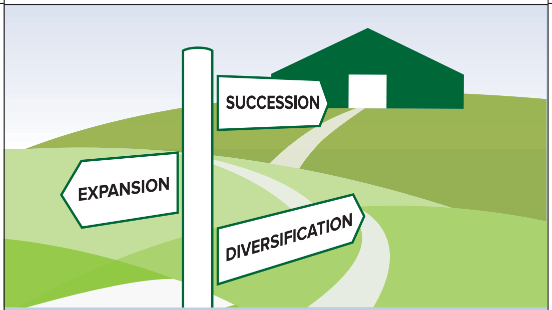
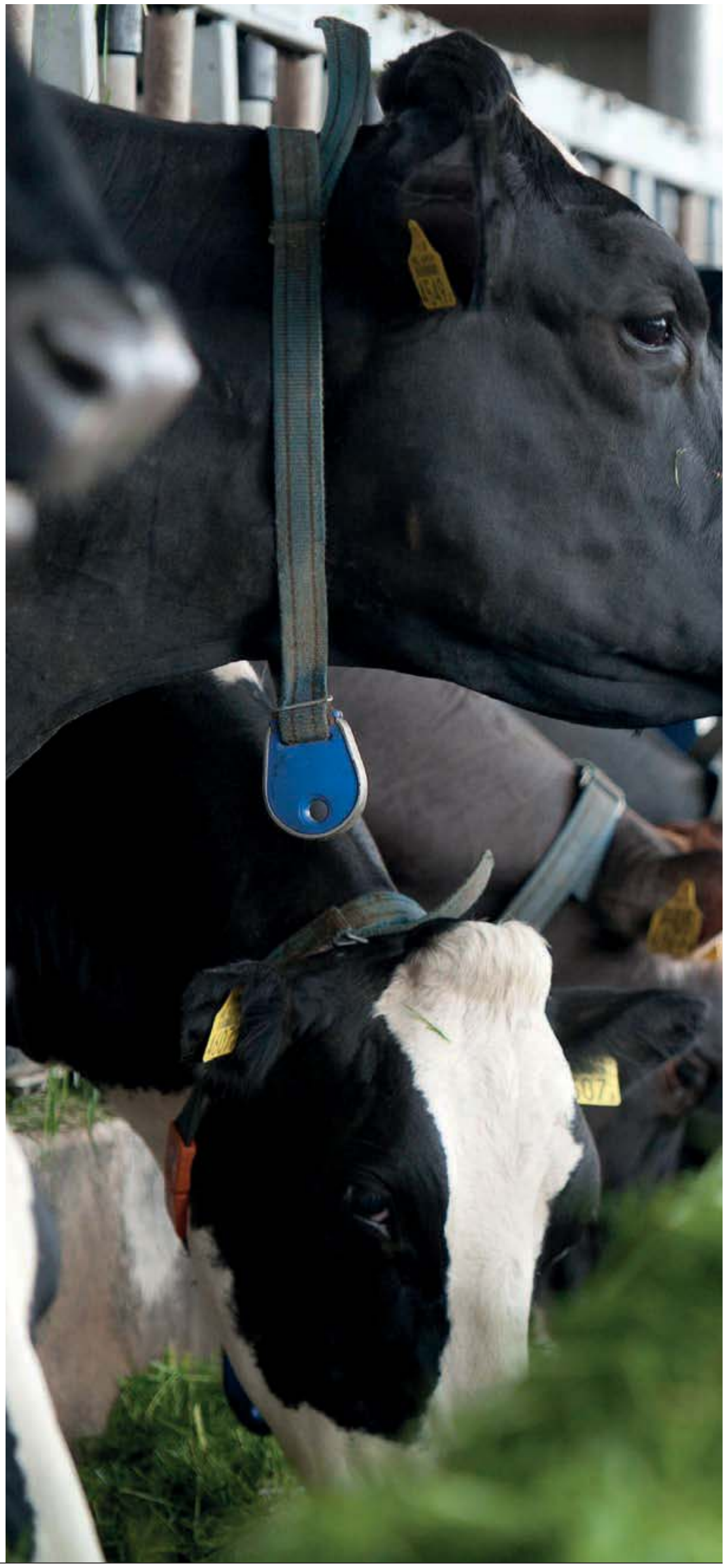


Dairy directions – what are your options?
The articles in this timely five-part series set out to examine the possible routes for producers who are looking to build and manage a dairy business that's better equipped to survive – and thrive – in an increasingly volatile economic environment.

Scale should suit system

Think suitabi



Does size matter? And is big really better when looking to future proof your business? We ask two leading dairy consultants for their views on determining the best economies of scale

text **Rachael Porter & Phil Eades**

Many producers have looked to increase cow numbers and milk output during the past few years, believing that big is better and economies of scale will help their businesses when volatility bites. There are, without doubt, some success stories. But there are also tales aplenty of herds that have increased cow numbers – or pushed yields by switching to three-times-a-day milking – only to see health, fertility and profitability struggle. Many have downsized or dropped a milking to restore order, and their bottom line.

Charles Holt: "Businesses with large herds can be just as vulnerable as smaller units"

"There is a misconception that bigger is always better," says Charles Holt of the Farm Consultancy Group. "Of course size matters, but in relation to the resources on farm – be they land, labour, buildings or feed. There is a place for smaller dairy units, even in an increasingly volatile market.

"Size can give a business more clout, particularly when it comes to buying inputs," he says. "But economies of scale don't always work and large herds with huge debts can be just as vulnerable as small, family run units when it comes to the vagaries of the market place and poor milk prices.

and resource capacity

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Zero grazing: bringing the grass to the cows can improve utilisation and increase milk from forage

Possibly even more so, since the latter may actually have very little in the way of debt and other overheads."

He says that simplicity and the system are more important than size, when it comes to building a business that's future proof and better able to weather volatility. "It's all about maximising efficiency and knowing your limits in terms of labour and capacity. The best size for your herd depends on your facilities, housing, feed stocks, slurry handling system and labour. It's never just a case of adding a few more cows to the milking herd. Additional requirements – from feed and milking through to housing and waste management – must all be considered. There's often more investment required than simply buying in or rearing more replacements. So take a step back and check that there is capacity – or room – in your system for expansion with relatively little investment. And make sure the labour and skill sets are also there. It's about being realistic and honest about the extra work required.

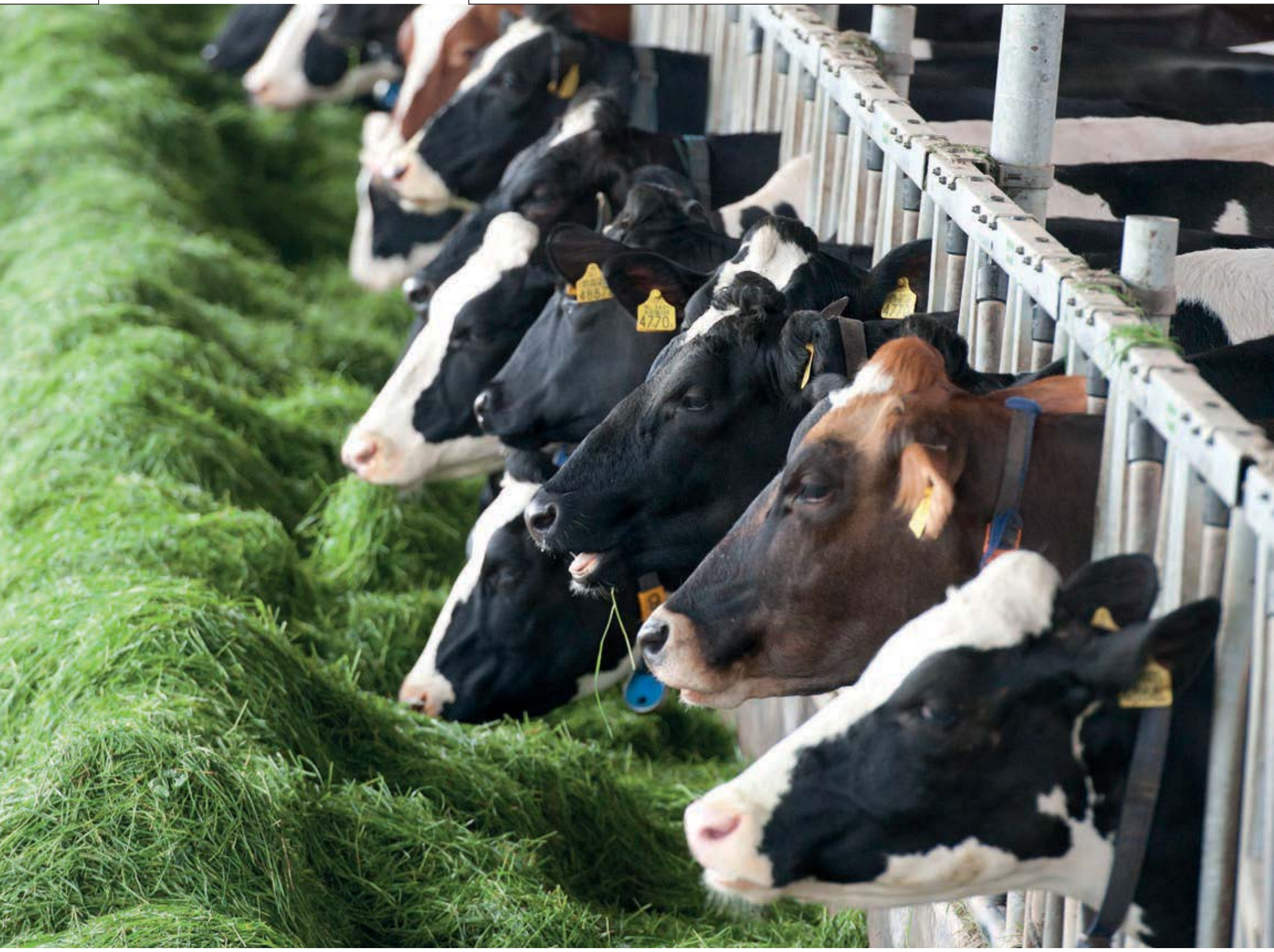
"It's all very well planning to rear heifers away from the main farm to free up space for more milkers, but factor in just how much more time travelling to check on stock will take. Sometimes the figures – and additional stress – don't add up."

Promar's Andrew Suddes agrees that scale of operation has to be considered within the context of the resources available to the business.

"The objective of any business is to optimise the system – and efficiency – and this means looking closely at the resources available and then determining the most appropriate scale of business. This is not always about getting bigger.

Andrew Suddes: "Look closely at the resources that are available before determining scale"

"The resources to consider are the facilities, land, the cows and the people. What is the optimum stocking rate? How many cows will the buildings hold efficiently with adequate trough space and a good cow flow? Milk produced per building is often quoted as a measure of productivity. It is not unusual to find this can be maximised by having fewer cows but managing them better. Often squeezing in more cows just drives down the performance of all the cows in the building," Mr Suddes says.



Staff is a key issue too. "Do you have sufficient staff of a suitable calibre to manage a bigger herd? In dairying, there is no one size fits all."

Mr Suddes says that a good approach is to set the target of optimising profit per hectare and then look at what is stopping you doing this. Where are the barriers and what scale of business will be most appropriate?

One of his clients who is taking this approach is Alan Kerr, who farms at Low Dallars Farm in Ayrshire. A series of changes have helped him to improve herd performance and allow a reduction in scale.

Alan Kerr: "We are developing a system that optimises the utilisation of our available resources"

Just 18 months ago Alan was milking three times a day but questioning the economics of doing so. Dairying in Ayrshire, which often sees cold and wet summers, meant opportunities for grazing could be restricted and a full TMR was effectively being fed all year round.

It was when Alan's milk buyer introduced an A&B pricing scheme that he decided to switch back to twice-a-day milking. "It was clear that Alan would be penalised on price for producing the extra milk generated by milking three times a day – milk that was costing more to produce," Mr Suddes explains. "So the challenge became how to increase the efficiency of production from milking twice a day."

The decision was made to sell some heifers and to reduce herd size. The average herd size is now 176 compared to 189 in 2015.

This has allowed more management time per cow. And paying greater attention to detail means that, during the past 12 months, milk yield has only fallen by 6% to 8,930 litres, compared to the 10% reduction usually expected with a move away from three-times-a-day milking.

The other change was to move to zero grazing, which has greatly improved forage use and increased milk yield from forage.

"Use of purchased feeds has dropped by more than a tonne per cow during the past 12 months and the reliance on moist feeds has also reduced," says Mr Suddes.

"Despite a 3ppl drop in milk price, margin per litre has only fallen by 0.56ppl and margin per cow by £149, even though milk income per cow is down by more than £400.

"By looking closely at the business, and not being a slave to size and total output, Alan is developing a system that is optimising the use of the unit's resources with further improvements in performance anticipated during this winter." |