Latest news and views from *September 2024*

The Dairy Group

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Outlook for milk price and cost of production

The outlook for milk price continues to improve with the July average price of 39.5ppl up 3.8ppl (11%) on a year ago, with the average October price expected to be above 42ppl. The forecast rolling price to March 2025 is around 41ppl and could be higher if prices increase further. However, milk price does not give the whole picture as production costs have also risen over the past 2 years and now seem stubbornly high. Our current forecast is for an average cost of 44ppl which would give an average profit for 2024/25 of just 0.5ppl after family wages. An average milk price of nearer to 45ppl is required to deliver anything like the returns needed for the investment to meet regulatory and environmental compliance. In addition, there is the continuing reduction in BPS income which in 2024 was around 50% of the income received in 2021.

We have recently analysed our specialist dairy farm accounts with a summary in the table below together with a forecast for 2024/25. We only include specialist dairy farm accounts for bench marking as mixed farm accounts can skew the average results. We also include all the costs to the business including rent and finance and we don't deduct non milk income and call this 'net cost of production' which is used by some milk buyers.

The Dairy Group : cost of milk production analysis						
	Average	Average	Change	Top 25%	Top 25% v Av.	Forecast
Year end	**2022/23**	**2023/24**	**2024 v 2023**	**2023/24**	**Diffrence**	**2024/25**
	ppl	**ppl**	**ppl**	**ppl**	**ppl**	**ppl**
Milk sales	45.5	40.2	-5.3	39.6	-0.6	40.5
Livestock sales	4.2	4.6	0.4	4.2	-0.4	4.6
Valuation change	-0.4	-0.4	0.0	-0.1	0.3	-0.4
Total output	**49.3**	**44.4**	**-4.9**	**43.7**	**-0.7**	**44.7**
Feed	14.2	13.1	-1.1	12.2	-0.9	12.2
Forage	2.8	2.1	-0.7	1.9	-0.2	1.9
Vet & med	1.5	1.2	-0.3	1.2	0.0	1.2
AI/recording	0.7	0.9	0.2	1.1	0.2	0.9
Bedding & sundries	2.3	2.3	0.0	2.0	-0.3	2.3
Total Variable Costs	**21.5**	**19.6**	**-1.9**	**18.4**	**-1.2**	**18.5**
Gross Margin	**27.8**	**24.8**	**-3.0**	**25.3**	**0.5**	**26.2**
Wages paid	3.5	4.8	1.3	2.9	-1.9	4.9
Power & Mach	8.7	9.3	0.6	6.5	-2.8	9.4
Property costs	3.4	3.8	0.4	2.3	-1.5	3.8
Administration	1.3	1.2	-0.1	0.8	-0.4	1.2
Rent & finance	2.6	2.9	0.3	2.7	-0.2	3.0
Total overhead costs	**19.5**	**22.0**	**2.5**	**15.2**	**-6.8**	**22.3**
Profit before unpaid wages	**8.3**	**2.8**	**-5.5**	**10.1**	**7.3**	**3.9**
Unpaid family wages	2.7	3.4	0.7	2.5	-0.9	3.4
Profit after unpaid wages	**5.6**	**-0.6**	**-6.2**	**7.6**	**8.2**	**0.5**
Total costs	**43.7**	**45.0**	**1.3**	**36.1**	**-8.9**	**44.2**
Non dairy income	**3.4**	**2.4**	**-1.0**	**0.6**	**-1.8**	**2.5**

The average farm in the table sold 1.9 million litres in 2023/24, so well above the UK average. Last year saw a 6.2ppl reduction in profit to give a loss of 0.6ppl, mainly due to the 5.3ppl reduction in milk price. So, whilst the variable costs

EDITORIAL

Welcome to our September 2024 newsletter. The first article reviews the outlook for milk prices and cost of production, highlighting the difference between average and Top 25% where the cost of production for the Top 25% is almost 9ppl below average.

When reviewing herd fertility, conception rates tend to be the focus. The second article covers the effect that submission rates have on herd fertility.

The third article reviews the detail of the SFI 2024 expanded offer which is now open for applications whilst the final article covers Environment Agency (EA) inspections.

Reading an article in a US journal which recommended that water troughs should be cleaned twice daily inspired the 'news in brief' article about water which is frequently referred to as the 'forgotten nutrient'.

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

reduced by 1.9ppl, the overhead costs increased by 2.5ppl, which together with the 0.7ppl increase in family wages resulted in the cost of production increasing by 1.3ppl to 45ppl. The challenge going forward is how to deal with significant milk price volatility and to manage higher costs. Our Top 25% cost of production was 8.9ppl below the average due to virtually every cost item being lower and generated a profit of 7.6ppl after family wages.

The forecast for 2024/25 is for the cost of production to reduce by 0.8ppl to 44.2ppl, mainly due to the 0.9ppl reduction in feed cost. The forecast is for a small profit of 0.5ppl, which is a return to the run of losses in the years before the exceptional profit in 2022/23. The actual out turn for 2024/25 will depend on what happens to milk price over the rest of the year to March 2025. A good opportunity for reducing the cost of production is to look at the highest cost which at 29% of total costs is purchased feed. There may be scope to reduce feed costs by making the best use of home-produced forage and buying the cheapest sources of energy and protein to meet the nutritional needs of the livestock on the farm.

Our benchmarking analysis has 38 points of comparison with our Top 25% target 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. Managing volatility requires a thorough understanding of the cash position of the business, which requires a forward budget which will help to identify the peak borrowing requirement. Whilst there is uncertainty over milk price going forward it is relatively easy to update a budget for milk price changes to see how this impacts on cashflow. Free business support is available, please contact the office for more information about FFRF (Future Farm Resilience Fund).

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

Heat detection – a key driver of profit

Jamie Radford, Dairy Business Consultant

Herd fertility is a key driver of profitable dairying. Pregnancy rate is a widely used Key Performance Indicator (KPI) for fertility performance and is calculated as follows:

Submission rate (the percentage of eligible cows that are served during a 21-day period)
multiplied by
Conception rate (the percentage of services that result in a pregnancy).

If fertility issues arise, conception rate is often the main discussion topic and submission rate can be forgotten about. The top 25% of herds in NMR's 2023 500 herd survey averaged 53% submission rate, which when you think about it is poor; only half of the cows that were eligible at any one time were actually served.

What should your target submission rate be? Block calvers aiming for an 8–12-week calving period need to be achieving submission rates of at least 90%. All year round calvers should be aiming for 75-80%. The scenario below illustrates the importance of submission rate by comparing how many empty cows there would be in a group of 100 cows after 84 days (4 cycles), assuming a conception rate of 45% in both scenarios:

Time period after VWP	Cows eligible to be served		Cows Served		Cows Pregnant		Remaining Empty cows	
Submission rate:	**53%**	**75%**	**53%**	**75%**	**53%**	**75%**	**53%**	**75%**
0 – 21 Days	**100**	**100**	**53**	**75**	**24**	**34**	**76**	**66**
22 – 42 Days	**76**	**66**	**40**	**50**	**18**	**22**	**58**	**44**
43 – 63 Days	**58**	**44**	**31**	**33**	**14**	**15**	**44**	**29**
64 – 84 Days	**44**	**29**	**23**	**22**	**11**	**10**	**34**	**19**

Increasing the submission rate from 53% to 75% results in 15 less empty cows at the end of the 84-day period. Based on a cull value of £900 and a replacement heifer cost of £2,200, that represents an extra profit of £19,500 and that's before factoring in the milk lost due to the extended lactations. The most important factors to consider when reviewing submission rates are:

- Nutrition, body condition score, environment (feed & loafing space, lighting, etc), health.
- Records – half the battle is knowing which cows you should be looking for and keep records up to date.

- Heat detection routine - make sure there is one! All staff should be trained to recognise and record signs of bulling, with or without detection aids such as tail paint.

With skilled labour at a premium, many farms are investing in monitoring systems to aid heat detection. Previous rounds of the FETF grant have included funding for activity monitoring and it is expected that applications will open again this year. There is a plethora of systems on the market, using collars, ear tags, pedometers or boluses that can monitor activity, rumination and temperature to identify bulling cows and potential health issues. On farms that have installed these systems, submission rates improve. Both conception rates and herd health may also improve due to timing of insemination and health problems being picked up earlier.

Selecting an appropriate system can be a minefield. If you have a herd fertility problem, you are considering an investment in an activity monitoring system or you want to maximise the potential of an existing system, please discuss with your consultant who can independently review your options.

Jamie provides dairy technical and business management advice to clients across South West England. He can be contacted on 07795 385497

The SFI 2024 Expanded Offer

The SFI 2024 expanded offer is now open for applications and should offer all farms an opportunity to replace some of their lost BPS income. The new offer includes:

- familiar actions from the SFI 2023 offer, some of which have been updated
- new actions such as no-till farming, precision farming and spring-sown or summer-sown cover crops
- actions previously offered under Countryside Stewardship Mid-Tier but updated for SFI to reduce management prescription wherever possible.

There are now 102 actions available. Applicants should be aware of some key changes compared to SFI 2023:

1. Ten actions are now “limited” area actions. This means that the total eligible area entered into one or more of these actions must not be more than 25% of the total agricultural area of your farm. The actions affected are some of those that take land out of production, including flower-rich grass margins or winter bird food as examples.

2. Some key changes have been made to the management prescriptions of some of the actions. Applicants should review the detailed prescriptions for the relevant SFI 2024 actions before applying.

3. Some actions are now only available on part of the available area in each land parcel. This is particularly important for CAHL2 (winter bird food on arable or horticultural land) which is now only a part field action.

4. “Endorsements” from either a Natural England or Historic England advisor will be required for some of the new SFI actions. This is to ensure that the land is suitable for the action to protect habitats, species or historic features. More details regarding this will be made available later in 2024.

Businesses with live SFI 2023 agreements are no longer able to add land to their existing agreements. If you wish to add new land or options relevant to your farm you will need to apply to the SFI 2024 expanded offer. New agreements can run alongside existing SFI agreements meaning businesses could have multiple agreements running concurrently with different actions and prescriptions for those actions.

The Grant Manager Service from The Dairy Group will help collate all live agreement documents, providing a practical overview of all live schemes with relevant option maps. All options require record keeping and evidence to demonstrate that appropriate management of the actions has taken place. Our consultants can also provide the relevant management plans to support options CNUM1, CSAM1 and CHRW1.

Please discuss SFI 2024 actions with your consultant who will be able to evaluate the best mix of actions for your farm from the actions available.

As a final note, farms with live SFI 2023 agreements will need to complete an annual declaration to confirm that the actions within the agreement have been delivered. The timing of the declaration depends on when your agreement started but notifications will be sent from the RPA to agreement holders.

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

Environment Agency inspections

Naomi Read, Senior Dairy Business Consultant

The Environment Agency (EA) are continuing to undertake routine farm inspections in a bid to improve water quality.

What should you expect? The regulatory requirements vary between the devolved regions. In England, the main purpose of an EA inspection is to assess the compliance and pollution risk of all structures that fall under the Silage Slurry and Agricultural Fuel (SSAFO) Regulations which includes silage clamps and effluent storage, slurry handling and storage and fuel oil storage. In addition to the physical inspection, farms are required to supply paperwork to demonstrate compliance with other regulations such as Farming Rules for Water (FRfW), Nitrate Vulnerable Zones (NVZs) and relating to water abstraction. Following an inspection the farm will be sent an 'Inspection Findings Report' summarising the main points of the inspection along with relevant action points with completion deadlines.

How can you prepare? If you haven't had an inspection yet, there are several things you can do to prepare. Ensuring you have the required paperwork in order is an easy first step. Our experienced consultants can help you to:

1. Complete a drainage plan showing the management and separation of clean and dirty water (now classified as slurry).
2. Ensure your slurry wizard is up to date and reflects the current livestock numbers and takes into account the redefinition of dirty water as slurry.
3. Provide a silage clamp plan showing clamp capacity and silage effluent storage.
4. Ensure soil samples are up to date and complete a forward nutrient management plan.
5. Ensure all relevant NVZ paperwork is up to date, including a spreading risk map.
6. Where relevant, review water abstraction type and usage against the relevant legislation (N.B. up to 20m^3 per day without a licence)

Some clients have found it beneficial to run through a 'mock' inspection with their consultant to identify possible non - compliances and potential solutions prior to a formal EA inspection.

You've had an inspection, but what next? The statistics from inspections to date shows a high proportion of farmers being non-compliant and with numerous actions to complete with deadlines for completion. Often these actions have significant financial implications, especially when related to slurry and silage storage. Our consultants can provide business planning advice to help you understand the financial implications of any capital investments, access any relevant grant funding and secure additional finance if necessary.

Naomi is a dairy business management consultant based in Somerset. She can be contacted on 07768 701135.

News in brief.....

Is water the silver bullet? Milk is 87% water – as milk yields have increased, so too have requirements for water. It may not have been an issue at lower yields but has provision of water become a major limiting factor to herd performance? Water quality (the presence of excess or unwanted elements or micro-organisms) and cleanliness (cows have a sense of smell eight times greater than humans so foul odours or tastes will reduce water intake) can both influence consumption. Equally as important is accessibility (trough provision, position and fill rates) to prevent bullying at the water trough and enable all cows to consume enough water to meet their requirements. At least 10% of the herd should be able to drink at any one time or there should be a minimum of 10cm of trough space for every cow in the herd. Evaluating water quality and accessibility can uncover some 'easy wins' to allow your cows to fulfil their potential.