

The Dairy Group *MCi Report*

2nd February 2016

Dairy businesses will need to make some tough decisions soon

“Dairy businesses will soon need to make some difficult decisions as their cash situation deteriorates”, says Ian Powell, Director of The Dairy Group. He goes on to say “Over the last year the rate at which dairy farmers have left the industry has declined from 4.5% in January 2015 to just 3.3% in January 2016, which appears to be somewhat at odds with the 20% decline in milk price reflected in our latest MCi report. There could be several reasons for this response, such as poor alternatives available and perhaps a belief that the market will soon improve. Unfortunately, there does seem little likelihood of any price improvement in 2016, with further price cuts being announced from 1st March. In addition to the price cuts we have also seen a number of A&B pricing systems introduced from 1st April, which can pay a modest price for the A litres and a derisory price for the low value spring litres. The biggest issue facing dairy farmers will be cash flow and even for those having received their BPS they will now be faced with spring input costs, with a declining milk price. Dairy farmers should be looking at their cash needs for the next 12 months to see how they can carry on trading, the peak borrowing requirement and funding any cash flow deficit. There may be alternative options available and it could be better to make the difficult decision now, rather than watch the debt increase and or allow others to force a decision. Our latest MCi results show that our average recorded herd has seen a decline in the margin over purchased feed of £97,000, which translates in to an equivalent decline in profit. Whilst fuel and fertiliser have declined in cost this is estimated to save perhaps 0.5 pence per litre, which is nothing like enough to offset the 5.6 pence per litre reduction in margin over purchased feed. There is undoubtedly scope for many to reduce the purchased feed price per tonne, with our average herd reducing by £20 per tonne to £199 in October 2015. Our regional feed buying groups have been very effective in reducing the price though competitive tendering, whilst ensuring that feed quality is maintained by random sampling and analysis.”

	<u>MONTHLY RESULTS</u>		<u>12 MONTH ROLLING RESULTS</u>	
	Oct 2015	Oct 2014	Oct 2015	Oct 2014
Daily milk yield per cow (litres)	25.4	24.7	26.0	25.9
Daily milk yield from forage per cow (litres)	6.8	4.6	2527	2002
Cows in herd	221	219	217	211
Annual milk yield per cow (litres)	673	653	8202	8178
Milk price per litre (litre)	24.2	30.4	25.9	32.7
Butterfat (%)	4.14	4.09	4.05	4.03
Protein (%)	3.40	3.37	3.33	3.31
Concentrates cost per tonne (£)	199	219	208	236
Concentrates use per cow (kg)	226	244	2658	2749
Concentrates use per litre (kg)	0.33	0.37	0.32	0.33
Purchased feed costs per cow (£)	47	56	591	684
Purchased feed costs per litre (pence)	7.0	8.6	7.2	8.4
Margin over purchased feed per cow (£)	117	142	1540	1989
Margin over purchased feed per litre (pence)	17.3	21.8	18.8	24.4

Monthly average results for October 2015

The average milk price was down 6.2 pence per litre on last year to 24.2 pence per litre. The average butterfat of 4.14% was 0.05% higher than last year. Milk protein of 3.40% was up 0.03% on a year ago. Daily milk yield per cow was up by 0.7 litres per cow on last year to 25.4 litres per cow. Milk from forage was up by 2.2 litres per cow to 6.8 litres per cow. The average feed rate for the month was down 0.04 kg per litre on a year ago at 0.33 kg per litre, with the average purchased feed cost £20 per tonne lower than last year at £199 per tonne. The monthly Margin Over Purchased Feed was £117 per cow, which was £25 per cow lower than a year ago. The margin per litre was 17.3 pence, which was 4.5 pence per litre lower than a year ago.

12 Month Rolling average results to October 2015

The rolling average yield has increased by 24 litres per cow compared with the previous year to 8,202 litres per cow. The average feed rate has decreased by 0.01 kg per litre to 0.32 kg per litre, with the average milk price up by 6.8 pence per litre to 25.9 pence. The rolling Margin Over Purchased Feed (MOPF) was £449 per cow lower than a year ago at £1540 per cow. The rolling average MOPF per litre was 18.8 pence per litre, which was 5.6 pence per litre lower than a year ago.

- Ends -

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Notes to editors:

- This is a press release announcing the MCI results.
- MCI is the *The Dairy Group* dairy management system that incorporates setting targets for a herd combined with monthly monitoring, quota management & dairy costings.
- www.dairy-mci.com
- www.thedairygroup.co.uk