Latest news and views from **June 2023**

The Dairy Group

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Managing business volatility

Ian Powell, Managing Director

It is hard to recall a period of such volatility in milk price, which is bound to be a challenge to manage in the coming year on top of the very difficult spring weather. The milk price is largely out of your control and the weather certainly is, so the focus needs to be on the things within your control:

Milk income is related to the dairy market and weak supply from autumn 2021 led to the milk price increasing by 13.7ppl (+42%) comparing the year to March 2023 with the previous year. With the latest milk price cuts, the price reduction in the current year to March 2024 would be around 15% to 38ppl. A number of milk buyers have announced a price hold for June and with GB deliveries down 0.6% in the week ending 20th May and some firming of markets, there is an increased prospect of price stability. However, even with the current milk price and lower feed cost the margin over purchased is likely to fall by £350/cow in the year to March 2024, equivalent to £70,000 for a 200-cow herd.

Cost of production Our own cost tracker estimates the cost of production in the year to March 2023 at 45ppl (including rent, finance and family labour), with the biggest increases in feed, fertiliser, labour and power. With most accounts ending 31st March, now is a great opportunity to benchmark your technical performance and cost of production with our top 25% group. Our benchmarking provides 40 points of comparison to identify strengths and weaknesses to allow you to focus on the key areas for improvement. After family labour at 3ppl and before grants, subsidies and other income, the average UK dairy producer appears to be in a break-even position in 2023 at a milk price of 40ppl.

Cash is king and having sufficient cash keeps you in control of your own business. Once you run out of cash you are effectively passing control to someone else – usually the bank. Whilst feed, fuel and fertiliser costs are now reducing, there are more cost increases feeding through including finance costs resulting from the base rate increase to 4.5%, which means most businesses on variable rates are now paying around 7% interest. Another factor will be tax to pay in 2023, with many farms bringing forward much needed re-investment to make use of capital allowances, but now faced with less cash to pay the tax. Every business has its unique circumstances, and the start of the 2023/24 financial year is a key opportunity to look at the forward cash flow and understand cash needs and peak borrowing requirements taking into account likely tax liabilities from the year ending March 2023. The forward cash flow will aid decision making regarding capital investment, machinery replacement, loan repayment and use of HP. There is funding available to carry out a free business forecast. Please contact The Dairy Group office for more details.

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

EDITORIAL

Welcome to our June newsletter. In these volatile times it is imperative to understand costs and to have a clear view of your business going forward which is the subject of the 1st article.

The 2nd article covers nutrition including feed costs, net zero and a client trip to Denmark, whilst the 3rd looks at grass establishment and the inclusion of legumes and herbs into leys.

The 4th article covers a recent study from Ireland examining the link between ACR take off settings, cow comfort, milking duration and milk yield.

Finally, the in brief section covers the 6 new standards that will be available in the Sustainable Farming Incentive (SFI) 2023.

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: newsletter@thedairygroup.co.uk

Nutrition update

Christine Pedersen, Principal Consultant

The early spring that many producers had hoped for to alleviate pressure on dwindling forage stocks and reduce feed costs didn't materialise as March 2023 was the wettest March since 1981. April was predominantly unsettled but some producers were able to take a 'window of opportunity' to harvest 1st cut. The excessive rain also delayed maize planting; hopefully by the time you read this, maize will be flourishing in warmer soils and the contingency plans for those clients heavily reliant on maize crops can be put aside.

Purchased feeds typically represent 25% - 35% of total milk production costs and against the backdrop of rapidly falling milk prices, clients are asking where they can make savings. Both spot and forward prices for cereals and proteins have been drifting back as supplies of both look set to exceed demand in 2023/24. Using the relative feed value calculator, rapeseed meal is significantly better value for money than soya and feed grade urea prices have dropped significantly. For those feeding nil-soya diets, sugar beet pulp which is regularly used as an alternative to soya hulls looks expensive and other high NDF feeds should be considered. Concentrate feed costs of 8 ppl should be achievable this winter based on good quality forages and current forward prices for straights.

The focus on net zero has accelerated over the last 12 months and in early April "The Net Zero Growth Plan" and "The Carbon Budget Delivery Plan" were published. These set out how government plans to create a net-zero emission economy in the UK by 2050. Whilst acknowledging that farming is one sector where some residual/unavoidable emissions are expected, Defra has developed 33 policies to help decarbonise agricultural emissions as far as possible. The use of methane suppressing feed products (e.g., 3NOP, nitrate additives) to reduce methane emissions from livestock is calculated to be the most effective agricultural policy, potentially reducing carbon emissions by 1.6 million tonnes CO_2-equivalent by 2033 – 2037. The UK Government will continue to work with the Food Standard Agency (FSA) and Food Standards Scotland (FSS), industry and the livestock sector to explore suitable policy options to encourage rapid and extensive uptake of methane suppressing feed products with proven safety and efficacy, including exploring mandating the use of these products in compound feed for cattle in England.

The climate check data submission for the Arla Sustainability Incentive is due by the end of June. With the first sustainability incentive payments due in August for milk delivered in July 2023 and incentives of up to €2.4/litre, Arla suppliers are focused on maximising points to influence their subsequent milk price.

I am planning two short (2-3 day) tours to Denmark this autumn, the first focusing on organic dairying and the second on conventional systems including robots. Take-home messages from previous visits to high yielding, organic and conventional herds include:

- Produce and feed lots of excellent quality grazing and conserved forage (grass/clover leys (up to 4 cuts), wholecrop and maize silage, > 60% forage in the TMR) and carefully evaluate concentrate inputs,
- Do not compromise heifer growth rates – feed them to grow to calve at 22 – 24 months,
- Breed cows capable of high dry matter intakes (> 28 kg/head/day) and high production and feed them!
- Health and nutrition go hand in hand, you need both to achieve high levels of performance.

Please contact me for further details of the upcoming trips or any of the other issues raised here.

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

Grass establishment

John Twyford, Senior Dairy Business Consultant

For decades, perennial ryegrass (PRG) swards have suited most dairy farmers. There are reasons now to introduce other species beginning with legumes, especially clover. A sward with 30% ground cover of clover can fix 250 to 300 kg of Nitrogen a year so saving fertiliser costs, reducing greenhouse gas emissions and reducing the need for purchased protein, whilst supporting pollinators and increasing drought tolerance. Under the SFI Nutrient Management Standard 2023, farmers can be paid £102/ha/year for establishing and maintaining legumes.

Climate change promises both more drought and more rain. On affected land introducing other species of grass and broad-leafed “herbs” offers resilience. Many herbs are deep rooting and tolerate drought, whilst also mining minerals and offering some health benefits to animals, such as anthelmintic properties. Farms might benefit from introducing one or two additional species as opposed to full “herbal ley” mixtures.

There are three stewardship options that involve herbal leys, the SFI intermediate grassland soils standard, and two Countryside Stewardship options, GS4 (conventional) and OP4 (organic). The recommended numbers of species under different options are as follows:

	GS4	OP4	SFI
Grass species	5	5	5
Legume species	4	3	3
Herb species	4	3	5

The aim for all three (against which inspections will be conducted), is to establish a sward with a diverse mixture of grasses, legumes and herbs. Mixtures should be farm focused, taking soils, climate, systems, skill and objectives into account. There is little point in sowing 15 species if 7 of them won’t thrive.

Whether including clover, different grasses or herbs, it is important to consider that compared to pure PRG, the seeds in mixtures vary greatly in shape and size, from less than 1 mm to over 5 mm. Drilling won’t suit many seeds. Broadcasting is preferred but seeds of varying shape and weight are flung un-evenly and light seeds are blown about on windy days. It is best to evenly drop seeds near the ground on a well-rolled seed bed. A pneumatic seeder fitted to a grass-harrow works well or a drill carried with the coulters just above the ground. Rolling (better double rolling) after seeding is essential to ensure soil contact for all seeds.

Spring re-seeds generally favour legume establishment, but drought-prone farms should establish in late Summer and before the 31st of August to give smaller seeds time to establish. .

If seed mixtures are undersown, the seed rate of the cereal crop should be reduced and the crop must be taken off by the end of June, typically as silage. Otherwise, the ley will be patchy and legume establishment poor due to a lack of light and competition for nutrients. The establishment of the ley, which should last for 5 years or more, must be the priority. Direct seeding without under-sowing should be considered.

Herbicides are of limited use when legumes and “herbs” are included. Weed control begins at establishment by creating a clean, level, firm seedbed. False seedbeds can be used but in dry conditions it may be better to sow immediately into a moist seedbed. Annual weeds can be mown out in the early summer or taken off with silage, but perennial weeds present a greater challenge. A summer fallow can be used to desiccate perennial weeds, followed by an Autumn re-seed. The unproductive few months of fallow must be weighed against the long-term benefit of an improved ley.

Finally soil samples should be taken well ahead of time so that pH (6.5 to 7), P (index 2) and K (index 2) can be adjusted ahead of establishment. This is especially important for legumes.

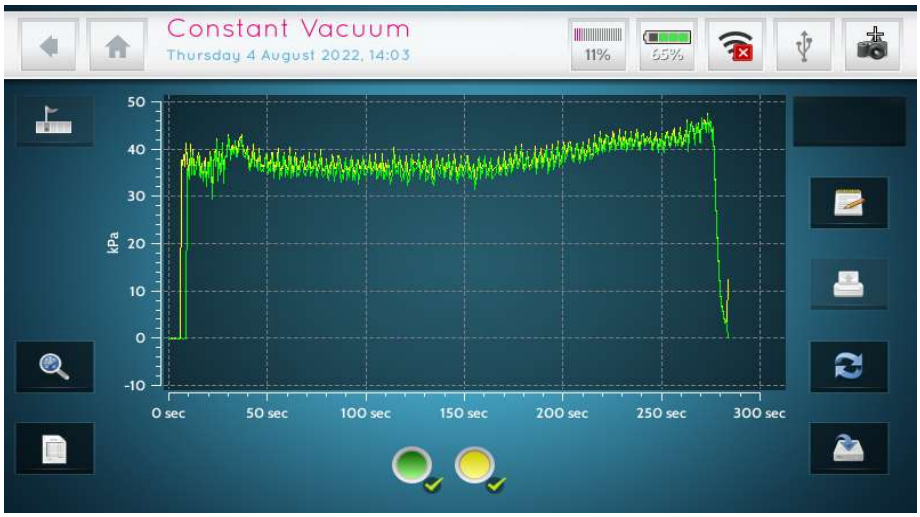
The Dairy Group has negotiated preferential rates on a range of seed mixtures to suit different objectives. Please contact the office if you require tailored advice on seed mixtures, grass establishment and grant options.

John provides consultancy to farmers in the South of England covering business strategy, financial planning, grant applications and organic farming. He can be contacted on 07889 720399.

ACR settings and cow comfort

Ian Ohnstad, Milking Technology Specialist

A recent study published by researchers at Teagasc examined the link between ACR take off settings, cow comfort, milking duration and milk yield. The take off settings (switch point) examined were 0.2 kg/min, 0.4 kg/min, 0.6 kg/min and 0.8 kg/min. Cow comfort was assessed by measuring kicks and steps using a leg mounted accelerometer and milking duration was measured using parlour software. The 0.2 and 0.4 kg/min switch points were associated with significantly higher numbers of kicks and steps over the higher switch points, while the 0.8 kg/min switch point was associated with a 14% reduction in milking time compared with the 0.2 kg/min switch point.



However, increasing ACR switch point without taking account of the pre-milking teat preparation routine can lead to delayed milk let down and incomplete milking.

An example of a poor pre-milking routine, delayed milk let down and a low switch point can be seen on the left.

A milking time assessment, carried out by a specialist from The Dairy Group, using the latest monitoring and testing equipment, can assess the existing take off settings and recommend changes to the routine to allow the switch point to be increased.

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

In brief…….

The Sustainable Farming Incentive Scheme SFI opened for applications in 2022 with 3 standards available: Arable and horticultural soils, Improved grassland soils and Moorland. More detail has been announced about the 6 additional SFI standards that are due to be available later this year:

Standards	Description
Hedgerows	Involves producing a written assessment of hedgerow condition and managing hedgerows using specific cutting schedules to help provide habitat for wildlife, as well as pollen, nectar and berries for birds and insects.
Integrated pest management	Focuses on establishing companion crops and flower-rich grass margins as well as producing an Integrated Pest Management plan.
Nutrient Management	A nutrient management plan is a requirement for this standard which includes establishing and maintaining legume fallow, the payments for which are £593/ha and £102/ha on arable land and grassland respectively.
Arable and horticultural land	Follows on from other environmental schemes to encourage establishment of blocks or strips of winter bird food and pollen and nectar flower mixes. Another option is to create 4m to 12m strips to buffer landscape features for £451/ha, and the payment rate for establishing and maintaining grassy field corners and blocks is £590/ha.
Improved grassland	Establishing and maintaining 4m-12m buffer strips (£235/ha) is also an option in this standard as is taking field corners/blocks out of production to create habitats for £333/ha as well as managing grass to provide food for winter birds for £474/ha.
Low input grassland	The aim of this standard is to provide nectar and shelter for invertebrates and a food supply for farmland birds as well as minimising nutrient leaching. This option restricts nutrient inputs that can be applied and prescribes a regime of cutting and grazing so the sward contains a variety of vegetation heights.

We are expecting the SFI 2023 guidance as well as the date that these standards will be available to be published shortly. Please discuss with your consultant.

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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