



Feed decisions: there are ways of economising when formulating rations without compromising

Plan for the long term by making calculated short-term decisions

Ease winter-feeding worries

With a break-even estimate of 30ppl and a milk price of 26ppl the figures just don't add up, leaving a shortfall of 4ppl for the average herd. The cost of feed, fertiliser and contracting are showing no sign of decline, so we asked a dairy financial consultant: where do we go from here?

text Allison Matthews

Feed prices are rising rapidly, which could potentially add around 2ppl to production costs this winter. When this is combined with a falling milk price there is a need to make tough decisions, but producers must ensure that short-term changes don't create long-term problems. Independent dairy consultant Jason McMinn uses the figures that are available to give some frank suggestions to producers.



Jason McMinn: "Don't panic and don't avoid looking at the figures"

"At the moment many producers are not in a position to make dramatic changes. Feed prices are rising rapidly and this will add around 2ppl to average costs this winter, which means a break-even of 30ppl when feed price is between £280 and £300/tonne. "With the milk price continuing to struggle at 26ppl, for the average producer this is leaving them 14% below their required income," explains Mr McMinn.

Tough decisions

Dairying is on at least a three-year cycle and making changes today can have a negative impact much further down the line. Currently damage limitation may seem to be the only option for many producers and the feed bill is usually the first on the chopping block. As many herds are accustomed to a greater feed rate per litre, Mr McMinn warns that having a knee-jerk reaction and cutting the concentrate levels may cause problems in the future. "Feeding a lot less meal will help costs greatly, for a while, but for most producers it will have adverse long-term effects on both cow condition and fertility. There are ways of economising without compromising.

"Carry no passengers, and cull any cows not paying their way," he says. Thompsons' ruminant specialist Stephen Agnew also acknowledges the impact of unproductive cows. "Poor weather conditions this summer are likely to put a strain on forage stocks, so it is essential that cows not paying their way are removed from the herd. Despite this, it's important that producers still feed cows to meet the nutrient requirements as a dip in milk yield, herd health or fertility can prove a more expensive consequence."

As herd size has increased many producers still expect one bull to do the same job on double the number of cows.



Stephen Agnew: "Cows not paying their way should be removed from the herd"

With many herds calving all year round, those that follow a system of spring or autumn calving have a better fertility on average as they concentrate on fewer tasks at any one time. When businesses are streamlined to ensure longevity, corners can be cut. Working out feed cost per litre and paying more attention to detail can lead to a saving of 1ppl or more, according to Mr McMinn. "Ensure that the quality of cereals is assessed and beware of moist batches. All feed should be stored properly, preferably in a bin as cheap feed is expensive if you have to throw out the final 10% in April because it's damp."

Forage options

To get an idea of where things may be going wrong it is vital that producers don't panic and don't avoid looking at figures. The interrogation of the data available on overheads and feed and forage costs, as outlined in Table 1, can provide a good starting point. Wet weather in 2011 and 2012 has left many short of silage. These producers have to choose between purchasing increasingly expensive silage or feeding a stretcher such as soya hulls or moist feed.

Where silage stocks are an issue, Mr McMinn acknowledges that younger calves can be fed on straw and meal as cost effectively as bought in silage, but warns that these decisions have to be based on the financial data available. "The price of straw is variable and will dictate decisions, but sharper analysis of the figures should highlight the best way forward. "With disappointing yields in 2011 and this year not looking promising, the viability of maize and whole-crop are also up for debate.

"If low milk prices persist the impact of these crops on cash flow may prove hard to justify," he says.

production costs per litre	summer grazing average	summer grazing autumn calving/
milk sales	27.52	27.53
stock sales	3.44	3.9
minus replacements	-5.26	-5.52
total income	25.7	25.92
concentrate costs	8.64	8
forage costs	1.66	1.84
vet costs	1.17	1.15
bedding/straw	0.46	0.36
other dairy costs	1.25	1.16
variable costs	13.17	12.51
repairs & running costs	2.28	2.4
wages & contracting	2.13	2.27
interest	1.28	1.22
ground rent	0.84	0.89
utilities	0.88	0.92
other	0.61	0.67
overheads	8.02	8.38
production costs	21.19	20.89
capital/drawings/tax	4.8	4.61
plus heifer rearing	1.82	1.61
break-even price	27.8	27.11
cow mortality rate	4.70%	3.90%
live cull/sold rate	23%	21.20%
ave cow price	833	762
production cost/heifer	1,273	1,266

Table 1: Break-even milk price, includes personal drawings and HP and loan capital repayments (June 2012 average costings)

"The decision should depend on yield per cow, as a low yielding herd will not justify the additional expense of alternative forage." This summer has kept a lot of cows indoors but the main thing is to be ready to graze when conditions allow. "April is typically the driest month and July the wettest, so use what you know to make use of early turnout." Table 1 shows that a housed herd has a higher feed rate per litre, which sets the bar higher for milk yield required per cow.

It is also evident that a housed herd requires a higher replacement rate than a grazed herd, as cows don't seem to last as long on average. "The herds with good grass and forage utilisation tend to be more efficient in other areas.

"These herds will be mostly autumn calving and striving for an earlier than average turnout with low yielding cows, in particular out day and night," says Mr McMinn.

"It is small short-term changes like this that can make a big difference to the overall picture of profitability." |