



The Dairy Group

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Planning for the Future

Susie Felix, Senior Consultant

We work with a wide range of businesses and individuals at different points in their careers. Some have ambitious investment plans for their future in dairying or are re-structuring to accommodate additional family partners. Others might be looking to improve profitability or considering an exit strategy and are looking for viable alternatives to dairying or even retiring. One thing that all businesses should have is a strategic plan; a written document that pairs the objectives of a business with financial budgets.

If there was ever a time that a dairy farming business should have a strategic business plan, it is now. Dairy farming is fraught with volatility and uncertainty, probably never more so than at present. This should not be a barrier to understanding where your business is now and what its financial future could look like. Each business should take time to examine personal and business objectives for all those involved, along with the business assets available. For family farms this process may include different generations, each with different levels of day-to-day or management involvement and probably different objectives. This process can help find common ground if every member is involved in the decision-making process which helps all to “buy in” to the overall strategy. A strategic business plan will contain the following:

1. A clear written vision of business objectives for example: To continue dairy farming and increase profits to enable future generations to take on a profitable and successful business.
2. An up to date Farmer's Balance Sheet showing the true value of assets and liabilities to calculate the net worth of the business.
3. A current annual budget that sets out the physical and financial performance expected from each enterprise, along with overhead costs to forecast profitability.
4. A forecast borrowing calculation to see the expected change in bank balance and other loans.
5. Budgets, forecast borrowing and balance sheet changes for options examining “What If Scenarios” for example, if herd size is increased from 180 to 250 cows, what finance would be required and what would the effect on profitability and cash needs (to service any loan capital repayments) be?

EDITORIAL

Welcome to our final newsletter for 2019 ~ another challenging year for UK dairy farmers.

We work with a range of clients: individuals, family farms and farming companies all of which may be tenant farmers, owner occupiers or land owners. Our first article looks at strategic planning issues for all businesses amidst the current climate of uncertainty and volatility.

Other articles in this newsletter cover milk constituents, the link between mastitis and fertility and cropping decisions for 2020 harvest. There is also an ‘in brief’ article covering the RDPE Growth Programme grant scheme.

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.

Finally on behalf of The Dairy Group, I wish you all a very Merry Christmas and best wishes for 2020.

Christine Pedersen

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6. Sensitivity analysis for all budgets to look at the impact changes in the main outputs and inputs e.g. milk price and feed costs would have on the overall profitability of the business.
7. Most importantly, a strategic business plan should give the business and those involved with it a strategy for the next 3 – 5 years by including recommendations to fulfil the stated business objectives.

A strategic business plan can also be used to negotiate finance and can be expanded further and mapped out into a 12-month cashflow to highlight any peaks and troughs in overdraft requirement. This will enable you to have a discussion with the bank before issues start to arise.

Of course, there are some situations that can never be planned or budgeted for, but a basic understanding of what your business objectives are, what is currently being achieved and financial budgets is an essential part of any dairy business management process. Speak to your consultant if you would like help with your strategic business plan.

Susie Felix specialises in farm business consultancy, working across the North West, West Midlands and North Wales. She can be contacted on 07471 035199.



Milk Constituents

David Donaldson, National Dairy Nutrition Specialist

This Autumn/Winter is shaping up to be a period of extremes for butterfat and protein levels. From our own MCi data, on average, milk yield was slightly reduced but offset by higher butterfat and protein percentages in October compared with the previous year:

| | October 2017 | October 2018 | October 2019 |
|--|--------------|--------------|--------------|
| Daily milk yield per cow | 24.4 l | 26.0 l | 25.6 l |
| Butterfat | 4.20 % | 4.20 % | 4.32 % |
| Protein | 3.35 % | 3.41 % | 3.48 % |
| Daily combined fat and protein per cow | 1.84 kg | 1.98 kg | 2.00 kg |

Source: The Dairy Group MCi Results for October

Of course, the average masks a range of butterfat and protein results for individual producers and anecdotally, many farms are delivering milk with higher fat and protein levels than they ever have before whilst others are struggling with low milk quality. Most milk payment schedules now 'reward' for milk constituents and are weighted towards fat and protein payments. Based on current milk price schedules, the increased milk quality for 2019 could represent a milk price anywhere between 0.1 and 0.7 ppl higher compared to 2018 depending on the individual milk contract. Some producers may find that the higher milk quality and resulting higher milk price more than make up for the reduced yield whilst others, on lower constituent payments, would rather have more litres at lower quality. You can look at your own milk contract with your consultant and tailor your feeding (the main factor influencing milk composition) and in the longer term, breeding accordingly.

Butterfat, protein and milk urea levels are a useful guide as to the herd nutritional status; there is a definite relationship between diet composition, rumen function and milk composition. Levels of fibre in the diet are critical to butterfat as they influence saliva production and rumen pH, which in turn influences fibre digestion, short chain fatty acid synthesis and subsequent butterfat levels. Low butterfat levels can be a symptom of sub-acute ruminal acidosis (SARA) caused by inadequate long fibre and high soluble sugar levels. Levels of fibre may be influenced by the type of forages available including silage, hay and straw, the forage: concentrate ratio and the processing / presentation of the feed. There is no single dietary factor responsible for low butterfat levels but a combination of factors. Positive management changes can significantly alter milk composition and changes to the way that feed is delivered, e.g. compact feeding to reduce sorting, may merit consideration. In some cases, there may be a financial case for feeding fat supplements with high levels of C16 fatty acids to help boost butterfat levels, but if other aspects of the ration are imbalanced, the addition of C16 alone may not illicit the desired response.

Milk proteins tend to be less variable than butterfat but crudely are an indicator of both protein and energy supply if used in conjunction with milk urea results (target levels 200 – 250 mg/litre). If you establish that protein supply is adequate for the required yield level (from milk urea data, ration formulation and dung consistency), low milk proteins may be a result of break-down of dietary protein to supply energy if energy supply is limiting. In this case, rations need to be re-formulated to increase energy supply and mitigate the obvious effects on body condition, fertility and performance.

David has over 30 years of ruminant nutrition experience and can be contacted on 07471 890888.



Mastitis and Fertility

Ian Ohnstad, Milking Technology Specialist

Understanding the factors that contribute to a cow's ability to conceive and maintain a pregnancy is crucial for improving reproductive performance and profitability. A possible relationship between mastitis incidence and decreased reproductive performance was first reported in 1990 and since then, numerous studies have investigated the relationship between either clinical or sub-clinical mastitis and reproductive performance. However, as is often the case, many of these studies reported conflicting results.

During 2018, in an attempt to obtain some clarity, researchers at Ohio State University, Columbus reviewed data from multiple published scientific studies on the relationship between mastitis and reproductive performance. In total they examined 66 peer reviewed publications. They were particularly interested in how a mastitis case affected the time to first service, the days open, the services per conception and pregnancy loss.

Having reviewed the relevant papers, they concluded that cows that had a case of mastitis in early lactation took an average of 13.3 days longer to first service when compared to animals with no mastitis during the same period. This led to an average increase of 22 days open for cows that had suffered a bout of mastitis. When services per conception were examined, this increased by 0.46 inseminations for a cow that experienced a mastitis infection pre-insemination. The confounding effect of pregnancy loss was also considered and it was estimated that cows that suffer clinical mastitis during the breeding period are 1.81 times more likely to suffer pregnancy loss.

AHDB Dairy estimate the cost of treating a case of mastitis averages £250-£300, varying from around £60 to treat a mild case of mastitis to the cost of losing a cow following a severe case of mastitis. However, when the direct cost of the case of mastitis is considered (milk loss, treatment and labour costs), this figure can appear inflated. However, it is the indirect costs which can accumulate, such as damage to the udder and subsequent depressed yield and the negative effects on fertility reported in this meta-analysis.

The message is very clear as we move into the winter housing period. There is a clear relationship between mastitis incidence and decreased reproductive performance i.e. cows that suffer from mastitis are likely to have more services per conception than their herd companions. Environmental conditions when cows are housed can increase the risk of new mastitis infections. If solutions are identified or changes to management practises highlighted which may involve some financial investment, the potential return on this investment should be considered taking account of potential improvements to reproductive performance as well as other factors.

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



Cropping Decisions

Becky Tavernor, Senior Dairy Business Consultant

The wet autumn weather has affected many UK farmers and cropping plans may need to be reconsidered. Much of the planned winter cereal acreage has yet to be drilled or is looking poor due to waterlogging. For many farms switching to spring cropping on land previously planned for winter cereals may be the only realistic option.

When revising cropping plans, farmers claiming BPS need to remember the 3-crop rule (greening – crop diversification on arable land) which applies to most farmers with 10ha or more of arable land. In some cases, farmers don't need to follow the crop diversification rule if certain exemptions apply so you are advised to check. If the rule applies to you, across the arable land (which includes temporary grassland) at least three different crops must be grown. The area taken up by the main crop must not cover more than 75% of the arable land and the two main crops together must not cover more than 95% (the remaining crops (can include fallow) must cover at least 5% of the eligible arable land). Your consultant can help to ensure that any new cropping plans will meet this requirement.

Soil structure - There has been much waterlogging on areas of productive grassland which is likely to have worsened soil structure problems and also left soils depleted of nitrogen due to increased leaching of nitrate. The extent of damage to grass swards should be assessed to allow grass yield and quality to be maximised next season.



Ryegrass can typically survive under standing water for 10-15 days after which the roots and leaves will begin to die off. If your sown species (typically ryegrass & clover in dairy leys) make up less than 70% of the sward then reseeded will be necessary. Soil structure should be assessed by digging soil pits with a spade once the soil begins to dry out and any compacted layers will need to be corrected mechanically when soil conditions are suitable (when the soil at the depth of working crumbles in the hand upon rolling). Bear in mind that any compacted layers from grazing pressure or field traffic is likely to have been made worse by flooding.

Harvesting maize has been an issue for many this year with some crops still in the field. Variety choice has a significant effect on the harvest date of the crop. Needless to say, harvesting crops when conditions are far from ideal can lead to ruts and compaction and subsequent soil erosion and soil wash issues. If crops can be harvested in September, conditions should be better and there should be an opportunity to cultivate the land and drill a cover crop, therefore significantly reducing the erosion risk. Earlier maturing varieties have historically meant a yield compromise, however with newer varieties it is now possible to harvest maize earlier without a dramatic loss in yield or quality. The NIABTAG recommended list gives a dry matter range from 30% to 38% and recommends using a scoring system to select the right variety for your growing conditions. This is definitely something to consider when selecting your maize varieties.

Maize seed dressing Mesurool will not be available for next season. The advice from the MGA to help to reduce bird damage is to drill seed at a minimum of 7cm depth (ideally 10cm) and to ensure no seed is left on the surface. Drill maize later to achieve the 8°C needed for germination. Other bird repellent seed dressings may be available.

Maize varieties Don't rush to place your maize seed order as there is plenty of time to review the latest NIABTAG recommended varieties. We will be looking at what is available to cover a range of growing conditions and getting competitive seed prices so that we can compare value for money.

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

News in brief.....

Earlier this month the RPA launched the **RDPE Growth Programme** which is a grant scheme aimed at small rural and farming businesses looking to diversify. The grant rate is 40% of eligible costs - the minimum grant is £20,000 and the maximum grant is £175,000.

If you have a project idea to enhance an existing business or have a new business idea you need to take the following steps:

- Discuss your idea with your Local Enterprise Partnership (LEP) to assess your project against the regional priorities.
- Submit an expression of interest to the RPA by 16 February 2020.
- If the RPA approve your proposal you will be asked to submit a full application. This process can take 2 – 3 months. All applications must be agreed by 31 December 2020 to secure funding.
- All projects must be finished and claimed in full by September 2021.

This is a complex scheme and the emphasis is on diversification for farming businesses. Currently the advice is that projects related to the core farm business will not be eligible. For further advice contact your consultant or the office.

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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