In what are best described as exceptional circumstances so far in 2020, which have and will continue to impact on the sector, many UK dairy producers and businesses should be looking, short and long term, at becoming more resilient.

Part 1 Reviewing capacity and resources
Part 2 Staff and labour planning

Take steps to build **business resilience**

With many producers facing a squeeze on margins, due to COVID-19, steps are being taken to protect businesses and maintain a margin between costs income. And it could also be the ideal time to think about a 'reset' and to consider what can be done to add more resilience to dairy systems.

TEXT PHIL EADES & RACHAEL PORTER

The day-to-day challenges of managing a dairy business mean that it can be difficult to take time to review and rethink both what you are doing and why. But Promar consultant Andrew Suddes believes that it will really pay to create the space to do this now.

"Faced with collapsing milk markets, the resilience of dairy businesses has been tested once again. Challenges have been addressed with short-term measures, such as reducing feed rates, drying cows off and, in some cases, reducing milking cow numbers. The question now is where do businesses go from here?"

Resilience is, indeed, the key here. Producers are showing their mettle, once again, by meeting the latest challenges to business profitability head on. "Producer resilience is just as important as the resilience of the business," adds Kite Consulting's Edward Lott.

Edward Lott: **"Focus on building your personal resilience and take steps to feel in control"**

Perfect storm

The impact of COVID-19 on demand for milk and, therefore, milk price, can be added to the pressure created due to Brexit uncertainty, higher feed prices, pressure on labour, and environmental legislation. In many ways, it's the perfect storm and a 'crossroads' situation not seen since the introduction of quotas in 1984, according to many industry experts.

"I'm in no doubt that there will be, once again, some consolidation," says Mr Lott. Producers have already taken steps to deal with the short-term fallout caused by COVID-19, but there's a long road back to some sort of normality. And there are other obstacles to navigate on the horizon, such as the Clean Air and slurry storage legislation. These could require significant investment.
"This is a good time to review how resilient you are, as well as your business. People are crucial to the success of any business."

Crisis situation

Mr Lott doesn't believe that now is the time to be making key decisions or changes. "We're still in the eye of the storm. All producers are under immense pressure and are still focused on seeing off the COVID-19 'crisis', as well as managing high feed prices in what's shaping up to be a dry and difficult grazing season in some areas of the UK. No rash decisions should be made during a crisis – manage the crisis situation first.
"But making changes to build resilience into your business are things to think about, and firming up plans, when we're out the other side."
Current difficulties will certainly sharpen minds. Narrow margins will widen producers' eyes and minds to the other possibilities and ways to make businesses more efficient and, more importantly, resilient. "But now is not the time to act on any plans. For example, shifting to a tighter calving interval in the middle of all this could prove costly and disastrous. It's important to remember that any change will always incur a cost. And we're trying to take cost out of the business at the moment.
"So sit tight and wait. Use the time to get some advice, talk things over and avoid doing anything in haste."

Lean management

So what should producers be thinking about? Mr Suddes believes that many producers will certainly benefit from a re-tune or reset, and not just sliding back to where they were before the current crisis. "More focus on business resilience and optimising the productive capacity of their farm would be my recommendation for those with a long-term interest in dairying.
"This is in line with the LEAN management philosophy, which has filtered through to agriculture in recent years, after being developed in other industries, such as car manufacturing."
Mr Suddes explains that assessing the resources available to the business is key to assessing the capacity of the farm. This includes auditing buildings, land, staff and even your own management capabilities (see Figure 1).
A good starting point is to look at the utilisation of buildings, which is a cornerstone of a lean management approach. Mr Suddes is a big believer in the 'milk per shed' model, or that the limiting factor to the capacity of a business is not necessarily the number of cows on the farm, but the environment that they are kept in.
Take two buildings on identical neighbouring farms. Both have 200 cubicles for milkers, with a separate area for dry cows and young stock.
On the first farm, there are 190 cows in the shed and they give more milk per day than in the second shed, where 220 cows are housed.
"In the first shed, cows have more loafing area, feed space, drinking opportunity and cleaner air," he says.

Andrew Suddes:
"Many producers and businesses will benefit from a retune or reset"

"This improves herd health, the productive capacity of each cow and, therefore, of the business (see Table 1).
"Even with 13% fewer cows in the shed and producing 65,000 fewer litres, more margin can be made," he adds.
"This is before factoring in potentially reduced milking times, lower herd replacement rates and veterinary costs, and better resource use, such as using less electricity to cool milk."
He stresses that understanding your productive capacity is the single biggest step in making this journey, and this will be different on all farms.
"The next is understanding the capacity of the land. Think about the yield of dry matter from each field. Can it be better and what needs to be done? Is it drainage, re-seeding or a different approach to nutrient management? By doing this continually you keep improving the productive capacity of your land. This can then, in turn, drive investment to increase capacity in other areas.
"By reviewing the capacity of your farm, you can determine what is the optimum system. It may look very different to where you are now. But it's certain to build more resilience into your dairy business."
When, as this year proves, no one knows what's around the corner, this can only be a positive move. "Everyone talks about things 'getting back to normal', but we all know there will be a 'new normal'," says Mr Suddes.

Personal resilience

"And there's a bit of a slog ahead, so focus on building your own personal resilience," adds Mr Lott. "Get help and support if you need it. For many, reducing stress and building resilience is about feeling in control."
Focusing on the technical side of running a business – cow health and fertility and producing top-quality milk – will all help. As will talking to your bank now. "So you know that, if it's needed, things are in place to ensure you have, for example, some cashflow."
He adds that if producers are in good shape, mentally and physically, then they are better able to work through the tough times. "And, once they're through and out the other side, they're fighting fit and equipped to take steps to build resilience into their business," adds Mr Lott. l

Table 1: Comparison of the financial results between herds with optimum and over stocked facilities

	optimum	over capacity
milking cows	190	220
yield per cow (litres)	9,500	8,500
feed rate (kg per litre)	0.32	0.36
total feed cost per cow (£)	760	760
margin per cow (£)	2,198	1,864
margin per herd (£)	417,260	410,069