



**Dairy directions – what are your options?**

This is the second article in our five-part series that sets 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.

**Introduction: Take stock/assess**

**Part 1: Improving efficiency**

**Part 2: Economies of scale**

**Part 3: Diversification**

**Part 4: Exit strategies**

Maintain focus on inputs and take time to appraise working systems

# Fine tuning for a profitable future

Questioning daily routines and looking at financial – as well as physical – performance are just some steps that could help to move herd and business efficiency to the next level.

text **Phil Eades & Rachael Porter**



**M**ilk prices are slowly creeping up, with some producers seeing as much as 3ppl added to the milk cheque in recent weeks. That's a welcome relief on many units and now is the time to make the most of any additional income by a renewed effort to push for even greater efficiency and strengthen your business against continuing volatility.

So says the Farm Consultancy Group's Charles Holt, who says that even on the most efficient units there's always room for improvement. "Take some time out to really think about the business and 'reassess' what you're doing on a daily, weekly, monthly and yearly basis," he says.

Promar's Emma Thompson agrees that it's important to make time to really think about how you're running your business and what you might consider doing differently. "And then, ideally, discuss your thoughts and findings with someone outside the business – that could be a relative, a friend, your bank manager or a consultant. What matters is that you have another pair of eyes looking at the business and someone to bounce ideas off."

### Small changes

Mr Holt says that too many producers get stuck in a groove. "And when you ask why they do something a certain way, the reply is often 'because that's the way we've always done it'. By questioning that, even if something appears to be working well, there can be changes – even just tweaks – that can be made and efficiencies to be gained.

"Start by looking at daily routines and then weekly and monthly routines. And ask yourself: are you making the best use of labour? Would it be more cost effective to use contractors?"

"If you're rearing young stock, are you rearing all calves? That's an area where labour is wasted on many units. Frequently it is better to sell calves – particularly bulls – rather than spend time and other resources on rearing them."

He cites an organic producer who was feeding saleable organic milk – worth between 36ppl and 38ppl – to bull calves. "To someone on the outside looking in, that was madness. But the producer had always run his system that way. All it took was a fresh pair of eyes. Now he's selling bull calves, more milk and saving on labour and other inputs."

Mr Holt adds that the water bill could represent an easy cost-cutting 'win' on



Paul Henman and Simon Salvidge

many units. A 250-cow herd can easily spend £10,000 each year on water. "So investing in a borehole – at between £7,500 and £10,000 – can represent a considerable cost saving."

"Boreholes are proving popular in eastern counties as a way to mitigate rising water bills. And, in most cases, the investment will be paid off in two years," Mr Holt says. "In wetter regions, rain water recycling systems are another investment that can, in the medium and long-term, reduce water costs and increase efficiency. Depending on where you're farming, either system is well worth considering."

Feed is the major input on UK units and producer focus has very much been on reducing costs in this area: "And this should continue with a strong emphasis on grass, says Mr Holt. "This is, after all, still the cheapest feed available to dairy producers and there are still some herds that are not exploiting it to its full potential."

### Maximise margins

One such herd is the 160-cow all-year-round calving Holstein set up, run by Simon Salvidge with help from his father Philip and brother William. Based just outside Frome, in Somerset, the herd is averaging 9,300 litres. "Our focus has to be about doing everything we do as well

as we can to keep costs under control," Simon explains. "We can't increase cow numbers so we have to get cows producing effectively."

The unit comprises 100 hectares, but only 44 hectares are at the home farm and 'grazable'. The cows are managed on a simple, low-cost system that's based on grazing and buffer feeding in the summer. In the winter grass silage and maize are trough fed with a blend.

Working with Promar consultant Paul Henman, the objective has been to maximise margin per cow, which is driven by milk from forage. In 2015 more than 3,700 litres (40% of production) were produced from forage and this is still rising. "When we assessed the herd it was clear that while fresh calvers were fed and managed well, lower yielders were being over fed," Paul explains. "This is not an unusual situation. Having fed cows well in early lactation and got them back in calf, many producers are reluctant to make late-lactation animals milk off forage.

"We adjusted the 'outside' diet to supply energy for maintenance plus 23 litres – down from 27 litres. And we also cut parlour cake feeding to make sure all concentrates were used efficiently and didn't just substitute forage in the diet. When cows were turned out we cut the blend too.

From left to right: Andrew Hughes, Promar's Emma Thompson and Genus ABS' John Elder





“Despite reducing feed rates, there was no milk yield depression, because cows adjusted by eating more forage. And in winter 2015 we averaged 11 litres from forage per cow per day, compared to just five litres per day the previous year.

Paul adds that cows are also drying off in the right condition: “Which means that they calve with fewer problems too. This is a great example of how focussing on one area can have additional advantages,” he points out.

### **Financial efficiency**

Promar’s Emma Thompson says that there is no silver bullet for cost-efficiency – the options will be affected many different circumstances. “Equally, costs have to be considered in the context of the current market situation. It is also not always about pushing for the highest levels of output or technical efficiency,” she stresses.

Indeed Andrew Hughes, who runs his dairy herd on the Wirral, has seen big improvements by accepting a reduced level of fertility from heifers. He farms in partnership with his brother Martin and father David. A specialist dairy business, the family’s 138-hectare unit is home to 205 Holsteins plus replacements. “Our aim is to drive performance from the herd and we have always used data to monitor what is going on,” he says. “Several years ago we were disappointed with our progress and pinpointed fertility as an area that was holding the herd back. We decided to join Genus ABS RMS.

“The combination of the technician, the approach to serving cows and the data to monitor performance means that we have been able to improve fertility and maintain a higher level.”

### **Surplus stock**

But it’s one thing to improve performance initially. “RMS has helped us to maintain good fertility and this has meant that we have produced more calves and have been able to selectively cull, more rigorously, to remove problem cows. We have also introduced more heifers into the herd and have had surplus heifers to sell”, Andrew says.

During the past three years, the 21-day pregnancy rate has averaged 25% with a 64% heat-detection rate. But a close look at the RMS data suggested that it would be beneficial to actually take the foot off the pedal with the heifers. “Pregnancy rate had peaked at 28% and this meant heifers were actually getting in calf too soon and not able to continue to grow,” explains Emma Thompson. “This was also reducing milk yields. So we decided to extend the interval to first service.

“Cows are still served after a 50-day voluntary waiting period (VWP), but for first-lactation heifers the VWP has been extended to 70 days. As a result herd pregnancy rate has come back to 24%, but heifers are milking better and are growing as you would want,” she adds.

“And, overall, we are still achieving four pregnancies per week, against our target of three. Accepting a lower, but planned, level of technical performance has actually improved financial efficiency.” |