

The Dairy Group

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Feed costs & feed buying

Christine Pedersen, Principal Consultant

Our latest MCI dairy herd costings report shows that average feed price is now below £300/t, but of course the average masks a wide range in price. Feed costs below 8 ppl should be targeted this spring, relying on both feed rate & feed price.

Amongst other factors, feed rate depends on the quality of conserved forage or grazing presented and expected forage dry matter intake levels appropriate for the stage of lactation. It is a good time to review grazing and forage strategy and to identify opportunities for improvement. Moving from 25% dry matter, 10.5 ME, 14% protein to 30% dry matter, 11.5 ME, 16% protein grass silage can increase milk yield by 2 litres or reduce feed rate from 0.31 kg/litre to 0.25 kg/litre.

It is always good practice for businesses to obtain three quotes for significant purchases. Comparing quotes for straights should be straightforward based on price, but comparing compound feeds is more difficult as you cannot be confident that you are comparing 'like with like' unless you have specified the quality you require.

We source a range of key dairy inputs including compound feeds and minerals through a competitive tendering process which saves our clients the time and hassle of comparing quotes. We can be confident that we are comparing 'like with like' quotes as we invite tenders for compound feeds based on specifications for energy, protein, starch, oil and neutral detergent fibre (NDF) levels. We request proposed formulations from the companies tendering which are checked to ensure that the products supplied will meet our specifications and the contract is awarded to the supplier offering the most competitive quote.

During the contract period, random samples of the dairy compound are taken for independent analysis to ensure that the original specification is achieved. Put simply, we are quality controlling the dairy compound supplied to the group. Have you checked the quality of the compound feed you are feeding? If not, your consultant can arrange to take a sample and review the results.

Due to the continued strength of our buying group's ability to negotiate prices for high quality feed, group members typically save 10 – 15% of the cost per tonne for dairy compounds. We source around 20,000 tonnes of dairy compound feed annually through our 8 regional groups so the benefit of our competitive tendering process speaks for itself

Group members cite feed quality, convenience and of course the cost savings as advantages. To make use of our sourcing services for dairy compound and other products including minerals, maize and grass seed, please ring the office or speak to your consultant.

EDITORIAL

Welcome to our first newsletter of 2025. The first article looks at feed costs and reviews some options to reduce this single area of cost that typically represents 30% of the total cost of milk production.

The second article builds on lessons learnt from our cost of production analysis and how you can make a profit of 10 ppl.

The third article covers the management of SFI agreements and nutrient planning.

In brief articles include an update on grants and a welcome to two new colleagues to The Dairy Group.

We are exhibiting at Dairy Tech on Wednesday 5th February at Stoneleigh Park. Please join us for refreshments and to meet the team at stand T65, Hall 1.

My colleague Richard Lane and I will also be at the MGA conference in Somerset on 11th & 12th February.

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



How do you make a profit of 10 p/litre?

Ian Powell, Managing Director

Our analysis of dairy accounts shows that the Top 20% of dairy producers were able to make profits of 10 ppl in the year to March 2024, but what are the factors that contribute to their success?

Clearly a competitive milk price makes a significant difference. The average 12 month rolling price by March 2025 is likely to be around 45ppl, but the outlook for the year ahead looks more uncertain with milk production rising and dairy markets softening. Whilst there may be opportunities to maximise milk price within an existing milk contract or by moving to a better contract, there is no control over the market forces of supply and demand. Successful businesses focus on the factors within their control that will have the greatest impact on profitability:

Benchmarking: Independent accounts analysis compares your business with the Top 25% to identify strengths & weaknesses, opportunities & threats.

Strategy: Is there a 5-10 year plan for the business? What is the plan for herd size & milk yield and what investment is necessary to meet compliance requirements and achieve the plan? Sensitivity analysis can be used to understand the effect of any changes to budgeted milk price.

Genetics: Decisions made today will affect the herd in 5 years' time; high performing herds tend to have higher £PLI and are genomically testing female progeny. How does your herd compare?

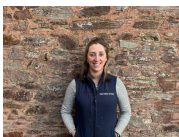
Forage quality: The most profitable farms consistently produce high yields of high quality forage, equivalent to 120 GJ/ha. To achieve this, soils need to be in optimum condition with good soil structure and nutrient status, aiming for a minimum pH of 6.5, soil P index 2 and K index 2-.

Purchased feed: This single cost represents 30% of the total cost of milk production so feed cost savings (as discussed in the previous article) have a significant impact on profitability. How does your purchased feed quality & costs compare?

Staff: How would your team describe your communication and management style? It is far easier to retain good quality staff than to recruit new ones. Competitive pay is crucial for retaining skilled staff but other factors including accommodation and effective communication are also important. A motivated and stable team is essential for consistent high performance.

Business control: An annual budget provides the opportunity to set out the key physical & financial factors to achieve the business strategy and will identify the peak borrowing requirement and how any capital investment will be funded.

Our team of independent consultants work with businesses achieving 10 ppl profit and are challenging other businesses to achieve the same. Profitability is not defined by the dairy system, but by optimising output, and cost control is essential. Based on a budgeted milk price of 40ppl, a cost of production of 37ppl is necessary to generate 10ppl profit (assuming cull/calf income of 5ppl and non-dairy income of 2ppl). The cost of using independent dairy business consultants is around 0.3ppl out of a total of 37ppl to help your business progress to Top 25% performance which seems like a good investment?



SFI manager and nutrient plans

Naomi Read, Senior Dairy Business Consultant

The Sustainable Farming Incentive (SFI) has evolved with the 'expanded offer' being launched in autumn 2024. Many farm businesses have entered the scheme to generate revenue to replace reduced BPS income and early applicants are being asked to submit their 1st annual declaration.

As well as supporting our clients to develop and submit SFI applications, our SFI Manager service has been developed to navigate the practical management of live SFI agreements alongside other existing schemes. SFI Manager provides a single point of reference allowing the agreement holder to manage the scheme and record the relevant evidence to demonstrate compliance in the event of an inspection.

The information collated is bespoke for each business and includes:

- agreement documents
- details of the relevant option management prescriptions
- cropping plans and option maps, updated annually to show rotational option parcel changes
- overview of the scheme record keeping requirement summarised by option
- provision for recording and filing records to demonstrate all actions have been completed

Our experienced FACTS qualified consultants can prepare the soil and nutrient management plans required under CSAM1 and CNUM1. Nutrient applications for the coming year's crop should be planned now ahead of spring applications. Ensure that standard soil tests are up to date (less than 5 years old) and consider the requirement for organic matter for CSAM1.

SFI offers an annual payment of £652 to assess nutrient management (option CNUM1) but there are many other benefits to planning nutrient applications, not least compliance with relevant environmental regulations, such as the Farming Rules for Water. The Environment Agency's on-farm presence has increased over recent years and up-to-date soil analysis and a forward nutrient management plan (NMP) are a basic requirement.

Accounting for nutrients supplied via the soil and targeting manure applications appropriately can help to reduce overall purchased fertiliser usage which has a financial benefit and a positive impact on your carbon footprint. Based on current fertiliser prices, standard dairy slurry is valued at £3.82 per cubic metre and an application of 30m³/ha has a value of £115. Given the challenges dairy businesses are facing, maximising the nutrients within home-produced slurries is a straightforward step to take. Please ask your consultant for more information.

In brief

Grant update – the Countryside Stewardship capital grant scheme is currently closed and the processing of existing applications is paused. An update from the Rural Payments Agency (RPA) is expected in early 2025 and we are advising clients to progress applications, especially those that require CSF endorsement, in preparation for the grant reopening. There are some capital grants available now but these are not relevant for most dairy businesses.

Other capital grant schemes which include the Calf Housing Grant, Improving Productivity Grants (relating to Solar PV and robotics) and Slurry Infrastructure Grant are closed to new applications. The closing dates for final applications from invited applicants are fast approaching. These applications are complex and require a considerable amount of information. We advise that clients progress them now to ensure they do not miss out on this grant funding opportunity.

There are no changes to Countryside Stewardship Mid-Tier agreements. Preview guidance for Countryside Stewardship Higher Tier (CSHT) has been released that sets out what funding will be available. Full guidance will be published before applications open in summer 2025.

The Sustainable Farming Incentive (SFI) remains unchanged and we continue to encourage clients to enter the scheme to replace some of their lost BPS payments.

New Consultants: a warm welcome to 2 new colleagues who recently joined The Dairy Group:

David Darlington is working in the Midlands and North, covering both technical and business aspects of milk production. David joined The Dairy Group after managing a high yielding dairy business and has experience of both robotically and conventionally milked systems.



Rachel Hall is a qualified vet now working with The Dairy Group. Rachel grew up on a dairy farm in West Yorkshire, has worked with large dairies in the U.S. and is now based in South-West Scotland. Her professional interests include milk quality and mastitis control, staff training and youngstock management.

Maize Growers Annual Conference: Christine Pedersen and Richard Lane will be at the Maize Growers Annual Conference in Somerset on 11th & 12th February. If you are attending the conference, please visit our stand to meet them.

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.

Website: www.thedairygroup.co.uk,

Email: enquiries@thedairygroup.co.uk

Dairy herd management: www.dairy-mci.com

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Ian Powell



Ian is Managing Director and is responsible for our dairy data including MCI dairy costings, accounts analysis & milk price modelling. Ian works with dairy farmers in the south of England providing dairy technical and business advice including business strategy, forward budgets and monitoring. Ian is FACTS and FAR registered and is experienced in both feed and fertiliser planning.

Ian Ohnstad



Ian has worked as a Milking Technology Specialist for 33 years, including the last 20 years as a Director of The Dairy Group. He leads a team of dairy consultants offering advice on all aspects of milk harvesting and milk quality across the UK and overseas. He is actively involved in several international mastitis and milk quality organisations and is the Chairman of the British Mastitis Conference.

Christine Pedersen



Christine is an experienced dairy business consultant working with farmers across Southern UK on all aspects of dairy technical and business management performance. Christine is FAR registered and specialises in Ruminant Nutrition (dairy and beef). She manages the compound feed sourcing offer which is available for clients of The Dairy Group.

David Darlington



David provides advice to dairy farmers in the Midlands & the North to improve technical and business performance. Business advice includes appraisals & planning, budgets & cashflow forecasts and grant applications. Areas of technical consultancy include nutrition & feed planning, milk forecasting and milk price analysis.

Jamie Radford



Jamie works with businesses in the South-West. Drawing on extensive practical experience, his focus on technical performance (milk output, fertility, health) allows his clients to maximise the potential of their herd. Jamie helps farmers make informed business decisions which drives sustainable growth and improves profitability.

Naomi Read



Naomi works with dairy businesses in Somerset & Devon. She advises clients on a range of business and technical issues including business analysis & planning, grant schemes and dairy herd performance. She has specialist knowledge of environmental legislation and compliance and works with the E.A. and aligned agencies on behalf of clients. She is FACTS and BASIS qualified and skilled in nutrient planning.

Richard Lane



Richard delivers consultancy across Southern England to cover nutrition, herd monitoring & benchmarking, business planning & management. He works with farm businesses to drive productivity & efficiency and reduce waste whilst improving animal welfare and environmental sustainability. Richard's key interests are maximising feed efficiency through forage production for both housed and grazing systems.

Susie Felix



Susie works with farmers in North-West England & North Wales. Her focus is business management; business reviews, plans, cashflow forecasts and investment planning. Other areas of consultancy include dairy herd nutrition, NVZ compliance, environmental stewardship and grant applications. Alongside her clients, Susie also works closely with accountants, bank managers and Government agencies.

Tim McKendrick



Tim specialises in Dairy Husbandry and Dairy Design. Designing new milking facilities, including robotic milking and dairy cattle buildings for all ages of cattle, to maximise animal welfare and enable efficient operations, using current research and technology to ensure the most up to date and modern buildings are provided for the client.