Latest news and views from *September 2025*

The Dairy Group

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What will be the cost of the 2025 drought?

Ian Powell, Managing Director

The principle concern with this year's dry weather is the impact on forage stocks. In some regions maize harvest started in August and current reports show a large variation in yield and crop quality. Overall maize production is expected to be down on previous years, although maize drilled early and into better soils with a good moisture status has yielded well. Most regions have experienced reasonable rainfall at the start of September which could result in some late crops of grass silage. However, for some farms the forage supply for the winter is set and reduced forage stocks will likely result in higher winter feed costs impacting the production cost this year and next.

This year there is a higher direct cost of buying in forage and/or forage substitutes, the cost of straw and increased concentrate use. Next year we are expected to see increased costs associated with replacing the forage stock decline ahead of the next, unpredictable season. There will be an even greater business impact where farms have reduced herd size due to forage shortfall.

More than ever there is a critical need to assess current forage stocks, complete a winter feed plan based on all stock requirements and forward plan ahead for the 2026 season. Our web based MCi has modules for forage stock assessment and forward planning based on dry matter yields and target intakes. The plan can be easily updated and adjusted to reflect changes over the housing period, with the opportunity to plan to March 2027. Speak to your consultant about forage assessments and forward planning.

On the positive side the milk price has been stable despite milk production forecast to be up 4.6% on last year. However, we are starting to see a weakening in dairy markets with Arla reducing their price by 0.87ppl from 1st September. Feed price has reduced to give a strong milk price to feed cost ratio which encourages higher feed input.

We now have provisional cost of production data for the year to March 2025, which is showing an average production cost of 48.5 ppl. This is higher than expected and may come down as more accounts data is added, however the outlook is for costs to remain high. Our forecast for the year to March 2026 is 49.2 ppl, which is due to the increased feed cost and inflation at 3.8%. The increase in output value from culls and calves is likely to be more than offset by a decrease in forage stock valuation at 31/3/26.

EDITORIAL

Welcome to our September newsletter. The first article discusses the impact of this year's drought on forage production, feed costs and overall cost of production. Indicative data shows a production cost of 48.5 ppl for 2025 and 49.2 ppl for 2026.

In the second article I recap on a longstanding KPI – age at first calving. Historically we have recognised the financial benefits of calving heifers at 24 months (or below) but we are now seeing the implications on greenhouse gas emissions.

The third article recaps on the importance of appropriate water supply for the dairy and measures to take if you are utilising a private water supply on your farm.

In brief articles include an update on grants and environmental legislation. We also introduce a new topic area where our colleague, Becky Tavenor, is providing specialist advice on state of mind.

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

Christine Pedersen

The Dairy Group : cost of milk production analysis			
	Average	Forecast	Change
Year end	**2024/25**	**2025/26**	**2026-2025**
	ppl	**ppl**	**ppl**
Milk sales	43.3	44.9	1.6
Livestock sales	6.8	8.0	1.2
Valuation change	-2.0	-4.0	-2.0
Total output	**48.1**	**48.9**	**0.8**
Total Variable Costs	**20.3**	**21.0**	**0.7**
Gross Margin	**27.8**	**27.9**	**0.1**
Total overhead costs	**24.3**	**24.0**	**-0.3**
Profit before unpaid wages	**3.7**	**3.9**	0.2
Unpaid family wages	3.9	4.2	0.3
Profit after unpaid wages	**-0.2**	**-0.3**	**-0.1**
Total costs	**48.5**	**49.2**	**0.7**
Non dairy income	**3.1**	**2.5**	**-0.6**

With year end accounts available for 2024/25 now is an excellent time to benchmark the physical and financial performance of your business. Our benchmarking analysis has 38 points of comparison with our Top 25% average of 42.2ppl to help you identify your strengths and weaknesses and where to focus your effort. The analysis is quick and easy to do and provides a detailed insight into business performance. An independent dairy consultant costs around 0.4ppl which could be the best investment you ever make.

Ian is responsible for our dairy cost database and MCi and works with clients across southern England. He can be contacted on 07831 617952.

Key strategies to reduce costs & emissions from heifers

Christine Pedersen, Principal Consultant

Rearing dairy heifer replacements is one of the most significant costs for dairy farmers, both economically and in terms of emissions output. Age at 1st calving and replacement rate are not new key performance indicators (KPI's) for heifer rearing but have significant cost and greenhouse gas emission implications.

The industry defined target age at 1st calving has been 24 months for decades but the average for the year to August 2024 was 26.4 months, where it has been since 2021 (NMR 500 herd report January 2025). The average herd exit rate reported for the year ending August 2024 was 28% compared to industry targets of 20 – 25%. The table below shows the effect of age at 1st calving and replacement rate on the number of youngstock at any one time for a 250-cow herd:

	Age at 1st calving		
Replacement Rate	24 months	26.5 months	29 months
25%	125	138	151
27.5%	138	152	166
30%	150	166	181

This clearly demonstrates the opportunity to reduce costs and greenhouse gas (GHG) emissions by adopting a range of management, genetic and nutritional strategies as follows:

Management: Make data-driven decisions to improve cow longevity by tracking why cows are culled—whether for fertility, health, or production and address the root causes to reduce involuntary culls. Whilst heifers should be genetically superior to the cows they will replace, mature cows produce higher yields than 1st lactation heifers so a high proportion of heifers in the herd will reduce average milk yield per cow.

Genetics: Plan the number of replacement heifers required and calculate the required number of sexed semen inseminations based on your herd conception rates. Some herds may choose to rear additional heifers as part of their TB

risk management. Genomic testing pre 1st service and using high index bulls (£PLI/£SCI/£ACI) will accelerate the genetic merit of the herd.

Nutrition: Growth rate targets need to be set and achieved to successfully calve heifers at 24 months or less (some producers are successfully calving heifers at 22 – 24 months). Meeting growth rate targets requires healthy heifers, balanced rations at all stages and regular monitoring. Focusing on improving the quality of silage and grazing management can lead to reduced purchased feed requirements.

Reducing replacement rates and age at 1st calving can significantly cut costs and reduce methane emissions (from enteric fermentation (burping) and stored manure) and feed emissions. Some producers may be reluctant to calve at 24 months due to concerns regarding lifetime performance and ability to compete with mature cows. Analysis of data from commercial farms has repeatedly shown that heifers calving at 21-24 months produce up to 13% more energy corrected milk in their lifetime. This relies on nutrition and management being adjusted to hit the required growth rate targets. Please speak to your consultant if you would like help to develop a replacement heifer strategy or review current performance.

Christine provides nutrition, dairy technical and business management advice to clients across southern England. She can be contacted on 07831 172940.

Water supplies and milk quality

Ian Ohnstad, Milking Technology Specialist

As farms look to further reduce input costs, the cost of water often comes under the microscope. Whilst mains water quality should be of consistent quality, it can cost between £1.50 and £2.50 per cubic meter which has led to an increased interest in private water supplies (PWS). With many clients now utilising PWS it is important to be aware of the issues associated with water quality and the impact on milk quality and udder health.

Using poor quality water or water that may be contaminated can lead to significant problems with both Bactoscans and mastitis infections; this includes water introduced into the parlour cleaning operations. We are seeing an increased number of *Pseudomonas* isolates in bulk milk samples as a result of contaminated water. *Pseudomonas* mastitis infections can present with similar symptoms to acute *E.coli* making it more challenging to identify.

The safest way to manage this risk is to use mains water for teat preparation and cleaning internal surfaces of milking equipment and milk storage vessels. However, we recognise that in some situations the financial incentive to move away from mains water is too great or its use is unavoidable altogether.

For farms using a PWS there is a legal requirement to undertake the following measures:

1. Complete an annual risk assessment on the system from source to tap, including quality testing to ensure the water supply is potable (safe to drink or use for food production). Collect a water sample from as close to the point of use as possible, visually check the condition of any water storage vessels and ensure the lids are fully fitting.
2. Complete frequent and regular water testing. Additional assessments are particularly important following exceptional circumstances such as heavy rainfall or reported contamination.
3. Combine the risk assessment and water test results to confirm water safety.
4. If a risk is identified then users must record the details of the problem identified, investigations into the cause and remedial action taken.
5. Maintain equipment as per manufacturer's instructions.

PWS users should also consider the treatment of water which could include UV treatment and/or filters.

If you are considering a PWS then you should review farm water usage as a starting point and understand the cost of water to your business. Do the savings in parlour cleaning outweigh the problems associated with contaminated water? For example, a farm with a 24-unit parlour, milking twice daily with a 10,000 litre bulk tank, will use around 2,500 litres water per day for equipment cleaning. Speak to your consultant about reviewing the cost of water to your business or to discuss the usage of private water within the dairy system.

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

In brief

Grant update – The **Countryside Stewardship Capital Grant** 2025 scheme closed on the 1st August following the full allocation of funds. Defra have reported that 8,000 applications were submitted in under 5 weeks, utilising the full £1.5 million budget. The next round of funding is expected to open in 2026 and we recommend that clients take this autumn/winter to prepare applications in readiness. This is particularly important for options needing endorsement from your local Catchment Sensitive Farming Advisor. Speak to your consultant about preparing an application.

The **Countryside Stewardship Higher Tier** scheme is opening for applications in September. Only businesses that have been invited to apply, have received pre-application advice and have completed any preparatory work will be eligible in the initial window. The RPA approach is to gradually bring businesses into the scheme by offering invitations every month. As it stands, the **Countryside Stewardship Mid Tier** scheme is closed for new applications.

The **Sustainable Farming Incentive** scheme is also closed to new applications. Defra have pledged to reform the scheme so that it is "more targeted to better meet priorities on food, farming and nature". The details of these reforms are not yet available and are expected this autumn. We hope that the scheme will be open for applications in 2026.

With the accelerated reduction in **Delinked Payment** and an expected cap of £600 per claimant in 2026, it is increasingly important to stay well informed of funding opportunities. Speak to your consultant about upcoming scheme opportunities.

Is your farm 'winter ready'? – Over the past few years, the Environment Agency (EA) have run their 'winter ready' campaign. This provides practical advice on appropriate slurry management to minimise the risk of a water pollution incident. Farms should consider the following measures to reduce the risk of an incident:

1. Calculate your slurry storage requirements and capacity which will allow you to determine your storage period, identifying your likely spreading months and if these pose a possible pollution risk
2. Carry out appropriate repairs to slurry stores and handling equipment ahead of the winter storage period
3. Ensure all drains and shed guttering is fully functional for effective clean and dirty water separation
4. Complete a forward nutrient management plan (NMP) to plan all organic manure applications
5. Consider a contingency plan should high winter rainfall put pressure on existing storage facilities

All farms producing dairy slurry must comply with the Silage, Slurry and Agricultural Fuel Oil (SSAFO) Regulations which requires at least 4 months storage. The Farming Rules for Water (FRfW) Regulations cover other aspects of organic manure management and stipulates that nutrients should only be applied where there is a crop need and should not give rise to a significant risk of pollution. It is generally considered that there is no crop need during the autumn and winter months. Speak to your consultant about reviewing your slurry storage, completing a NMP and/or to prepare for an EA inspection.

Managing waste on farm – legislative changes – In July 2025 the EA introduced new charges to all waste exemption registrations under the Environmental Permitting Regulations (EPR). Each site/farm must now pay a registration fee of £56 and a compliance fee associated with the relevant exemption. As before, these exemptions are valid for 3 years.

Your state of mind runs your farm – The most valuable asset on your farm is you. How effective you are depends on your state of mind. Your level of clarity determines how much energy you have, your decision-making ability and ultimately how well you are able to manage staff and get on with those in your team.

State of mind is a poorly understood aspect of life and can be underestimated. Through improving our understanding of our own state of mind there is potential for improved staff management, reduced family conflict, better decision making, clearer communication and happier relationships. Please speak to your consultant if you feel like you or your business would benefit from this approach.

The Dairy Group consultants work across the UK providing a wide range of independent dairy technical and business advice. Please contact Karen or Anne in our admin team on 01823 444488 or visit our website for further information or to contact our consultants.

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