scale is important, but critical to profitability is a need to continually improve technical efficiencies across the business.

"Interestingly the top 25 per cent have eight fewer cows than the average, and their profitability is also not primarily linked to their milk price, which accounts for just £88 per cow.

"Yield helps, but not at all costs", adds Mr Davies. "Reviewing gross margin is key, for instance the top 25 per cent reported feed costs of 0.33p per litre less than the average, and marginal improvements in herd fertility, culling rates and death."

It's not just about focusing on the milking herd, said Mr Davies. "Management of grassland and forage crops gives the top 25 per cent an £18 per cow advantage. Better young-stock management can add a significant £28 per cow advantage too."

He went on to add that overhead costs shouldn't be viewed as "fixed". A striking £216 operating profit per cow difference in the top 25 per cent comes from efficient overhead cost management, which is the equivalent of 2.53p per litre.

■ Dairy must be efficient says the Promar survey.

The Scottish Farmer
November 2017
Nigel Davies

Tweaking dairy rations to boost margins

Latest data from the latest Milkminder costed herds report, shows that increased butterfat and protein percentages led to a 0.26p per litre equivalent improvement for August 2017, in comparison to 2016.

Through careful attention to balanced feeding, Nigel Davies, national consultancy manager at Promar, said the latest figures from the company's Milkminder costed herds revealed improvements in butterfat and protein to 3.97% and 3.27% respectively for the average producer in the sample.

"In a period of the summer that proved challenging for the management of fodder in some areas, for producers to achieve an increase of over 0.04% in both butterfat and protein levels, is very positive news," he explains.

"On a typical manufacturing contract, this is the equivalent to an extra 0.26ppl milk price. And, although this positive increase is not much when compared to the fluctuating commodity milk price and the level of market volatility witnessed in recent years; it's important to remember that all year-on-year improvement really does count towards bolstering the bottom line."

Milkminder National Average Monthly Report

Stock August 2017 2016

Cows in herd 206.7 201.0

Cows in milk 172.0 168.7

No cow + heifer calvings 15 +5 15 + 6

No of cows leaving herd 4 4

Milk

Total milk produced (l) 131,441 125,729

Yield/cow in milk/day 24.6 24.0

Yield from grazed forage/cow/day 5.9 5.6

Yield from all forage/cow/day 8.3 8.9

Butterfat (%) 3.970 3.931

Protein (%) 3.267 3.223

Urea (mg/l) 192 181

Cell count:hygiene 178:26 186:24

Milk price (p/l) 29.485 22.050

Total milk value (£) 38,755 27,723

Feed

Concentrate use/l (kg) 0.31 0.29

Total concentrate use (t) 40,963 36,861

Concentrate price/t (£) 217 198

Other feed cost (£) 240 226

Total feed cost (£) 9121 7528

Feed cost/l (p) 6.94 5.99

Total conc.equiv at 86%DM (t) 42.690 38.4

Margins

Margin over purchased feed/l (p) 22.55 16.06

Margin over purchased feed/cow (£) 143 100

Margin over purchased feed for herd (£) 29,634 20,195

Margins over purchased feed per cow have improved from £100 in August 2016 to £143 for the same month this year