

promar matters

Issue 1:
January 2016

WELCOME:

Welcome to the first edition of Promar matters, our new monthly publication for customers and industry influencers. We have taken the opportunity to update and refresh the content and style of our previous newsletter to reflect the dynamic nature of the dairy industry and align with our strategy to deliver innovative and expert solutions to our clients. We hope you find the new format interesting and informative, and would welcome your views for future content.



James Dunn
Promar Managing Director

NEW YEAR: NEW PLAN

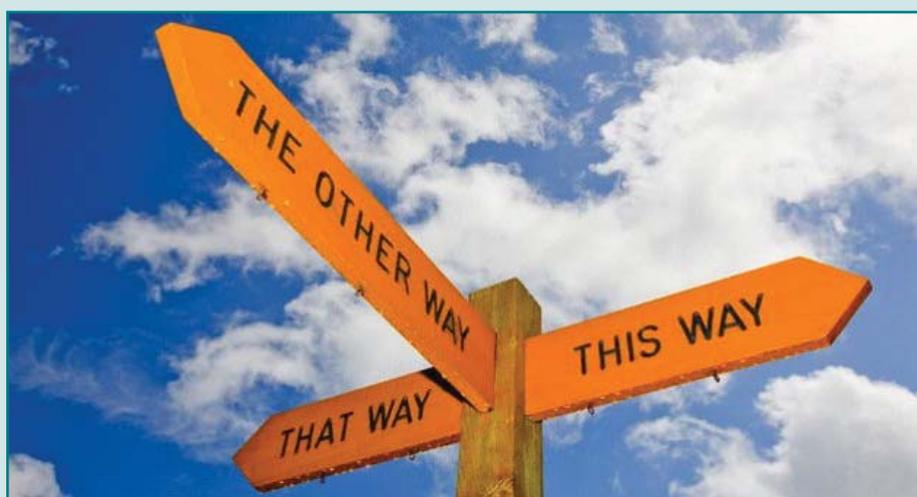


2015 was a turbulent year on the global markets and a traumatic one for many dairy farmers. As we head into a new year, it is time to make the plans for the future of your business.

The deep and sustained fall in milk prices has created numerous issues on dairy farms, many of which are at a crossroads having to decide on the best direction forward. It could be to expand, to improve technical performance, to add value, to diversify or, in some cases, to stage a managed exit from the industry.

The objective must be to explore the options and determine which is best for the business and for those employed in it. The starting point is to understand the profit requirement of the business – what the business has to achieve. Then you can investigate how best to achieve it and the level of costs that are appropriate to the business.

At Promar our goal is to work with clients and their associated professional advisors to develop robust solutions based on accurate data and a detailed assessment of the business. We would welcome the opportunity to help you plot the way forward for your business so please contact us so we can explain exactly how we can help.



SWING IN SEMEN USE WILL AFFECT BEEF MARKET

Many farmers have switched from dairy to beef semen as a way to reduce production costs in the short term. This swing in semen usage will have immediate consequences for beef calf prices according to Promar Regional Manager Emma Thompson

Like what you see?
Scan the code using a
QR reader
on your
phone to
read more
online



Emma Thompson
Promar Regional Manager

Comparing the years to July 2015 and July 2014, there has been a clear swing away from dairy semen purchases. At the same time, there has been a large balancing movement to beef straws.

While this swing will not affect the number of dairy heifers in the pipeline in the immediate term, it is the predicted there could be an additional 17,500 more beef calves produced per month from dairy breeds. Beef cross calf registrations will increase to somewhere approaching 60,000 per month as we enter spring/summer 2016 which could create a short term rise in animals entering the cross-bred beef sector.

Using less dairy semen and more beef could be seen as attractive with high beef calf prices, but are prices likely to hold with a significant increase in the supply of calves?

Demand for beef calves and prices will be influenced by other events on farm. If the increase in dairy slaughtering is maintained as the number of herds reduce and farmers cull out poorer producing cows, then this will further increase beef supply and suppress prices. Certainly many farms have been holding onto barreners, particularly where they could be kept grazing, in the hope of seeing an increase in prices.



As the cost to keep them increases, they will need to be sold hence increasing the number of animals for beef.

With any industry-level analysis such as this, it is the impact at individual farm level that is important and farmers need to plan and understand the implications for their business.

Points to consider

- Think now about what you can do to make the best of an increased supply of beef calves. Don't just assume they will make a good price if sold at market.
- Is it possible to sell them under contract?
- Can they be kept and reared to sell as stores?
- If you have moved significantly into beef, you might be short of heifers in two years' time, when a national heifer shortage resulting from the recent swing in semen use may have firmed prices. Take a view now on what the likely situation will be and look at options for managing the position, perhaps by looking at buying in bulling heifers rather than waiting to source in-calf animals later.