Latest news and views from **September 2017**

The Dairy Group

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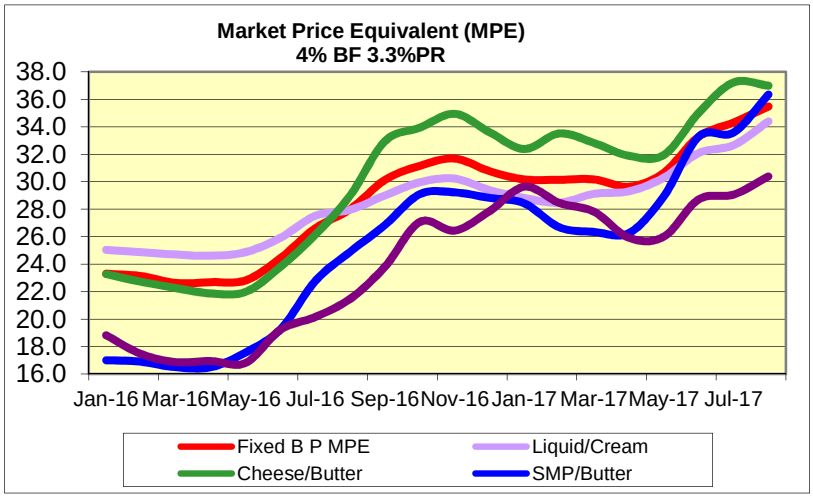
Forward Milk Pricing

Ian Powell, Managing Director

Would you contract milk forward for 12 months at 33ppl? This is the reality for the 700 Müller Direct farmers who will be eligible to contract forward for 12 months from 1st October 2017. There is bound to be interest in the Müller offer which, based on current market values would pay a base price of around 33ppl, 3ppl above the Müller standard price of 30ppl from 1st October.

Müller Direct suppliers need to register their interest and sign a supplementary contract which excludes giving notice for the 12 months of the fixed price contract. Müller say that the first trading day will be on 27th September with suppliers committing to a minimum of 120,000 litres (10,000 litres per month) from 1/10/17 to 30/9/18 and can offer up to a maximum of 25% of their 12 month rolling supply. A maximum of 35 million litres is to be offered in September, with two further rounds in January and April to give a total of 100 million litres. If the volume offered exceeds the target volumes they will be scaled back. Indicative market prices will be available from early September.

We will be helping our Müller Direct clients to fully understand the process and to provide market intelligence to aid decision making. It seems likely that other processors may look to provide similar fixed price contracts, particularly where actual product is traded with customers to reduce processor exposure. Whilst fixing at around 33ppl sounds like a great offer, our latest MPE (market price equivalent) saw the August market price increase by 1.2ppl to 35.5ppl, which should deliver an average farm-gate price of 32ppl.



EDITORIAL

Welcome to the September edition of The Dairy Group's newsletter.

De-regulation of the milk market was in 1994 and it has taken an incredibly long time for fixed pricing for a fixed volume to become a reality. This is only one aspect of managing price volatility and initially will only have a small impact on the average milk price received. Milk fat and protein produced on farm can have a massive impact on the milk price received and will have a greater impact on milk price than any current forward contracts.

In this newsletter there are also topics on the link between mastitis and fertility – how conception rates may be significantly reduced if cows experience sub-clinical or clinical mastitis during the breeding risk period and finally soil management and new (for 2018) EFA rules in England.

If you would like to discuss any of the topics featured in this newsletter further, please speak to your consultant or ring the office on 01823 444488.

Christine Pedersen

To receive this newsletter by email in future please email:
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Fixing milk price makes business sense when the fixed price exceeds the total cost of producing the milk, which many producers still don't know. We are currently bench marking accounts with our Top 25% for the year ending spring 2017 and initial indications show a 0.7ppl reduction in the cost of production but with the average cost close to 30ppl. There has never been a more important time to prepare your business for the future challenges that Brexit is sure to bring!

Ian works with clients across southern England and can be contacted on 07831 617952.

Don't miss out on butterfat…

David Donaldson, National Dairy Nutrition Specialist

Producers can influence milk price by examining the detail of their milk contracts and implementing measures to "exploit" that contract to maximise milk price. Constituent payments should give producers a clear signal what their buyer wants and can provide the incentive to produce more. The optimum level of fat and protein for each producer depends on the constituent payments offered and the cost of feeds available. Currently fat payments vary from 1.25p to 3.9p per 1% fat whilst protein payments vary from 0p to 5p per 1% protein, depending who the milk buyer is.

There are many factors that influence butterfat and protein with the main factors being genetics and nutrition. Selective breeding can be used to upgrade milk quality but this is obviously a long term strategy. In the short term, nutrition and feeding management are the main factors influencing milk composition. Positive management changes can quickly and significantly alter butterfat and protein content.

The relative amounts of protein and energy available in the rumen at a given time is the major factor affecting rumen fermentation and therefore milk yield and yield of butterfat and protein. Any diet or management factors that affect rumen fermentation can change milk fat and protein levels. Consistently providing adequate energy and protein and balanced amounts of rapidly fermentable carbohydrate and effective fibre are keys to maintaining optimum levels of milk components.

Year-on-year, national average butterfat and protein levels dip during Spring to bottom out in June or July and some producers suffer severe penalties when butterfat and protein levels fall below contract minimums. Now is the ideal time to look back at herd performance (milk yield, butterfat % and protein %) over the spring and summer to identify what worked well and what could be better in future. This should be coupled with a review of forage stocks to develop a 12 to 18 month feeding and cropping strategy.

Whilst low butterfat issues during the winter may be linked to high levels of starch and sugar combined with low effective fibre levels, at grass different issues are involved. Very digestible pasture certainly can have an effect on butterfat levels in milk as very high intakes and therefore passage rates can lead to loose manure and a decrease in fibre digestion in the rumen. Most fat in milk is saturated fat but a lot of the oil in pasture is unsaturated. The rumen is normally pretty efficient at hydrogenating these back to saturated fat but if rumen fermentation is compromised, more unsaturated fat reaches the udder and reduces total butterfat. Oil levels in pasture can also be very high. In lush grass you can see levels of almost 5% and a lot of this is Linoleic acid (CLA). These fats can influence the mammary gland's normal enzyme systems necessary for milk fat production.

Trouble shooting low milk quality issues - what can you do?

- Make sure dry matter intakes are adequate. Freshly calved cows in particular will get into serious negative energy balance (NEB) and this will impact butterfat, protein and potentially fertility as well if they do not have access to sufficient feed.
- Check levels of rapidly fermentable carbohydrates in the diet and buffer if necessary.
- Check diet oil levels, particularly the polyunsaturated ones (PUFA).
- Increase level of long fibre in the diet if necessary and don't over process the diet.
- Avoid rejection of any single feed by ensuring that feed is presented in a consistent manner and all cows have simultaneous access.
- Fat supplements may help if they are true C16 fats. Calcium soaps can depress butterfat and many commercial products contain a range of fatty acid chain lengths and some of the longer chain types can also depress butterfat. However, depending on the level of butterfat and constituent payments, feeding fat supplements may not be cost effective.

David is The Dairy Group's National Dairy Nutrition Specialist with over 30 years of ruminant nutrition experience and can be contacted on 07471 890888.

Linking mastitis and fertility

Ian Ohnstad, Milking Technology Specialist

Reproductive efficiency is a key factor in determining dairy farm profitability and is closely related to infections such as mastitis. A succession of studies have demonstrated that cows with mastitis have increased days to first service, increased services per conception and increased incidence of lost pregnancies.

Recent research presented by Dr Paul Fricke of the University of Wisconsin at the Total Dairy Seminar in Keele throws further light on the relationship between mastitis and fertility. Over 3000 cows from 4 commercial Wisconsin herds were recruited onto a study which examined the effects of either sub-clinical mastitis (i.e. when the monthly recording for a cow increased to over 150,000 cells/ml) or clinical mastitis, during the breeding risk period on conception rates.

The breeding risk period was defined as the period from 3 days before first insemination to 32 days after insemination. Cows experiencing either sub-clinical or clinical mastitis during the breeding risk period had a reduced probability of pregnancy compared with healthy cows. As the severity of the infection increased, the probability of a successful pregnancy fell; conception rates for animals suffering with clinical mastitis were reduced by 11.3% (from 43.9% - 32.6%) whilst animals with sub-clinical infections suffered an 8.1% reduction in conception rate (from 44.6% - 36.5%).

It would appear that the tissue inflammation associated with a mastitis infection increases the production of prostaglandin which in turn regresses the corpus luteum which is required to maintain a pregnancy.

Whilst estimates of the cost of a case of clinical mastitis vary from £150 - £250 depending on the severity of the infection, the stage of lactation, the yield of the cow and the duration of treatment, indirect costs such as reduced fertility are often under-estimated. A 10% reduction in conception rate is calculated as costing between £40 and £50 per cow.

A mastitis control programme requires careful examination of farm data (clinical mastitis records, individual cow SCC and bulk milk tank results) to generate an accurate diagnosis which allows targeted intervention to the relevant problem areas on the farm.

Introducing a strategic approach to mastitis prevention and control will not only reduce the number of animals treated for mastitis each year, but could have the indirect benefit of improving the fertility of the herd. For further information please discuss with your consultant or contact Ian.

Ian is an internationally recognised specialist in milking technology working throughout the UK and worldwide. He can be contacted on 07774 267900.

Soil Management

Becky Tavernor, Senior Dairy Business Consultant

Clients are reminded of the cross compliance rules regarding soil management. If 1ha of soil erosion or 20m of continuously poached bank of a watercourse is found upon inspection, you could lose some of your BPS payment. Maize stubbles present a serious risk of soil erosion if left overwinter. Chisel ploughing has been shown to reduce the amount of run off and erosion by over 90% compared to bare stubbles. Similarly cover crops, even if they only achieve a modest ground cover, have been shown to reduce the run off by up to 50% and soil erosion by up to 90%. Cover crops have the added advantage of taking up nitrogen which would otherwise be leached away. When the crop is ploughed in the spring, this nitrogen is released to the soil ready for the growing season, increasing the nitrogen available to the following crop.

Cover crops required for EFA (Ecological Focus Area) must be sown by 1st October and retained until 15th January. Due to the uncertainty of having them sown by 1st October after maize, farmers will not normally use cover crops after maize for EFA. In many cases the best choice of cover crop after maize will be Italian ryegrass; the seed is relatively cheap, has good germination at a lower temperature and good winter hardiness. However, if a cover crop IS needed for EFA it must be an unharvestable mix of at least two species. In this case a mix such as winter vetch

and rye can be successful after maize. Vetch has the added benefit of being leguminous and therefore will fix nitrogen. We recommend that maize stubbles on even slight slopes are either rough cultivated or cover cropped and that farmers review drinking arrangements for any animals that currently have access to watercourses.

NEW EFA RULES - There are changes to the Environmental Focus Area (EFA) rules for 2018 in England:

1. There is now a complete ban on all plant protection products (including seed dressings) on all EFA fallow land, catch/cover crops and EFA nitrogen fixing crops – this is from the time of sowing (even if the crop is sown in Autumn 2017). This will have big implications for bean cropping.
2. Stands of at least 50% nitrogen fixing crops and mixes of different nitrogen fixing species can now be counted as nitrogen fixing crops for EFA.
3. 'Mixed crops' can be used for crop diversification
4. Trees in a line can now be used as a 'hedge' for EFA
5. Field margins can now be treated as 'buffer strips' meaning that for each linear metre you can claim 9m^2 for EFA as long as it is at least 1 m wide (in addition to the mandatory 2m from the centre of the hedge).
6. Catch crops must now be maintained for at least 8 weeks from 20th August 2018 to 14th October 2018. The dates for cover crops are unchanged (1st October -15th January)

The RPA will be publishing more detailed guidance, but in the meantime you should consider these updates in any cropping decisions you are making for 2018.

Based in Shropshire, Becky provides environmental, business and husbandry advice to clients. She can be contacted on 07774 120412.

News in Brief.....

August Bull Proofs - The August proofs have seen the £800 £PLI barrier breached by two genomic bulls with a further six over £750. Top spot goes to Mr Rubi-Agronaut on £819, but semen is limited. Just £1 behind on £818 is newcomer Peak AltaDepot, with Danish bred VH Balisto Brook in third on £791.

The stability at the top of the proven Holstein proof list gives confidence to farmers who are either staying with older bulls with milking daughters, or are using them alongside genomic sires as part of their planned breeding programme. The highest ranked is Gen-I-Beq Lavaman with a £PLI of £668, up from £635 in April. He now has 942 UK milking daughters to add to his global proof, and offers very high protein at +0.17% and fertility at +14.3. In second is De-Su Rookie on £647, one of only seven proven bulls with a £600 plus £PLI. In third is the Danish bull VH Cole Clark who increases his index from £617 to £641 and offers the best lifespan at +0.8 and the best fertility at a huge +21.2.

For more information about The Dairy Group's independent Breeding Manager service, please contact your consultant or phone Kevin Lane on 07770 923344.

What is LEADER funding & is it still available? - LEADER funds originate from the EU and are administrated through Local Action Groups (LAGS). Funds are available to support local businesses, communities, farmers, foresters and land managers. There are 6 LEADER priorities with priority 1 being "*support to increase farm productivity*". Projects typically fund capital work to improve efficiency and increase productivity and funding ranges from £5,000 to £140,000 (limited to 40% of the project's total eligible costs). Our consultants have submitted a number of successful applications including variable speed vacuum pumps, cluster flush system and heat detection systems.
The level of funding still available differs between each LAG; there are still funds available with many LAGs and some LAGs, whose funds were previously fully committed now have *additional* funding for future projects. Discuss the grant funding opportunities for your farm with your consultant who will be able to work through the steps of the application process. We recommend that you do this as soon as possible as these budgets are likely to become fully committed quickly and it is unclear what funding will be available when they are exhausted.

The Dairy Group consultants work across the UK providing a wide range of dairy business advice. Please contact our Head Office at Taunton or visit our website for further information or to contact our consultants:-

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