

The Dairy Group

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Business Challenges

Ian Powell, Managing Director

The milk price crisis is causing many dairy farmers to re-evaluate all aspects of their businesses. Whilst tax or management accounts may give you a historic view of business performance, the first step to understanding your current financial position and therefore be in a position to make informed decisions is through detailed budgets and cashflow forecasts.

For some the prospect of putting together a cashflow forecast is a daunting task which is why we as consultants are busy putting together and updating budgets and cashflow forecasts with clients. Dairy farmers need to have such a wide skill set to be good livestock, crop, staff AND financial managers so it's no surprise that outside assistance may be required in one or more of these areas.

In the short term dairy farm businesses need cash to continue trading and profit becomes a secondary consideration, but profit is essential if the business is going to survive in the long term. The purpose of any business is, as a minimum, to generate a profit that meets the cash requirements of the business (tax, drawings and possible reinvestment) and to repay any debt. Where businesses are not generating sufficient profit, farmers are reviewing both business and personal objectives and looking at business strategy options which, in some cases may include exiting the dairy industry.

Milk price payment systems have become ever more complex and there is an urgent need for dairy farmers to properly understand how their milk payment system works and how to get the best out of this difficult situation. The spring peak (April - June) is likely to see a further reduction in average milk price as seasonality penalties and 'B' priced milk drops the average further. There is a lot of discussion about "managing A and B litres" and budgets to examine the effect of calving pattern, herd size and yield are necessary to develop a strategy to maximise milk income. Some of the 'B' priced payment systems are very insidious as any attempt to reduce the litres supplied can reduce the A litres in the following year which means it may not be a simple matter to work out the marginal benefit of reducing B litres.

In many situations, marginal cows have become more marginal, particularly where high volumes of "B" milk are produced. Every herd has a range of cows from the top quartile of highest margin cows to the bottom quartile of poor performers (lower yields / poor milk quality, sub-fertile, high SCC, high mastitis or lame) low margin cows. Do the low margin cows contribute anything to profitability? Unless you are in a position to replace these poorer performing cows, reducing herd size is likely to increase the overhead costs per litre over the remaining litres unless you are confident that overhead costs can be reduced accordingly.

Ian is responsible for our dairy cost database, MCI and works with clients across southern England. He can be contacted on 07831 617952

EDITORIAL

Welcome to the April edition of our newsletter.

This newsletter focuses on business issues, reducing purchased feed cost, the benefits of good stockmanship and the opportunities from Countryside Stewardship.

Dairy businesses are facing a great many challenges and your consultant has a key role to play in helping you through this difficult time. The dairy industry has coped with Foot & Mouth, BSE, TB, the ending of the MMB, the introduction of EU quotas and their recent demise and there will be a future for those who are committed.

We are looking forward to meeting some readers at Neil Baker's Rushywood Farm for Gold Cup day on 25th May. Neil has been a client of The Dairy Group since our inception in 2004 and we are very pleased to be associated with Neil who has deservedly won the Gold Cup this year.

If you would like to discuss any of the topics featured in this newsletter further, please speak to your consultant or ring the office on 01823 444488.

Christine Pedersen

If you would like to receive this newsletter by email in future please email:

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Feed Cost Challenge

David Donaldson, National Dairy Nutrition Specialist

Think of feed not as a cost but as an investment. To remain profitable every dairy farmer needs a good return on the investment in feed. Many factors including forage quality, dry cow management, fertility, average yield and milk solids will determine the return you can achieve. Feed cost per cow is not just determined by the cost of the feed.

Forage quality is number one on my list and it should be your main focus. An increase of 5 units of digestibility will give on average, an increase in yield of around 2.5 litres or allow you to cut roughly 2kg of feed for the same milk yield. At 20 p/litre, the extra milk is worth 50p/cow/day or around £32,000 per year on the average UK costed herd.

As you read this, thoughts will be turning towards silage making. Traditionally cutting date has been seen as a trade-off between quality and quantity, but research shows that with two silage cuts total yields are similar, but higher quality with earlier cutting. The target D-value of 72 is equivalent to second week of May cutting for most ryegrass swards – be aware that D Value can decline by up to 3 units / week from heading. Be prepared to “grab” your silage

when there is a weather window - grass should be mown when dry (no rain or dew) and spread as wide as possible or raked out to wilt rapidly - aim for 30% dry matter in 12 - 24 hrs to concentrate the sugars and promote faster fermentation. Higher dry matter grass tends to be more difficult to consolidate and is vulnerable to aerobic spoilage. In some situations an additive may be appropriate.



During the harvest and ensiling stages attention to detail is critical; Lactic acid fermentation (the type of fermentation necessary to make good quality silage) will not start until all air has been removed from the clamp and no more is getting in. Grass should be clamped quickly and evenly, rolled in thin layers (6” max) and rolled right from the start of the process. Good consolidation (paying particular attention to the clamp shoulders) is vital to ensure good stability

during storage and feeding. Two tractors rolling the clamp may be necessary depending on the harvest rate. Once full, the clamp should be sealed quickly and thoroughly. Excellent results have been achieved using a thin oxygen barrier sheet in conjunction with two top sheets of adequately weighted conventional black plastic.

A well-managed grazing platform can allow great savings. Although pasture is the best forage on paper, it is often poorly utilised. Sward quality, weather, variability, tracks and grazing time can all be difficult to manage. In poor weather cows may not be able to graze for long enough and this is especially true for high yielding cows, so buffer feeding may be necessary. Set up a proper grazing platform and monitor growth to fully utilise your grazing.

Don't neglect the dry cows as nothing has a bigger effect on the next lactation and do not be tempted to cut corners here. Cows that have difficult calvings or metabolic issues will under-perform and are much more difficult to get in calf. Fertility also has a critical role in feed cost; fertility matters because every extra day needed to get a cow pregnant will reduce the average milk from the herd. Long lactation cows tend to put on weight which can lead to metabolic problems in the transition cows and so the cycle continues. More about that in the next newsletter.

Protein Levels

Protein is the most expensive part of the diet so it pays to avoid over feeding and reducing dietary crude protein levels can reduce nitrogen excretion to the environment. Historically nutritionists in the UK have used 17% crude protein as a target for high yielding dairy cows. I recently visited a farm with excellent forages that was feeding a higher protein diet. This causes cows to peak very high and lose too much body condition. Dry matter intakes peak from 60 to 100 days after calving so feeding higher protein diets when intakes are low is dangerous and can lead to rapid loss of body condition, poor fertility and poor milk solids. On this farm, yields were excellent but cows had lost excess body condition, had loose muck and low butterfat and protein.

On this farm we were able to cut 0.75kg of maize distillers and 0.5kg of soya, a saving of just over 20p/cow per day. Other savings were also identified giving a total saving of just under 30p/cow/day. Based on 170 cows, the total saving would be £18,600 per year on this farm before factoring in the value of improved milk quality and fertility.

A lot of work is going on at the moment looking at total amount of protein and the balance between soluble and by-pass protein levels. Many herds are now getting excellent milk yields at 15.5% or a fraction less, watch this space!

David has 30 years of ruminant nutrition experience and can be contacted on 07471 890888.



Good Stockmanship Means Good Business

Ian Ohnstad, Milking Technology Specialist

A paper recently presented at the annual National Mastitis Council meeting in the USA explored the relationship between good stockmanship, animal handling and performance. Whilst dairy farmers and their staff realise the importance of good stockmanship to the dairy herd, it is always satisfying to be able to quantify the benefits of careful and sympathetic animal handling.

Inappropriate handling of cattle can lead to injury and can also cause significant stress to the animal. It is a combination of the level and duration of any stress that is important as to whether the animal becomes less productive. The main areas which can be adversely affected are milk output, fertility and immune response. Severe stress can lead to long term “fear” memories – highlighting why a heifer’s first milking must be a positive experience.



Cattle have far superior senses of smell and sound to humans. Stress due to poor handling leads to changes in the smell of urine and faeces, which is detected by other cows. Stressful situations lead to more dunging and urinating. This helps explain why cow flow suffers when cows begin to urinate or dung in the parlour, leading to longer loading times and slower milking. This noted stress can then impact on milk let down and subsequently lower milk yield. Recent studies have reported that poor handling leads to a 70% increase in residual milk left in the udder and a rise in SCC can be measured within 15 minutes. Milk yield differences between milkers following the same milking routine have been attributed to their behaviour around the cows.

Almost 20% variation in milk yields between farms has been attributed to the “fear” of humans. There is considerable evidence that staff training on cow behaviour and providing useful tips on cattle handling can lead to a much greater understanding with benefits to cow behaviour, health and production. Positive handling leads to reduced somatic cell counts and clinical cases of mastitis. In a very recent study it has been shown that herds with well trained staff produce 810kg more milk per cow than on farms without such training, which is a significant advantage in today’s economic climate.

Ian is an internationally recognised specialist in milking technology working throughout the UK and worldwide. He can be contacted on 07774 267900.



Making the Most of Countryside Stewardship

Sally Tuer, Senior Consultant

As more Entry Level Stewardship (ELS) schemes end, Countryside Stewardship (CS) offers an alternative environmental scheme and farm income. There are 3 main elements to Countryside Stewardship:

- Mid Tier (land management options and capital items to achieve simple, but effective environmental benefits – for most farmers this is the scheme to enter).
- Higher Tier (for significant environmental features, applications are managed by Natural England).
- Standalone Capital grants (water and boundary grants).

The main points to note are:

- CS is a competitive and targeted scheme, not everyone who applies for the scheme will be successful (with the exception of organic conversion and management applications which are not competitive).
- Grants will be awarded to applicants who will make the biggest environmental improvements to their local area. Each option included in your application will receive a score based on how well it meets local targets and priorities. Some options deliver more than one objective, when located appropriately these options will score highly because they will deliver more for the environment.

- Scores may be enhanced by receiving endorsement from the Catchment Officer or meeting the requirements of the Wild Pollinator and Farm Wildlife Package.
- Unlike ELS, CS is a part farm scheme – the whole farm does not need to be entered but you only get paid for the options you undertake.
- There is no upper or lower annual payment for applications made in 2016.
- Mid Tier agreements are for 5 years (standalone capital grants are for 2 years).
- The closing date for Mid Tier applications in 2016 is 30 September. All accepted agreements start on 1st January the following year.

The objectives of Countryside Stewardship are: biodiversity, water quality, flood management, the historic environment, landscape character, genetic conservation and educational access. Targets for Countryside Stewardship in your area are identified within the National Character Area (NCA) Statement of Priorities and can be found online. The following table shows the options and payments of a recent mid tier CS application:

Name of option	Payment rate £/ha or m3	Area entered ha or m3	Total £/year
Wild bird food	640	3.3	2,112
Cultivated areas for arable plants	532	1.25	665
Buffering in-field ponds on arable land	501	0.40	200
4 - 6 m buffer strips on cultivated land	353	3.25	1,147
Management of hedgerows	£16/100m 2 sided	6000	960
Seasonal livestock removal on intensive grassland	88	25	2,200
Maintenance of traditional farm buildings	3.25/m ³	450	1,462
Total annual payment			8,746

Catchment Sensitive Farming is now working with farmers in selected areas to provide CS grants. Funding to improve water quality is available through CS as a standalone capital grant or part of a Mid Tier application.

The Dairy Group has expertise in making successful applications so please ask your consultant for more information.

Sally is a senior dairy business consultant working in the south west and can be contacted on 07768 701135

News in Brief.....

Basic Payment Scheme - If you have not already done so, ask your consultant to cross check your 2015 BPS claim with both the Claim Statement (which have recently started to arrive on farm) and the payment you received; a number of errors (resulting in underpayments) have already been identified. You are reminded that the application deadline for the BPS 2016 scheme year is midnight on **16 May 2016**.

ELS and HLS - All agri-environment agreement holders are required to submit an annual claim form to receive their payments. All agreement holders should have received a pre-populated Environmental Stewardship claim form which must be received by Natural England by midnight on **16 May 2016**.

LEADER Funding - LEADER funding is available to local businesses, communities, farmers, foresters and land managers and is delivered via LEADER LAGs (Local Action Groups). Projects that will be funded in each area depend on local priorities but all projects must support one or more of the 6 LEADER priorities which include supporting micro and small businesses and farm diversification and increasing farm productivity.

Farm productivity grants (up to 40% of the eligible project costs) will support a wide range of farm investments. We are expecting an updated applicant handbook with details of eligible items to be released shortly – ask your consultant for more information.

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