

The Dairy Group

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Cash is king

Dave Budd, Director

The biggest issue facing most dairy farmers this spring is cash flow. Forward planning is key to survival; make sure you understand your current and impending financial position. The process of constructing or updating a detailed cashflow forecast can be extremely valuable in terms of identifying areas to address. We consistently see that the Top 25% achieve lower costs for every single cost category; reducing cost of production is the cumulative effect of analysing every single cost and making savings in every area.

Are you maximising your milk contract? Look back at your production over the last 12 months - bonuses or penalties for butterfat / protein / SCC / bactoscan are generally straightforward. The impact of seasonality, level profile bonuses and A and B litres on milk price can be calculated once a milk flow forecast based on predicted calvings has been produced. Undoubtedly this will lead to more strategic questions such as whether seasonal or all year round calving will improve profitability and what the appropriate herd size / yield strategy is for your available resources.

A detailed cashflow forecast will help support any application for an increased overdraft facility and look at alternative ways to reduce your peak overdraft requirement. Discuss deferred payment terms with suppliers for inputs such as fertiliser. Some costs can be delayed for a short time without negative financial impact e.g. postponing non-essential maintenance. Postponing capital investment, negotiating loan capital repayment holidays and spreading income tax payments (seek your accountant's advice) are all strategies that can be employed to reduce peak overdraft requirements.

For some there are difficult decisions to make to prevent further erosion of net worth. Over the last year the rate at which dairy farmers have left the industry has declined from 4.5% in January 2015 to 3.3% in January 2016 which appears to be at odds with the 20% decline in milk price reflected in our latest MCi report. This may be due to a belief that the market will soon improve, a desire to maximise income from a herd sale or to the lack of good alternatives. It is imperative to investigate options with annual budgets and a cash flow forecast before making any major changes to your business.

Decision making becomes harder or is put off where multiple partners have different objectives or are perceived to have different objectives. Set aside time to have constructive meetings with business partners and indeed staff to ensure that everyone is working towards the same common goal.

Your consultant can help with all aspects of budgeting / cashflow forecasting and objectively assess your options to identify a strategy going forward.

EDITORIAL

Welcome to the February edition of our newsletter. Even the most pessimistic of pundits did not predict the extent of the milk price cuts which continue to savage the dairy industry. Unfortunately there seems little likelihood of any price improvement in 2016, with further price cuts being announced from 1st March. 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.

This newsletter focuses on implementing a strategy to survive low milk prices including driving down feed, forage and input costs and maximising grazing. The final article looks at grazing milking routines.

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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Forage costs and quality

David Donaldson, National Dairy Nutrition Specialist

The AHDB Dairy Evidence Report identified feed and forage as one of the key drivers for profitability. A subsequent report shows a strong relationship between milk yield from forage per hectare and cost of production. For every additional 1,400 litres utilised per forage hectare, cost of production decreased by 1ppl. More importantly there is no link between milk yield per cow and cost of production; irrespective of yield a lower cost of production is possible but milk yield from forage is a key driver to lower cost of production.

As we approach the end of the winter housing period is an ideal time to review your herd's performance and ask how milk yield from forage can be improved. The most recent MCI dairy herd costings results show that the average annual milk yield from forage increased from 2,000 litres to just over 2,500 litres per cow in the last year. The top 25% of herds are achieving a milk yield from forage in excess of 4,000 litres without compromising milk output.

Grazed grass is consistently the cheapest feed available on most dairy units and a separate article covers grazing. The cost of conserved forage can vary among crops (grass or maize silage or whole crop), between fields and from farm to farm as it is largely influenced by forage yield. Discussions with clients currently centre on reducing forage costs; reviewing inputs such as seed and planning fertiliser applications to maximise crop yields and drive down cost per tonne of dry matter. At current, low nitrogen prices every 45p invested in nitrogen (1 kg N) will yield approximately £1.80 of grass silage (15 kg DM @ £120/t DM) so plan fertiliser applications carefully to meet the crop requirement.

What do we mean by forage quality and does it make a difference? The main measure of forage quality is digestibility or "D value". This is reported on your forage analysis and the average for grass silage in the UK is 68 – 70. Excellent forage will have a "D value" of over 75 – these extra 5 units of digestibility will produce an extra 2.5 litres of milk or let you feed 2 kg/head/day less concentrate, saving approximately £55 per cow per year. Harvest date is the critical determinant of quality for both grass silage and whole crop whilst variety choice as well as harvest date is more critical for maize silage.

For those unfortunate to have suffered flooding, the extent of damage to grass swards caused by severe flooding should be assessed if grass yield and quality are to be maximised. Ryegrass can typically survive under standing water for 10-15 days after which the roots and leaves will begin to die off. If your sown species (typically ryegrass & clover in dairy leys) make up less than 70% of the sward then reseeding will be necessary. Soil structure is likely to have been damaged and compacted soils need to be corrected mechanically when soil conditions allow. Any compacted layers from grazing pressure or field traffic is likely to have been made worse by flooding.

With 30 years of ruminant nutrition experience, David has recently joined the Dairy Group. He can be contacted on 07471 890888.



Grazing – it's not a choice this year

Sally Tuer, Senior Consultant

Grazed grass is the cheapest feed available on most dairy farms; improving grazing management this spring and increasing the proportion of grazed grass in the dairy cow's diet is one of the most cost effective ways to improve profitability. The prime purpose of grazing is to present cows with a consistent supply of quality forage; rotational or paddock grazing is the most effective way of achieving this and can be set up initially at low cost with electric fencing. Your consultant can help you plan a rotational grazing approach.

Maximise grass productivity through targeted use of nitrogen. There may be a temptation to cut costs and apply less nitrogen than recommended however at current, low nitrogen prices every 45p invested in nitrogen (1 kg N) will yield 90p of grazed grass (15 kg DM @ £60/t DM) so plan fertiliser applications carefully to meet the crop requirement, taking into account soil N status and N supplied through organic manures.

Maximising grass productivity is one aspect of improved grazing management, increasing grass utilisation is the other, critical component. If you don't measure it, you can't manage it! Grass should be measured and recorded on a weekly basis to check growth and to budget grazing allocations. Turnout once ground conditions allow into paddocks with a cover of 2300 – 2400kg DM/ha; lower initial covers allow cows to come off the field sooner and

reduces the risk of poaching. A gradual transition to grazing over 2-3 weeks or longer, with grazing intakes starting at 4-5kg DM/cow/day also minimise diet change effects.



After the first grazing round, graze swards at 2,800 kg DM/ha cover. Grazing higher covers will lead to an increase in wastage due to trampling, lower quality of grazing due to higher proportion of stem and poorer swards in later season. Be prepared to be flexible; at peak grass growth some of the area may need to be removed for cutting. The first grazing residuals of the season are critical to subsequent grass quality - to maintain quality graze down to 1,500 kg DM /ha.

The amount of production that can be supported by grazing depends entirely on the quality and quantity of grass consumed. In good grazing conditions and when given sufficient time, cows can consume 15 kg dry matter or more to support maintenance plus 20 litres. Pregnant, lower yielding cows in adequate body condition can be challenged to do better whilst higher yielding cows will require some concentrate (16% parlour compound or buffer feed). A buffer feed of forage should only be used to supplement grass shortages or to prevent loss of performance in higher yielding cows. Do not let cows substitute cheap grass for expensive silage.

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



Buying groups are a proven way to reduce input costs

Susie Felix, Senior Consultant

Recent MCI costings analysis shows an average rolling purchased feed cost of 7.2ppl (to October 2015), with our best clients achieving over 9,000 litres at a feed cost of 6 ppl, which indicates there are significant savings to be made for some producers. Buying dairy compound at competitive prices through a buying group is a proven way to reduce input costs without compromising feed quality.

The Dairy Group run nine independent feed sourcing groups across the country and have been very effective in purchasing high quality dairy compound as well as other key inputs at competitive prices. Savings by being part of the feed groups typically range between 7-10% for compound feeds. A new member has recently been able to save £20/tonne on purchase compound. This represents a saving of 0.6 ppl or £8,400 per annum for this 140 cow herd.

It is important to stress that the ethos of The Dairy Group buying group is not to source cheap feed, but to source high quality compounds at very competitive prices. The process of sourcing begins with our nutrition specialists setting out the specification for dairy compounds (typically ranging from 16% - 24% protein, high fibre and high starch options) which are then put out to tender for a fixed 6 month period. The tender is awarded on the basis of value for money against the specification. During the 6 month supply period, random samples of the dairy compound are taken for independent analysis to ensure that the original specification is achieved.

We are currently going out to tender for grazing compounds. New members generally join the feed group at the start of the spring or autumn tender period, so now is the ideal time to review your feed buying policy.

Alongside feed, other key inputs can also be bought through The Dairy Group to help reduce costs:

- **Dairy minerals** – as with feed, our nutrition specialist sets out 10 specification for mineral mixes which are put out to tender every 3 months. Random samples are independently analysed to ensure high quality standards are maintained. Our dairy mineral is £282/t + delivery from £37/t.
- **Grass seed** - we specify a range of conventional and organic grass mixtures, current prices starting at £31 per acre for first choice, NIAB listed varieties. Ask your consultant for the list of mixtures.
- **Maize** – maize seed is sourced through a large independent crop buying group. We sift through the NIAB listed varieties and select a small number of varieties that are suitable for most situations. The available varieties are compared on the basis of dry matter value after the seed costs so that you can select the best value for money variety for your farm.

Susie is a senior dairy business consultant working in the North West, West Midlands and North Wales. She can be contacted on 07471 035199.



Grazing milking routines

Neal Thornber, Milking Technology Specialist

Generally when cows are grazing the bacterial challenge to the teats is reduced although wet grazing conditions will confound this. However, reducing or even eliminating teat preparation from a milking routine in the summer ignores the other benefits achieved with thorough stimulation:

- **Detecting abnormal milk or mastitis** - early detection of abnormal milk allows it to be excluded from the bulk tank, reducing bacterial counts and the SCC and allows for early intervention and treatment which should reduce the recurrence rate and overall rate of new infections.
- **Stimulating milk let down** - manipulation of cows' teats during the pre-milking teat preparation results in milk let down. There is a plethora of research on this topic. A review of pre-milking teat preparation presented by researchers in the USA concluded that:
 - Although some cows may come into the parlour dripping with milk, less than 10 seconds of cleaning and teat manipulation is not an adequate stimulus for consistent let down in all cows, especially those in late lactation;
 - A teat cleaning procedure of 10-20 seconds per cow is adequate to clean teats and achieve consistent milk let down in most cows.
 - The optimum "window of time" to apply teat cups is 60-90 seconds after the cow's teats and udder are first touched by the milker (described as the prep lag-time).
 - A prep lag time of 60 seconds reduced average milking time per cow by 40 seconds and increased mean milk yield by 0.32kg per milking.

Research in Denmark highlighted an increase in lactation milk yield of 5.5% with a consistent routine by all milking staff at every milking. Recent interventions on clients farms using some of the latest milking system evaluation equipment has resulted in higher milk flow rates from individual cows, shorter milking sessions and an improvement in teat end hyperkeratosis.

Whilst the perception may be that milking can be speeded up by omitting pre-milking teat preparation during the summer months, the opportunity to detect abnormal milk early is lost and there are likely to be adverse effects on both the milking speed of individual cows, overall milking sessions and the amount of milk produced.

Neal is a milking technology specialist working throughout the UK. He can be contacted on 07768 177477.

News in Brief.....

Recycled Manure Solids as a bedding material - Following the publication of the latest research, Defra will continue to permit the use of RMS as bedding for dairy cattle provided farmers comply with certain conditions and follow best practice. View the report at: <http://dairy.ahdb.org.uk/technical-information/buildings/housing/recycled-manure-solids/>

Pension auto-enrolment - Every employer with at least one member of staff now has to enrol those who are eligible into a workplace pension scheme. Visit: <http://www.thepensionsregulator.gov.uk/en/employers>

Feed Adviser Register (FAR) – All our feed advisers are registered with FAR (see separate leaflet for details).

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