

The Dairy Group

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Dairy business crisis

Ian Powell, Managing Director

The Defra Farmgate price has levelled out at 34ppl, the lowest since November 2021, with May likely to show a modest improvement. UK production was +0.8% in April (compared to last year) and is expected to be close to 0% in May. The change in supply returning to zero confirms that supply, market returns and the farmgate milk price have all reached the bottom of the cycle. There are some signs of the milk price starting to recover with Saputo/Davidstow +3.25ppl in June/July delivering 36ppl which is well above other cheese makers.

Our average cost of production for the year ending 31/3/26 was 47.4ppl, which gave a profit after family labour of 3.5ppl. At the current average milk price of around 34ppl and cost increases of 2.8ppl (feed, fuel and fertiliser), the outlook is for the average cost of production to rise to 50.2ppl and the loss after family labour of 9.2ppl.

The average breakeven milk price for the current year is around 43ppl (50ppl cost of production less cull & calves of 7ppl) and if you include non-dairy income (SFI, rent & sundries) of 2.4ppl you get down to 40.6ppl; and with no reinvestment (depreciation of 3.2ppl), the average 'survival' price is 37.4ppl. There is a very wide range in the cost of production of 15ppl, which means the average survival price of 37.4 ppl hides a range from 29.9 ppl to 44.9 ppl.

What survival strategies can dairy farmers adopt?

- Know and understand your own cost of production & benchmark with the top 25% to identify high-cost areas for further investigation.
- Evaluate and buy inputs based on value for money, e.g. via a buying group.
- Review your milk supply contract – are you maximising your milk income and gaining all available bonuses? What about cull and calf sales?
- Prepare a cashflow forecast to understand your peak borrowing requirement & how to mitigate. Monitoring the cashflow is just as important as it provokes action when things start to deviate from the plan.

Meaningful action plans can help keep you focused and on track by breaking goals down into bite-sized, manageable activities against which you can measure progress. Please contact The Dairy Group if you wish to discuss further.

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 2026 newsletter. Many dairy farm businesses are trapped in a vice of rising costs and low milk prices which challenges cashflow management and profitability in the current financial year which is the topic of our first article. Diversified income streams can help buffer the volatility of dairy production which is discussed in the second article.

Grazing and transition cow management are discussed in the third and fourth articles. The newsletter concludes with an article about effective evaluation of milking systems to ensure that milk is harvested quickly, gently, and completely without damaging teat tissue or compromising hygiene.

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



Creating diversified income streams

Susie Felix, Senior Consultant

Utilising all farm assets to create other income streams can be an effective method to help buffer the volatility of dairy production, protect long-term business profitability and the integrity of assets. There are a wide range of opportunities including:

- Using environmental schemes such as the Sustainable Farming Incentive (SFI) to generate additional income to support and enhance land management or for features on the land that are not used for production.
- Utilising buildings unsuitable for modern agricultural practices for activities such as storage, sports or workshops or using tractors and machinery for seasonal work.
- Exploiting areas of the farm's infrastructure or land area that are no longer productive or adequate for agricultural production, for example, secure dog walking paddocks or event space.
- Creating activities on suitable areas of land of the farm which are under-utilised e.g. camping or fishing ponds.
- Adding value to dairy products e.g. vending machines, cheese or ice-cream making.

A feasibility study should be completed before initiating any diversification ideas or opportunities to understand the level of resources and investment required and of course the viability including demand and possible competition. Technology can now be used to reduce labour requirements for example booking apps for online reservations and payments (e.g. padel courts) and media marketing can be outsourced to experts so does not need to be a barrier.

If you are not currently in an environmental scheme, this is an obvious place to start. Near-final scheme information for this year's **Sustainable Farming Incentive offer (SFI26)** is now available. The first application window ("Window 1") will open from 30 June 2026 for 2 groups:

- Small farms (3 - 50ha of agricultural land registered with the RPA and linked to its SBI on 1 January 2026).
- Farms without an existing Environmental Land Management (ELM) revenue agreement (SFI, CSMT, CSHT or HLS0).

'Window 2' will open in September 2026 for all farmers. There is no fixed application closure date as that will depend on demand. You are advised to review the scheme details now and prepare to apply once the relevant window is open.

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



Maximising milk yields from grazed grass

Jamie Radford, Dairy Business Consultant

Well managed grazing systems remain one of the most cost-effective ways to produce milk, with grazed grass continuing to be the cheapest feed available on most dairy farms. However, to maximise milk yields from grazed grass, it is essential to manage grass supply and quality accurately throughout the season.

One of the most valuable tools for grassland management is a plate meter which converts compressed sward height into kilograms of dry matter per hectare, providing a reliable picture of how much feed is available on the farm. Weekly grass measurements help identify surpluses and deficits early, allowing grazing plans to be adjusted.



Feed budgeting is a key part of grazing management. The information collected from plate metering is used to create a grass wedge which is a visual grazing management tool that shows the amount of grass or cover available in each paddock. Informed decisions can be made about grazing rotations, supplementation, and grass utilisation.

Good grazing management also means maintaining grass quality. If the grass wedge shows that farm cover exceeds the herd's requirements or pre-grazing covers are too high (above 3,000 kg DM/ha), surplus paddocks can be removed from the rotation and cut for silage. Allowing grass to become too long and stemmy reduces digestibility, lowers intakes and ultimately impacts milk yield. Removing surplus grass ensures cows only have access to leafy, digestible, high-energy grass and helps keep the grazing platform operating efficiently.

Maintaining strong grass growth requires an effective nutrient strategy. Grass productivity should be maximised through the targeted use of nutrients - phosphate and potash applications should be based on up-to-date soil analyses. Sulphur deficiency is common in grassland and herbage analysis can be used to assess the need for sulphur applications. Correct soil pH is equally important for nutrient utilisation. Nitrogen uptake can be heavily influenced by weather conditions and requirements should be continually re-evaluated during the growing season, also considering the clover cover.

Increasing sward clover content can significantly improve grassland performance by naturally fixing nitrogen, reducing fertiliser costs and improving forage quality. Clover-rich swards can also enhance dry matter intake and milk production during the grazing season. If you are considering grassland reseeding options, the inclusion of clover is recommended.

Consistent grass measurement, accurate feed budgeting and proactive paddock management are essential components of a strategy to maximise milk production from grazed grass whilst controlling feed costs and improving farm profitability.

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



Key pillars of transition success

Richard Lane, Senior Dairy Business Consultant

The transition period—spanning three weeks before to three weeks after calving—is the most critical phase in a dairy cow's production cycle as it determines the cow's health, milk yield and reproductive efficiency for the entire lactation.

Achieving transition success requires focus on nutrition and cow condition that starts during the previous lactation with the aim of drying cows off in the same condition that you want them to calve in; ideally BCS 3.0 on a five-point scale. There is no 'one size fits all' strategy for grouping and feeding dry cows. Far-off and close-up groups can work well for some whilst others prefer a single dry cow group which reduces the number of stressful group changes for cows and simplifies feeding. Analysis of herd calving data frequently shows an average dry period of around 56 days but typically a range from 49 – 63 days, so the length of time cows have in the close-up group can be highly variable if running a far-off and close-up system.

During the pre-calving period, the cow undergoes massive physiological changes. Her nutrient demand for foetal growth accelerates, yet her dry matter intake (DMI) naturally declines by up to 30% as calving approaches. This mismatch creates a temporary state of negative nutrient balance. Diets should be formulated and presented to maintain rumen fill and stimulate intakes. Fresh, palatable rations correctly balanced for minerals to reduce the risk of milk fever must be available 24/7. Is there enough feed space? Transition cows should have at least 80 cm of feed space to reduce competition.

Post-calving the sudden onset of milk production causes an immediate drain on blood calcium and energy reserves. If the cow cannot adapt, her immune system crashes, opening the door to fresh cow disorders. Again, the focus shifts to maximising DMI and supporting milk production by providing high energy density diets that are correctly balanced to meet mineral requirements and with adequate fibre for good rumen health.

Progress cannot be managed if it is not measured. There are specific key performance indicators (KPIs) to audit the success of transition management including metabolic disease rates (clinical milk fever, ketosis and displaced abomasum), uterine health (retained placentas) and early lactation culling (less than 30 DIM). Colostrum quantity and quality which are both directly related to transition management can also be monitored.

Richard Lane specialises in both technical and business aspects of milk production, working across the Midlands. He can be contacted on 07717 502505.



Effective evaluation of milking systems

Ian Ohnstad, Milking Technology Specialist

As new milking installations become more complex and the financial consequences of inadequate milking performance become more serious, the technology and methods adopted to measure and monitor the efficiency of the milking process need to adapt at the same speed.

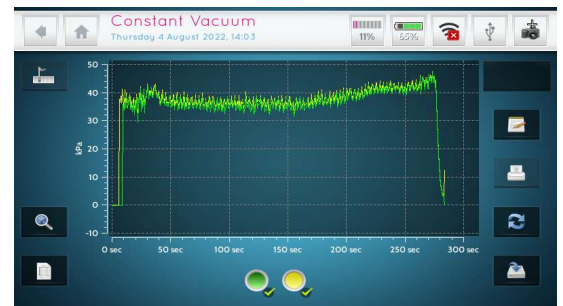
As well as slow and incomplete milking, a poorly installed, operated or maintained milking system can lead to issues of teat condition, clinical mastitis, elevated SCC's and high bactoscans. Whilst an annual obligatory static test of the milking equipment may be considered sufficient, this can be compared to buying a new vehicle without a test drive; a full evaluation of the milking system should involve 'test-driving' the parlour and evaluating the complex interaction between the machine, the operator and the cow.

A comprehensive milking time assessment is much more than just the recording of vacuum levels at various parts of the milking parlour when the machine is being operated. It should include an assessment of the operator, the effectiveness of the milking routine, cow cleanliness and teat condition.

An effective milking routine should achieve clean dry teats prior to cluster attachment, but is the routine sufficient to ensure good stimulation and milk let down?

A teat end vacuum trace, shown here can identify:

- Is the milking routine applied consistently for the duration of a milking with different operators?
- Are the ACRs set correctly to remove the milking unit promptly at the completion of milk flow? Is the removal sequence appropriate for the milking cluster?
- Is the working vacuum level suitable to achieve quick, complete and gentle milking?
- Is the most suitable liner being used which fits the teats and promotes good teat condition without leading to teat end and barrel congestion?
- Is the vacuum level stable during milking when clusters are applied and removed?
- How well is the inverter working on the variable speed vacuum pump or how sensitive is the vacuum regulator?



These questions can be answered by a comprehensive milking time assessment. Ultimately, an efficient milking system should milk all cows quickly and efficiently, but most importantly protect the integrity and condition of the cow's teats to provide the most effective barrier possible to prevent the introduction of new mastitis infections.

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

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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