CHARLES HOLT

Charles Holt, an independent consultant with the Farm Consultancy Group, says that squeeze on milk prices has curtailed and postponed investment on many dairy farms. But if spending money on your unit could, ultimately, reduce costs and improve efficiency then it will be well spent.

Upgrading facilities can make sense – even in a tough economic climate

Investment opportunities?

The squeeze on milk prices has curtailed and postponed investment on many dairy farms. But if spending money on your unit could, ultimately, reduce costs and improve efficiency, then it will be well spent.

Belts remain pulled tight for many dairy businesses but, as in all times of austerity, there are financial gains to be had if you're looking to invest.

Because few dairy businesses are spending money, the allied industries are feeling the pinch too. They'll be glad of your business and that puts you – the potential customer – in a strong position to negotiate a good deal if you do want to invest – be that in steel and concrete, such as improving cow housing or milking facilities, or, perhaps drainage.

Business plan

But before you even consider dipping into business capital or negotiating borrowings, it's absolutely vital to have a detailed – and honest – look at your position.

If you're planning on staying in dairying long term and you're optimistic about the future, that's a good basis. But you also have to make sure that you're investing in a sound business and that you have a strong business plan.

By this he means that you've convinced both yourself and an independent adviser – be they a consultant or the bank manager – that the investment will reduce your cost per litre and improve profitability.

Now is not the time for vanity projects or keeping up with the neighbours. And it's not about increasing output – it's about increasing efficiency and profitability, particularly in the current climate. It's very much about identifying the limiting factors, or 'bottlenecks', on your unit.

Dilapidated cow housing can reduce herd efficiency, particularly if investing in new cubicles will reduce mastitis and lameness. New housing may also offer easier access to feed and water troughs and improve cow efficiency.

And it may also save on labour, if it takes less time to scrape out. Bedding costs may also be reduced. All these factors must be costed out.

'Sense' check

A starting point is to analyse where the business is now – so benchmarking is vital.

Look at your costs and identify what's costing more than average and what's about right. And then compile a budget of where you want to get to.

Then do a 'sense check' – if your labour cost is 7ppl and you want to get it down to 6ppl, is new cow housing really the answer?

Factor in other labour costs, such as calf rearing and relief milking. Look closely at what that labour cost comprises and see if there are other ways to reduce it – without compromise and perhaps with little or no investment.

It's vital to mull things over and look at all your options.

Perhaps this spring you were unable to get your cows out to graze early grass – remember grass is the cheapest feed available – because the land was too wet and access was difficult. This may be one of your unit's 'bottlenecks' and perhaps investing in drainage and cow tracks could be easily off set by being able to access grazing earlier in the season, particularly if you typically run short of conserved forage and are forced to buy in feed.

Investing in steel and concrete could be the answer, or it could just be an expensive luxury that will add further strain to your business' finances.

So ask yourself, is it going to improve my bottom line? And, if not, do we really need it?