

DN NEWSLETTER

issue 11

In uncertain times, we are seeing varying returns seen across farming businesses. For dairy farmers there is an ever widening milk price gap between milk buyers and for beef and sheep farmers the forthcoming reduction in subsidies means that farmers will need to be an increased understanding of their enterprises to allow changes to be made to optimise margins and support profitability.

It is important for farmers to know their costings and profits by having some sort of monitoring in place to track performance and identify areas for improvement. Knowing the cost of production, margins and where losses are being made allows more informed and rational discussions and decisions to be made, one example is feed use and utilisation.

Feed Use and Utilisation

One such aspect is the use of feed, be it home grown forage or bought in feed, it is vitally important that we maximise returns from all feed used by the business. We very often see reports that feed accounts for 60% of total variable costs, this is probably why we often also see it used as a key measure of production efficiency.

Focusing on the price per ton alone is not enough, we must also examine all areas of the feed cost calculation to ensure we are realising the greatest return.

- Are we optimising the use of home-grown feed and forage?
- Are we providing the animal with a ration that allows it to produce the litres of milk or kg of meat we require at the correct level of quality to optimise returns?
- Is feed targeted to the right animals that can deliver us the performance we require?
- Are we ensuring we utilise the maximum amount of the feed be it forage or bought in feed by minimising storage losses?

Losses may manifest themselves in different ways such as spoilage in a silage clamp, or losses of bought in feed between delivery and consumption, which for materials tipped into a shed and loaded into a feeder

wagon undercover can still amount to 7% or 2.1 tons out of a 30 ton load. Other losses can occur through inaccurate loading of materials and waste at the feed trough, all these factors combine to reduce the efficiency of the feed used as more kgs of feed are required per litre of milk or kg of meat produced. Other losses may occur if bird infestations, or vermin occur on farm and are not adequately controlled. Can feed be stored securely and can anything be done to reduce feed being taken from the trough?

Dairy Example

If we take a dairy cow fed 6kg compound per day

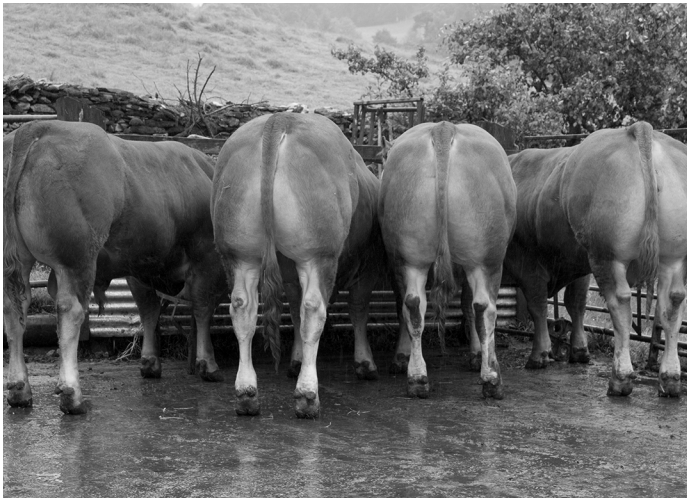
	Cost £/ton	ME (MJ/kg DM)	Lts/day from concentrate	Cost (ppl)
Compound	222	12.5	14.4	9.23
Compound	236	13.6	15.7	8.91

Milk produced assumes 5.2MJ required per litre

If we expand the example further and look to evaluate feed cost based upon the same level of production the results can be seen below:

	Kg req/14.4lts	Daily Cost (£)	Cost / ltr (p)
Compound A	6.0	1.33	9.23
Compound B	5.5	1.30	9.03





Beef Example

We can also look at the cost of a beef finishing diet in the same way with a focus on cost per kg liveweight gain (LWG).

	DLWG (kg)	Cost / day (£)	£ / kg LWG
Diet A	1.2	1.39	1.15
Diet B	1.5	1.61	1.07

Although the cost per day to feed the animal is greater using Diet B, the increased weight gain per day means the cost per kg gained is less. The upside to this is that the animal spends less time on farm which increases the potential throughput of the unit over the year.

When examined more closely many of these key areas come down to attention to detail. It's understandable that with time pressures on farm, due to labour and overall workload, that what may actually be really hurting the business financially is overlooked. Its sometimes worth investing a little time to assess your costs, highlight areas to target and putting in place some measures to improve things if the results aren't where you need them to be. Technology is available to help us achieve our goals, monitor performance and analyse results to ensure long term performance which is sustainable. Other aspects to consider are ensuring you are maximising your price in terms of your specific market or contract and milk / meat quality / specification, it may come from identifying key areas of the business which are underperforming such as the youngstock entering the herd, the management of dry and transition cows, losses or some underlying issue creating a financial pinch point.

Take Home Points

- If you don't measure you can't monitor and if you don't monitor, you can't manage
- Know your numbers, farmers in control of their numbers are financially more resilient
- Look beyond the price per ton of feed and instead focus on the performance it delivers, this enables you to look at the balance between cost and value and make rational, reasoned decisions
- Cheap isn't always best, lost performance can often mean the cost per unit of output produced is greater than feeding something of higher quality that may have a higher cost per ton
- Reconcile feed used against the plan and reduce any areas of wastage.

DN Can Help With Your Livestock Costings

Dairy Herds

The Kingshay Dairy Manager Service provides comprehensive costings data, along with the ability to benchmark and compare to similar herds.



We can also analyse your milk recording data through Interherd+ to help you to make reasoned decisions around managing your milk output, without having a long-term negative impact upon your herd.



Beef and Sheep Farms

We can utilise AHDB Farmbench programme free of charge to support you with full system costings.



Speak to your Sales Specialist to arrange setting costings up for your herd or for further information.