

The Dairy Group **MCi Report**

31st March 2017

Feed cost increase of 20% will impair dairy recovery

“Our analysis of the feed market indicates that average feed cost this spring will be around 20% higher than a year ago”, says Ian Powell, Director of The Dairy Group. He goes on to say “Our MCi dairy costings show that the rolling concentrate feed cost to be £191 per tonne, but in the month of December 2016 this had risen to £200 per tonne. Compared with 12 months ago our feed group price has risen by 19% and the cost of the key straight feeds has increased significantly with soya +19%, rapeseed meal +27% and wheat +34%. We forecast the increased feed cost will add 1.7ppl to the cost of production in the next 12 months. It is not only rising feed cost which will add to the production cost increase, with the price of red diesel up by 49% on a year ago to 56 ppl and whilst a smaller component of dairy production costs it will still add 0.25ppl to the annual cost, but will also result in other fuel related price increases including contractors and fertiliser. Our forecast for 2017/18 is for the average cost of production to increase by 2.3ppl to 32.5ppl. Whilst the average milk price has increased to 27ppl in January 2017, it is the rolling milk revenue which impacts on the dairy business and at 23.1ppl this is simply too low to be sustainable, which should result in the exit rate from dairying increasing. However, the converse has happened with the exit rate decreasing to just 1.4% in the 12 months to March 2017, which is well below the normal exit rate of around 4%. There are many factors which effect the exit rate from dairying, including alternative options, cow values, succession, TB, so presumably these factors have so far been less of a driver than low returns. Many dairy business account year ends are 31st March, so now is a good time to review the cost of production, to compare with the Top 25% and to look at the strategy going forward.”

	<u>MONTHLY RESULTS</u>		<u>12 MONTHS ROLLING RESULTS</u>	
	DEC 2016	DEC 2015	DEC 2016	DEC 2015
Daily milk yield per cow (litres)	25.4	26.3	-	-
Daily milk yield from forage per cow (litres)	5.8	6.1	2701	2639
Cows in herd	220	221	216	218
Milk yield per cow (litres)	683	711	8051	8214
Milk price per litre	25.8	24.6	22.6	25.3
Butterfat (%)	4.20	4.20	4.12	4.08
Protein (%)	3.32	3.33	3.29	3.33
Concentrates cost per tonne (£)	200	197	191	204
Concentrates use per litre (kg)	0.37	0.35	0.32	0.32
Purchased feed costs per cow (£)	51	52	532	577
Purchased feed costs per litre (pence)	7.5	7.3	6.6	7.0
Margin over purchased feed per cow (£)	126	124	1299	1511
Margin over purchased feed per litre (pence)	18.3	17.5	16.1	18.4

[Monthly average results for December 2016](#)

The average milk price was up 1.2 pence per litre on last year to 25.8 pence per litre. The average butterfat of 4.20% was the same as last year. Milk protein of 3.32% was down 0.01% on a year ago. Daily milk yield per cow was down by 0.9 litres per cow on last year to 25.4 litres per cow. Milk from forage was down by 0.3 litres per cow to 5.8 litres per cow. The average feed rate for the month was up 0.02 kg per litre on a year ago at 0.37 kg per litre, with the average purchased feed cost £3 per tonne higher than last year at £200 per tonne. The monthly Margin Over Purchased Feed was £126 per cow, which was £2 per cow higher than a year ago. The margin per litre was 18.3 pence, which was 0.8 pence per litre higher than a year ago.

[12 Month Rolling average results to December 2016](#)

The rolling average yield has decreased by 163 litres per cow compared with the previous year to 8051 litres per cow. The average feed rate has remained the same at 0.32 kg per litre, with the average milk price down by 2.7 pence per litre to 22.6 pence. The rolling Margin Over Purchased Feed (MOPF) was £212 per cow lower than a year ago at £1299 per cow. The rolling average MOPF per litre was 16.1 pence per litre, which was 2.3 pence per litre lower than a year ago.

- Ends -

[For further information please contact:](#)

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Notes to editors:

- This is a press release announcing the MCI results.
- MCI is the *The Dairy Group* dairy management system that incorporates setting targets for a herd combined with monthly monitoring, quota management & dairy costings.
- www.dairy-mci.com
- www.thedairygroup.co.uk

