



# The Dairy Group

For more information on any article contact Christine Pedersen on 07831 172940 or [christine.pedersen@thedairygroup.co.uk](mailto:christine.pedersen@thedairygroup.co.uk)



## Dairy outlook, Brexit and the Agriculture Bill

**Ian Powell, Managing Director**

The dairy industry has faced major challenges over the past 5 years, including the milk price crash to 22ppl in summer 2016 and the drought this summer. This winter will prove to be no less challenging with milk price likely to peak in November, with a number of milk buyers, led by Muller, reducing their milk price by 1ppl from 1<sup>st</sup> December. We are forecasting the cost of production to increase by 2.8ppl (+9%) in the year to March 2019, which will mean a cost/price squeeze over the winter period. The main cost increases will be feed, straw, fuel and fertiliser. The drought appears to have had little impact on UK milk production so far, but we are likely to see a decline in forage stocks at the end of the winter which adds to the cost of production.

At the time of writing there is still great uncertainty about Brexit which is creating volatility. Currency fluctuations directly impact on the UK milk price, with a 'no deal' likely to weaken the Pound (higher milk price) and a 'Beano' (Brexit in name only) likely to strengthen the Pound (lower milk price). With Brexit on 29th March 2019 many businesses are making contingency plans for a 'no deal', including stock piling of imported goods. Ornuu (formerly the Irish Dairy Board) who own Pilgrims Choice is already stock piling cheese in the UK to be able to supply consumers post Brexit in the event of a 'no deal'. What contingency plans are you making for the 29th March? What imported goods is your business dependent on and how could disruption to supply impact on your farm? The key inputs to consider are feed, fertiliser, seed, chemicals, drugs, fuel, etc. It is worth speaking to your suppliers to see what contingency plans they are putting in place and what you can do to minimise any potential impact on your business at a critical time of year. Employees who are EU citizens will be able to apply for either settled or pre-settled status which means they can continue living in the UK after 31 December 2020 – you can sign up for Home Office alerts about the process.

The recently published Agriculture Bill could also have a major impact on your business, especially where the BPS is an important part of your income. Defra has announced the phasing out of BPS by 2027 and the decoupling from land from the start of the transition. A quick check to see the impact on your business is to look at the latest accounts and deduct the BPS from the profit and see what you are left with? The new ELM (Environmental Land Management) system will be trialled in 2019 ready for implementation in 2021. Defra has announced that the ELM will pay for 'public goods', such as better air & water quality, improved soil health, higher animal welfare standards, public access to the countryside and measures to reduce flooding. It is unlikely that the loss of BPS income will be replaced by ELM income and businesses should anticipate a decline depending on their

## EDITORIAL

Welcome to the final Dairy Group newsletter for 2018. It's no exaggeration to say this has been a challenging year for many if not all UK dairy producers.

Our opening article looks at the outlook for dairying amidst the uncertainty and volatility created by Brexit. As I write this editorial the Brexit deal is still very much "up in the air" and I hope that a satisfactory deal has been negotiated by the time you read this!

Other articles cover calf and heifer nutrition and teat disinfection and the In Brief articles cover inbreeding, grant schemes, our Robot Manager Service and a reminder about PPI claims.

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 2019.

**Christine Pedersen**

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current level of engagement with Defra schemes such as Stewardship and CSF.

Whilst we have no control over these external events we need to assess their likely impact on the business and to make decisions based on the information available at the time. Forward budgeting does provide a framework for looking at the key outputs and inputs to the business and their impact on cashflow and profit. Whilst it may be difficult to anticipate the impact of the expected changes it is better than doing nothing!

The Dairy Group will be helping our clients to understand these changes and the challenges they face and to help them make the right choices going forward.

***Ian is responsible for MCI (our dairy cost database), our milk price model and works with clients across southern England. He can be contacted on 07831 617952.***



## Calf and Heifer Nutrition

**Christine Pedersen, Senior Dairy Business Consultant**

Heifer rearing is frequently cited as the second highest cost of milk production, but is often over-looked in the same way that the cost of forage is, as there isn't a line in accounts that reads 'heifer rearing' or 'forage production'. Costs are often spread over many areas and whilst variable costs such as feed, vet and bedding should be easy to allocate, allocating overhead costs, particularly labour and power and machinery can be more challenging.



A survey of 102 farms published by DairyCo (now AHDB Dairy) in 2015 calculated the average total cost of rearing (including opportunity costs) of £1,800 with a range from £1,100 to £3,000 per heifer. The economic benefit of rearing heifers to calve at 24 months or less is well established; the same DairyCo report calculated that each additional day of age at first calving increased the average cost of rearing by £2.87 per day. The average age at first calving in the UK is between 26 – 27 months which means the average heifer is potentially costing £170 - £260 more than if she calved at 24 months. Calving at 24 months requires regular monitoring of frame size or growth rates to ensure that heifers are meeting key targets, particularly at service and calving. The second round of the Countryside Productivity Small Grants scheme (CPSGS) may include some calf specific equipment including weighing systems (see separate article 'In Brief').

Typically, calves should be fed a minimum of 6 litres of milk replacer per day (split between two feeds) at a concentration of 150g / litre (i.e. 150 g milk replacer + 850 ml water per to make up a litre of milk replacer) to achieve target growth rates. This assumes that high-spec milk powder (20–26% crude protein and 16–20% cent fat) is used and calves have ad lib access to a high-quality, well presented concentrate feed (18% crude protein). As the weather gets colder, calves require more energy to keep warm, so if additional energy is not provided via feeding, energy is directed away from growth and growth rates will be reduced. Changes to feed volumes or milk replacer concentration are necessary below 10 °C for calves less than 3 weeks old and below 5 °C for older calves to maintain growth rates. Changes may not be necessary where calf jackets are used to help keep calves warm, dry and healthy as temperatures fall. Your consultant can calculate the recommended volume and concentration of milk replacer for your own farm which should be written into calf rearing protocols so it can be followed by all staff.

This winter, with forage stocks under pressure on many dairy units, many heifers are being fed lower quality forage and/or straw diets. As ever, it is important to review heifer diets based on current forage analysis to check that supplementation is sufficient to achieve target growth rates and optimal fertility. Mineral supplementation should also be reviewed to prevent any possible deficiencies, particularly where straights are being fed rather than mineralised compound feeds.

Typically, feed and forage account for approximately 1/3 of the total cost of heifer rearing. Where producers have been forced to purchase additional forage this year, the daily feed cost of rearing heifers has become more transparent and the 'perceived' value of carrying surplus heifers called into question. Whilst calving insufficient heifers into the herd can have a serious impact on herd production and profitability, reviewing heifer rearing costs, target numbers and age at first calving is highly recommended.

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



# Teat Disinfection

Ian Ohnstad, Milking Technology Specialist

It is widely acknowledged that the application of a teat disinfectant immediately after milking is an essential component of any mastitis control strategy. The disinfectant has 2 roles:

- 1) to kill a significant proportion of pathogens left on the teat skin after milking and therefore help control the spread of contagious mastitis pathogens such as *Staph. aureus* and *Strep.agalactiae*, and
- 2) to ensure the teat remains soft and supple and is able to withstand the rigours of machine milking.

Irrespective of the active ingredient of the disinfectant, the level of skin conditioning agents included in the formulation, cost of the product or whether it is delivered as a concentrate or a ready to use product, it can only be effective if it is applied to the whole of the teat.



Increased workloads often mean the milking routine comes under scrutiny in a bid to streamline tasks. This goes a long way to explaining why the majority of dairy producers apply a post milking disinfectant using a vacuum operated sprayer rather than a two chambered teat dip cup. Most believe that teat dipping is likely to lead to a higher percentage of the teat being covered in disinfectant. However, they would also suggest that teat spraying is quicker!

In an attempt to allow a direct comparison of the various teat disinfection methods, The Dairy Group has been working closely with Ambic Equipment Ltd in a series of on-farm evaluations. The evaluations assessed the effectiveness of hand held vacuum operated teat spray systems, teat dipping and an automatic spray system positioned in a leg locator on a rotary parlour (Locate 'n' spray).

An assessment was made of teat barrel coverage, teat end coverage and the volume of chemical used for all three methods:

Method	Teat end coverage %	Teat barrel coverage %	Chemical use ml/ cow
Teat Dipping	99	95	10.0
Teat spraying	94	50	15.2
Automatic system	98	82	36.0

What the average results mask is the variation that exists with each method, particularly the hand-held teat sprayer. Although on average 50% of teat barrels were covered with disinfectant, the range between study farms was 20 – 83%. As well as considerable variation between operators, there was an association between the percentage of the teat that was disinfected and the amount of product used. Whilst the average amount of disinfectant when spraying used was 15.2 ml/ cow, this ranged from 6.2ml/cow to 21.8ml/cow.

The clear message from these studies is that for a post milking disinfectant to be a critical component of a mastitis control strategy, it must be applied accurately, completely and consistently. These studies confirm teat dipping remains the most effective method of ensuring good all-round teat coverage with the lowest chemical use. Teat spraying can be effective if it is done carefully and sufficient product is used while automated systems provide some process control and consistency to the operation.

Bearing in mind the importance of post milking teat disinfection, check the volume of teat disinfectant used per cow per milking and make a visual observation of the completeness of teat barrel coverage. There is generally room for improvement!

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

## News in brief.....

**Inbreeding** - Inbreeding is becoming an issue in many dairy herds, especially those using the latest high-ranking genomic sires for two or three generations. A small number of 'elite' sires in these pedigrees are rapidly pushing up national levels towards the accepted ceiling of 6.25% and higher still for some individual herds. The figure of 6.25% relates to matings between uncle/niece, son/granddaughter, daughter/grandson etc.

There is a compound loss of production once inbreeding levels increase beyond 6.25% and measures need to be taken to halt this. Established research has estimated that for every percentage increase in inbreeding, around 15kg milk will be lost per lactation and 0.4 days will be added to calving interval, per cow.

In the days of progeny testing with a four to five year wait for a proof, a bull's grandparents would be born 12 to 15 years before the bull and would be from different bloodlines. Now the interval is as low as four years and many popular sires are appearing in both the sire AND the dam's side of the pedigree. Bulls such as Mogul, Robust, Shamrock, Bookem and Supersire are in a large number of pedigrees, and just a generation or two back you will see Oman, Planet, Shottle and Goldwyn repeated several times in the family tree.

To find out more about the level of inbreeding in your herd or The Dairy Group's Breeding Manager service which checks all matings for inbreeding, **please contact Kevin Lane on 07770 923344.**

**Countryside Productivity Small Grants Scheme** - the Government recently announced that it has committed £30 million for further rounds of the Countryside Productivity Small Grants scheme (CPSGS). Details have yet to be announced but in the previous round, grants could cover up to 40% of the standard cost of eligible items. New items have been added to the list of equipment eligible for funding and examples of items that were eligible under the previous round of the scheme include:

- Cattle specific equipment - handling systems and crushes (including foot trimming crushes), weighing systems, shedding gates, heat detection systems, cluster flush, calf milk pasteuriser / dispenser and auto calf feeders.
- Precision farming equipment – GPS, yield mapping and variable rate controller for sprayers and fertiliser spreaders
- Resource management and efficiency equipment - trailing shoe slurry system, variable speed vacuum / milk pump
- Robotic silage pushers.

Grants were for a minimum of £3,000, up to a maximum of £12,000 and each item was given a standard cost which was the maximum fixed price that the grant would be paid on and meant that quotes for items were not necessary for the application. Further details will be published in early 2019 when the next round of funding opens for applications. **For further information please contact your Consultant or ring the office on 01823 444488.**

**Robot Manager Service** - The Countryside Productivity Scheme (CPS) which offered grant funding of 40% for eligible items to improve farm productivity has triggered a surge in interest and subsequent installation of Automatic Milking Systems (AMS). The day to day challenges of managing the efficiency of the AMS once operating can be daunting and Dairy Group Robotic Milking Specialist Nigel Hardie works with clients to continually assess and monitor herd and system performance. This can be done both through on-farm visits and remotely and is followed up with recommendations and adjustment of settings. **Nigel can be contacted on 07710 898983.**

**Payment Protection Insurance (PPI)** – there was a short article about PPI in the February newsletter and as a result, several farmers have made successful claims, the record to date being over £40,000! PPI was widely mis-sold; a court ruling means that if you were mis-sold PPI, you can make a claim – the deadline for claims is 29th August 2019. You do not need to pay a company to reclaim PPI for you – the process is relatively simple and you could be awarded several thousand pounds. **Ask your consultant for help or ring the office on 01823 444488.**

**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:-**

**The Dairy Group, New Agriculture House, Blackbrook Park Avenue, Taunton, Somerset, TA1 2PX**

**Tel: 01823 444488**

**Website: [www.thedairygroup.co.uk](http://www.thedairygroup.co.uk),**

**Email: [enquires@thedairygroup.co.uk](mailto:enquires@thedairygroup.co.uk)  
Dairy Herd Costings: [www.dairy-mci.com](http://www.dairy-mci.com)**

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