

The Dairy Group

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Dairy business outlook 2025/26

Ian Powell, Managing Director

The business outlook remains challenging, but milk price is remarkably firm despite UK milk production running around 3% above last year for most of the winter. There is weaker production in other parts of the world with the US down 2.5% in January, Germany down 2.2% & France down 1.6%. There has been extreme milk price volatility over the past 3 years with the rolling average milk price peaking at 47.8ppl in March 2023, reducing to 38.6ppl in March 2024 and we forecast an average 43ppl by March 2025. So, what price to budget on for the year to March 2026? A reasonable approach would be to take the average of the last 2 years which would equate to an average of around 41ppl, but for individual farms this could vary by +/- 3ppl depending on the milk contract. The higher value of livestock sales should offset some of the lower milk income.

What about the cost of production? Our forecast for the year to March 2025 is an average cost of production of 44.8ppl, with a forecast increase to 45.3ppl for the year to March 2026 including 'unpaid family wages':

The Dairy Group : cost of milk production analysis			
	Forecast	Forecast	Change
Year end	2024/25	2025/26	2026-2025
	ppl	ppl	ppl
Milk sales	43.0	41.1	-1.9
Livestock sales	5.7	6.5	0.8
Valuation change	-0.3	-0.3	0.0
Total output	48.4	47.3	-1.1
Feed	12.7	12.5	-0.2
Forage	2.1	2.2	0.1
Vet & med	1.4	1.4	0.0
AI/recording	0.8	0.8	0.0
Bedding & sundries	2.3	2.4	0.1
Total Variable Costs	19.3	19.3	0.0
Gross Margin	29.1	28.0	-1.1
Wages paid	3.9	4.0	0.1
Power & Mach	10.2	10.5	0.3
Property costs	3.4	3.5	0.1
Administration	1.2	1.2	0.0
Rent & finance	3.3	3.2	-0.1
Total overhead costs	22.0	22.4	0.4
Profit before unpaid wages	7.1	5.6	-1.5
Unpaid family wages	3.5	3.6	0.1
Profit after unpaid wages	3.6	2.0	-1.6
Total costs	44.8	45.3	0.5
Non dairy income	2.7	2.2	-0.5

We expect to see a reduction in purchased feed cost and rent & finance, but inflation of around 3% increasing all other costs.

Whilst the average cost of production is forecast to be 45.3ppl, the range between the top & bottom 25% is likely to be +/- 6ppl, from 39ppl to 51ppl.

There continues to be huge variation in output value and costs of production. With the end of the financial year for many dairy businesses now is an excellent

EDITORIAL

Welcome to our April newsletter. The first article looks at milk price prospects and the outlook for production costs in 2025/26.

Whilst most milk contracts incentivise for butterfat and protein, maintaining levels can be challenging during the spring and summer irrespective of your production system. The second article covers some feeding options to consider.

Fertility improvements on a Devon farm brought about through increases in submission and conception rates are covered in the third article.

In brief articles include an update on grants and details of the British Mastitis Conference to be held in June, an excellent opportunity to update mastitis knowledge.

Finally, congratulations to our colleague John Twyford who has received a prestigious industry award!

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

Christine Pedersen

time to benchmark the physical and financial performance of the business. Our benchmarking analysis has 38 points of comparison with our Top 25% target to help you identify your strengths and weaknesses and where to focus your effort. The analysis is quick and easy to do and provides a detailed insight into business performance.

Remember that delinked payments (which have replaced BPS payments in England) have been reduced to a maximum of £7,200 for any business, so for many this will be a substantial reduction on previous years. Many farms have SFI quarterly income but with the scheme closed for new applications, the opportunity for some businesses to make up the reduced BPS payments with SFI payments is temporarily on hold.

Managing volatility requires a thorough understanding of the cash position of the business which requires a forward budget to help to identify the peak borrowing requirement. As always there is uncertainty over milk price going forward but it is relatively easy to update a budget for milk price changes to see how this impacts on cashflow.

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



Balancing spring rations

Christine Pedersen, Principal Consultant

The mild March weather means many producers have been able to graze at least a proportion of their herd earlier than usual. Grazed grass is the cheapest feed available on most dairy units and improving grass utilisation leads to lower feed and forage costs. A rotational grazing system matches grazing with grass growth cycles and grass quality is more likely to be maintained at 12 MJ/kg DM. Measuring grass covers and growth rates are key to placing the correct quantity and quality of grass in front of grazing cows. Fresh grazing should be offered after each milking and once grazed, the paddock should be shut off to allow recovery of the sward. With a bit of ingenuity this can be successfully achieved without large infrastructure costs; sub dividing larger fields with semi-permanent fences and using temporary electric fences within these paddocks can achieve quality grass in regular quantities.

Grass crude protein levels are typically around 25% in early April, declining to around 20% as the season progresses. Balancing high protein levels in grazing can be challenging, especially in herds where intakes of grass dry matter, and therefore protein are high. Bulk tank milk urea results can be used to monitor the utilisation of dietary protein – if cows are unable to utilise protein, excess is excreted via urea, a process which has an associated energy cost. The target level for bulk tank urea is 175 – 250 mg/kg or 0.175 – 0.25%, if results consistently exceed this recommendation, review the level of protein supplied via parlour compounds and/or buffer feed to optimise the balance of energy and protein.

UK average butterfat and protein levels follow typical seasonal trends with the lowest levels for both through May, June and July. Milk quality is usually reported for every milk collection and serves as a useful guide to the herd nutritional status; there is a definite relationship between diet composition, rumen function and milk composition. Levels of effective fibre in the diet are critical to butterfat as they influence saliva production and rumen pH, which in turn influences fibre digestion and subsequent butterfat synthesis. Low butterfat levels can be a symptom of sub-acute ruminal acidosis (SARA) caused by inadequate long fibre and high soluble sugar levels. A combination of low fibre levels in grazing and high levels of the 'wrong type' of fatty acids for butterfat synthesis (Linoleic and Linolenic acids) means that managing butterfat levels at grazing can be challenging, particularly higher yielding or early lactation cows.

Introducing feeds to increase fibre and maintain rumen pH and rumen function will improve butterfat levels. Options to consider include grass or wholecrop silage, chopped hay or straw, sugar beet pulp or soya hulls or high NDF dairy compound depending on the practical constraints of your feeding system. If low effective fibre levels can be rectified, the inclusion of supplements with high levels of C16:0 fatty acids can be effective as can rumen buffers and yeast.

Low dry matter intake (DMI) can affect butterfat and protein and increasing DMI will have a positive effect on milk composition. Heat stress (high temperature and humidity) has a significant effect on DMI which is why the seasonal milk quality trends of low summer and high winter constituents are seen world-wide, irrespective of feeding system. Milk proteins are a crude indicator of both protein and energy supply if used in conjunction with milk urea results. If protein supply is adequate for the required yield level, low milk proteins may be a result of break-down of dietary protein to supply energy if energy supplies are limited. In this case, rations need to be re-formulated to increase energy supply and mitigate the obvious effects on body condition, fertility and performance

Christine provides nutrition, dairy technical and business management advice to clients across southern England. She can be contacted on 07831 172940.



Improving herd fertility

Jamie Radford, Dairy Business Consultant

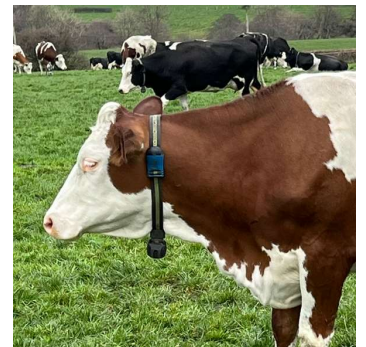
Having struggled with submission rates in the past, Simon Griffith who farms 170 cows in Devon, is already reaping the rewards of improved fresh cow nutrition and updating the heat detection system.

The business operates as a split block calving herd but in the past has struggled to achieve the target of an 8-week spring block and a 12-week autumn block. Having analysed the submission and conception rates at different stages of lactation, two key issues were identified:

- The submission rate was disappointing at 45% and declined through the service period
- The conception rate for cows less than 100 days in milk was significantly lower than cows later in lactation.

Following a nutrition review, we identified that fresh cows were not receiving enough energy to meet their requirements. The diet was adjusted by amending the parlour feed tables to increase compound feed more rapidly post calving and maintain the level until the cows reached peak yield at which point they move to feed-to-yield.

Another project that was already in motion was to invest in renewing the ankle band heat detection system to rumination collars. The previous heat detection system identified cows in heat once they entered the parlour and therefore without checking the computer throughout milking, the cows were not served until 12 hours later. Whilst this was not directly affecting the submission rates, we felt having alerts sent directly to Simon's phone would allow cows to be served at the optimal time which would provide a significant benefit to the conception rates.



Nine months later and the autumn calving block is back in calf ready for the grazing season. We have recently re-analysed the fertility data and whilst there are still further improvements to be made, the initial results are a big step in the right direction:

	2023/24 (Pre-change)	2024/25 (Post-change)
Submission rate	45%	70%
Conception rate	45%	49%
Conception rate for cows < 100 DIM	39%	44%

In practical terms, 60 cows are expected to calve in the first 8 weeks of the autumn 2025 block compared to 50 calvings in the first 8 weeks of the 2024 autumn block, an increase of 20%.

Following the improvements, Simon's take home message is "Don't overlook the basics when issues arise and don't underestimate the value that enthusiastic staff add to your business. Jamie's experience has also been instrumental in assessing each aspect of my cow management to help me improve herd fertility." The target over the next 12 months is to build on the success to date and focus on tightening up the calving blocks to 8 weeks each.

Jamie provides dairy technical and business management advice to clients across South West England. He can be contacted on 07795 385497

In brief

Grant Funding Update (England) - As you will be aware, **The Sustainable Farming Incentive (SFI)** is closed for new applications. Details of a reformed SFI scheme will be announced in summer 2025. For those with existing SFI agreements, our SFI Manager service has been developed to navigate the practical management of live SFI agreements alongside other existing schemes. SFI Manager provides a single point of reference allowing the agreement holder to manage the scheme and record the relevant evidence to demonstrate compliance in the event of an inspection.

The RPA are now processing the **Capital Grant** applications that were submitted before 24th November 2024. The Capital Grants Scheme is expected to re-open for new applications in summer 2025 and we are advising clients to progress applications, especially those that require CSF endorsement, in preparation for the grant reopening.

When the scheme re-opens, annual limits in each of the 4 categories of capital items that make up the scheme will be as follows:

- £25,000 for water quality
- £25,000 for air quality
- £25,000 natural flood management
- £35,000 for boundaries, trees & orchards

Countryside Stewardship Higher Tier (CSHT) scheme. The RPA will be inviting more farmers to begin the pre-application process this year ahead of opening for applications in the summer. Currently, access to the scheme is by invitation only as the pre-application process is tested. There will be opportunities for other farmers to access CSHT in the future.

Payment rates for some **Higher Level Scheme (HLS)** options are increasing from the 2025 claim year. Details of the new payment rates are expected soon.

A further application window of the **Farming Equipment and Technology Fund (FETF)** is expected to open soon, with grant to increase productivity, animal health & welfare and environmental sustainability through equipment and technology, with full item lists and guidance due to be released soon.

Farming Innovation Programme (FIP) competitions. Up to £63 million will be available for the FIP competitions in 2025/26, including Net Zero Farming, Precision Breeding and the new Accelerating Development of Practices and Technologies (ADOPT) fund which provides farmer-led, smaller-scale innovation grants, for farmers and farm businesses to trial new technology and methods on their farm which will launch in Spring 2025.

British Mastitis Conference 2025 - This year's British Mastitis Conference is taking place on Wednesday 18th June, at Sixways Stadium, Worcester, Worcestershire. This year's conference will be opened by Peers Davies from the University of Liverpool, on the topic of "The role of contagiousness in mastitis control". This will be followed by a presentation on the "Association between genomics and mastitis" by Marco Winters, Head of Animal Genetics at AHDB.

The afternoon session will start with a presentation by Ian Ohnstad, Milking Technology Specialist, Director of The Dairy Group and Chairperson of BMC who will discuss his work on "Milk quality in Rwanda". This will be followed by a discussion on "Housing design for a changing environment" by Zoe Barker, University of Reading. The final paper will be a "Mastitis Control Plan Case Study" presented by Emmie Bland, Veterinary Surgeon at Yan Farm Health.

Preceding the conference on 17th June, will be an all-day workshop focusing on 'Mastitis and the Environment' presented by James Breen, University of Nottingham & Map of Ag, and Tim McKendrick from The Dairy Group.

Both the workshop and the conference provide an excellent opportunity for clients to update their mastitis knowledge and interact with other like-minded individuals. The fee for the workshop is £220 + VAT. Due to the interactive nature of the workshop, places are limited. The conference fee is £185 + VAT which includes an electronic copy of the proceedings.

For further information please go to www.britishmastitisconference.org.uk or call the Taunton office on 01823 444488.

And finally, congratulations to our colleague **John Twyford** who has been awarded the esteemed Brian Chambers Trophy as the highest-rated **FACTS** (Fertiliser Advisers Certification and Training Scheme) candidate of the year.



The FACTS qualification ensures advisors provide accurate, sustainable, and effective nutrient management advice. Our experienced FACTS qualified consultants can prepare soil and nutrient management plans required for SFI options CSAM1 and CNUM1 and for planning nutrient applications to comply with relevant environmental regulations, such as the Farming Rules for Water. Accounting for nutrients supplied via the soil and targeting manure applications appropriately can help to reduce overall purchased fertiliser use which has a financial benefit and a positive environmental and emissions impact.

The Dairy Group consultants work across the UK providing a wide range of independent dairy technical and business advice. Please contact Karen or Anne in our admin team on 01823 444488 or visit our website for further information or to contact our consultants.

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