



The Dairy Group

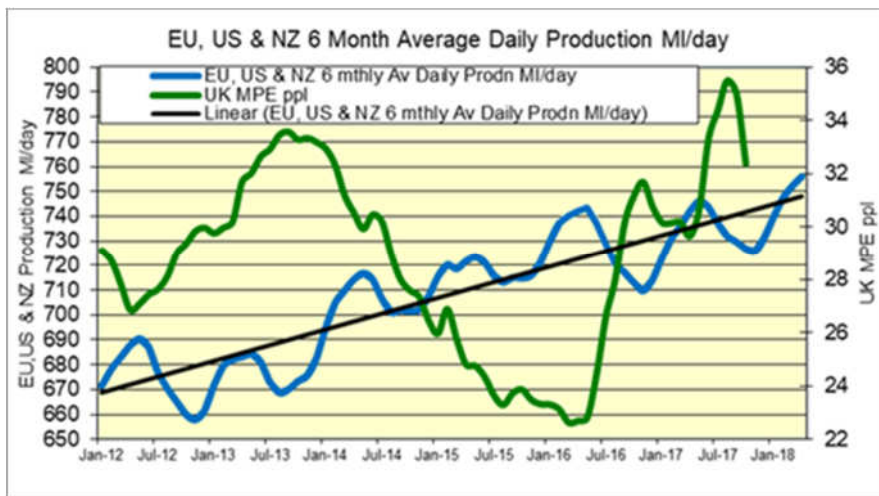
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Dairy Market Outlook

Ian Powell, Managing Director

The dairy market is heavily influenced by global milk supply and demand. The graph shows the milk supply from the three main exporting groups (EU, US and New Zealand) compared with the UK MPE (Market Price Equivalent) since January 2012, covering milk quota abolition in March 2015 and the subsequent market crash. Milk production in the UK fell by 5% up to March 2017, but since July has been rising by around 5%, with EU production increasing by 2.6% since June 2017. Increasing global production will put downward pressure on milk price, with growth 1% above the trend line reducing milk price by 10%.



Individually, dairy producers have very little influence on milk price with the main opportunities being to optimise returns from the existing milk contract or to find a more suitable contract. More recently dairy farmers have been offered various types of forward milk prices from the very simple (e.g. Crediton Dairy offer of 2 years fixed for 28ppl for a proportion of milk supply) to the relatively complex offer of an AMPE linked price by Muller. The Crediton Dairy fixed price is easy to understand with a known price for the volume committed. The Muller futures price was to fix a forward volume of at least 10,000 litres per month without actually knowing the price, which has proven to be very volatile. DairyVol which aims to smooth out milk price volatility is another forward pricing model which is gaining some credibility.

Whilst dairy producers have little control over their milk price they do have control over their cost of production. We have just completed our analysis of the 2016/17 cost of production based on actual accounts from specialist dairy farms and unlike CFP (comparable

EDITORIAL

Welcome to the final newsletter for 2017. The opening article looks at the outlook for dairy and cost of production.

The main focus of this newsletter is on nutrient and forage planning for 2018. Previous data analysis has shown a strong correlation between milk from forage and cost of production. The data showed that, for every additional 1,400 litres utilised per forage hectare, the average farm saw a decrease in cost of production by 1p/litre. This highlights the importance of producing and utilising forage in any system, irrespective of milk yield.

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.

Finally on behalf of The Dairy Group I wish you all a very Merry Christmas and best wishes for 2018.

Christine Pedersen

If you would like to receive this newsletter by email in future please email:
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farm profit) includes rent and finance. The average cost of production in 2016/17 fell by 0.5ppl to 29.6ppl, but due to a very low average milk price of 22.9ppl resulted in a loss after family labour of 4.2ppl. Our Top 25% cost of production was 26.3ppl, which was 3.2ppl below the average, but still gave a loss after family labour of 1ppl. The range in cost of production was 11.8ppl from 25.1ppl to 36.9ppl, with the lowest cost producers operating all year round calving with high output whilst the higher cost producers mainly due to low output or high finance and depreciation from robot based systems.

The recent AHDB report on optimal dairy systems does suggest that a wide range of systems might be optimal from block calving to all year round and AHDB set out some Key Performance Indicators for all the systems. The starting point for any dairy business is to carry out a SWOT analysis, including benchmarking of physical and financial performance with the Top 25% to identify strengths and weaknesses and the opportunities for improvement. Changing system may be one of the options, but any change should be budgeted carefully as there is invariably a cost to change, whereas improvements to the current system may be as cost effective.

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



Nutrient Planning in 2018

Becky Tavernor, Senior Dairy Business Consultant

As a company we are in the process of upgrading the way in which we handle NVZ recording for clients. The Fertiliser Handbook (also known as RB209) was updated earlier this year and some major improvements were made to grassland fertiliser recommendations. Historically this has been a complicated process involving cow yields, feed rate etc. to attempt to estimate the contribution necessary from grass to the diet. We have always felt that this process was a little 'back-to-front'; it makes much more sense to look at how we can maximise the contribution of forage into the diet and then look at feed rate! Thankfully the fertiliser handbook update means that the official fertiliser recommendation system for grassland now agrees with our common sense approach. In the past we have always used PLANET software for fertiliser recommendations however, due to a lack of funding, the PLANET software is not being updated with the revised fertiliser recommendations which is why we have chosen new software to ensure that The Dairy Group consultants can give their clients the most up to date advice possible.

We have been working with a software company over the last few months to put together a system to upload field data straight out of PLANET and into the new system meaning that the field information does not have to be re-entered. The new software will be available to our existing NVZ and fertiliser recommendation clients but we can offer our exclusive version of our new software to other clients currently running their own PLANET on farm.

It is a good time of year to soil sample to test for pH, phosphate and potash (P&K) in the soil. Investing in lime where recommended can give up to a 6-fold return on investment in terms of increased grass growth and nutrient availability.

When looking at liming products it is important to consider the neutralising value (NV) when evaluating value for money. NV values for some commonly used liming materials is given in this table:

Product	NV (relative to pure calcium oxide)
Ground Chalk or Limestone	50-55
Steelmaking Slag	55-58 (+1.7-2.5 phosphate)
Magnesian limestone	50-55 (15% magnesium)
Fibrophos	15 (+18%Ca, 8%SO ₃ , 4%MgO & 4%Na)

Pelleted lime is now also commonly used - this is a super-finely ground limestone held together with polymers. The rates of application are much lower and the effect on the soil is much faster making it ideal for short term rented land, but will usually only increase soil pH for one season.

Research shows that P and K use has declined over recent years and that in general they are applied together as compound fertilisers. If you find a requirement for P and/or K over and above what can be supplied with your slurry or FYM it is always worth considering straights (Triple Super Phosphate and Muriate of Potash) as well as compounds to see which is the most appropriate product for you.

Using our new recommendation software, The Dairy Group can give up to date recommendations for all macronutrient fertilisers (N, P, K, S) and lime for all crops across all soil types. We can also offer an updated NVZ recording service which we know is of great value to many clients.

Based in Shropshire, Becky provides environmental, business and husbandry advice to clients. She can be contacted on 07774 120412.



Forage Planning in 2018

Will Hawkyard, Principal Consultant

Milk from forage figures in the UK are very variable. Whatever yield level a herd is at, achieving 3000 litres/ow and moving on towards 4000 litres/cow from forage should be very realistic and achievable targets. The recently released AHDB KPI's include the following for milk output from forage per cow:

KPI	Good	Average	Poor
Milk output from forage (litres)	> 4000	2600	<2400

Much of the focus in recent years has rightly been on grazing systems and making the most of grazed grass. The vast majority of dairy herds are also heavily reliant on conserved forages, particularly grass and maize silages and to maximise milk from forage, the aim must be to utilise these to their full potential.

As cattle get settled on winter diets now is a good time to appraise a series of very basic but important factors that impact significantly on performance of ensiled forages:

All Forages

- Appraise silage stocks – is there enough silage of the desired quality to feed for the required feeding period? If not, try and pinpoint why – disappointing crop yields, high wastage or feeding more stock than planned. Understanding why will help you plan cropping for 2018 to adjust for shortfalls.
- Ensure that you know the analysis of all forages and all cuts. Core samples after grass has been in the pit for 4 weeks will give a good indication of quality and can be followed up with regular face samples whilst being fed. This will allow diet changes to be planned and, where practical, different silages to be allocated to different stock.
- Use the silage analyses to review forage quality; providing high quality forage is the key to maximising milk from conserved forage and reducing the level of concentrate feeding required. Harvest date and management of the harvested crop during the ensiling process are two of the key determinants of forage quality; if silage quality is suboptimal, review both and incorporate any changes into your plan for 2018.

Grass Silage

- Take the time this winter to review grass silage clamps. How much wastage is there? Can this be reduced in 2018 by changing practice? Is there any flexibility in filling clamps that can be exploited to ensure that the best silage can always be kept for the milking herd?
- Ensure that you know which grass silage cut is where in your clamps. Ideally mark the clamp walls when a new cut goes in, this will allow diet changes to be planned for.

Maize Silage

- Ideally new season maize should not be fed immediately but left in the pit to ferment for several weeks before starting to feed it. Were you able to do this this year? If not how much extra maize would you have to grow to do this?
- If maize under plastic is not an option consider using a very early maturing variety for part of the acreage to pull harvest forward by 1-2 weeks to fill the gap until main maize harvest is done.



These are all obvious points but are regular issues we come across. Addressing these where applicable will help improve herd and subsequently business performance.

Will specialises in business and farm management issues and can be contacted on 07831 477296.

News in Brief.....

Staff Issues - the press is full of news about staff shortages when the UK leaves the EU. A recent RABDF report says that "EU Labour is critical to the UK dairy sector" and there is a lot of discussion during farm meetings about recruiting, retaining and managing staff. For some producers, increasing the level of automation may be a solution or part of it, particularly as some technology (robotic milkers, heat detection systems etc.) may be eligible for grant funding. For others, the use of contractors for specific operations such as foot trimming, heat detection and AI may reduce the number of full-time employees and relief required. However in most cases a core workforce with the necessary skills and aptitude to work with dairy cows is still necessary. At a time when competition for employees

on farms is likely to become even fiercer, we are working with our clients to help them become 'employers of choice' by developing management skills and practices to help them recruit, retain and manage staff. More about this in the next newsletter or speak to your consultant in the meantime.

Fast Milking Cows and Mastitis - it has been a long held belief that fast milking, high milk flow rate cows are more susceptible to mastitis infection. In many cases excessive mastitis rates are almost dismissed with the explanation, 'she is a fast milking cow!' However, a recent study from the University of Wisconsin casts some doubt on this assumption. Data was examined from 1549 cows milked using an automatic milking system (AMS) over a 10 month period. During this period, 82 cases of mastitis were identified. Of the various factors examined when the modelling was complete, only the milking interval was significantly associated with the increased risk of clinical mastitis. The researchers concluded that in a high-production, cubicle-housed North American herd using AMS, milking interval and not peak milk flow rate, was the most significant factor in the risk of clinical mastitis.

BPS – Payments for 2017 have been made from 1 Dec 2017 and the 'payment window' runs until the end of June 2018. You can track the progress of your claim on the Rural Payments Service which you can also use to check your maps. Over recent months, the RPA has reviewed and updated digital land maps. If your land parcels have been updated as part of the mapping review, you will have received a notification in the messages tab on the Rural Payments Service identifying which land parcels have been updated. If you do not agree with the changes, you have an opportunity to challenge the changes but will need to fill in an RLE1 form. Please check your maps as soon as possible.

Genomic Testing Heifers – this is becoming more popular as it enables a farmer to identify superior animals in a group and make more informed breeding decisions. The old parent average figure that we have been using for years still has 30%-35% reliability but that increases to around 65%-70% with a gene test. After taking a small sample from a calf, the whole postal process to receive the results takes 4 – 8 weeks at a cost of around £30 a test. To use a service you must milk record with an ICAR accredited organisation such as NMR, CIS or UDF.

A genetic test can:

- Identify heifers with poor potential that could be sold or bred to beef
- Identify the top potential performers that can be targeted with sexed semen

As well as PTA's for production, fitness and type traits, a report can also include recessives and other traits.

RDPE Countryside Productivity Scheme - In October the Government launched the new RDPE Countryside Productivity Scheme. Funding is available for projects to improve the productivity of farming and forestry businesses. There are four elements to the scheme including "improving farm productivity". Grants are available for projects that address this through robotic equipment, increasing renewable energy use on farm via improved storage and distribution, more efficient use of slurries and manures and LED lighting in crop production.

Grants can cover up to 40% of the eligible project costs. The minimum grant is £35,000 with a minimum total project cost of £87,500. The deadline for applications is 3 December 2018, although we recommend that you apply early as applications will be assessed as they are received and the scheme is competitive.

LEADER funding is still available for smaller projects in some areas but you should apply soon as the applications can take up to 6 months to process and funding must be committed before the UK leaves the EU. For more details about RDPE Countryside Productivity Scheme or LEADER Funding, speak to your consultant.

Severn Trent's Environmental Protection Scheme (STEPS) is due to reopen for applications from 1st January 2018. The scheme offers grants of up to £5,000 to farms located in a Severn Trent priority water catchment area for work that protects watercourses and helps reduce diffuse pollution, including watercourse fencing, pesticide wash down and handling areas and roofing of slurry and manure stores and livestock handling areas. Similar schemes are available in other areas e.g. Catchment Wise in the North West and Upstream Thinking in the South West.

The Dairy Group consultants work across the UK providing a wide range of dairy business advice. Please contact our Head Office at Taunton or visit our website for further information or to contact our consultants:-

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