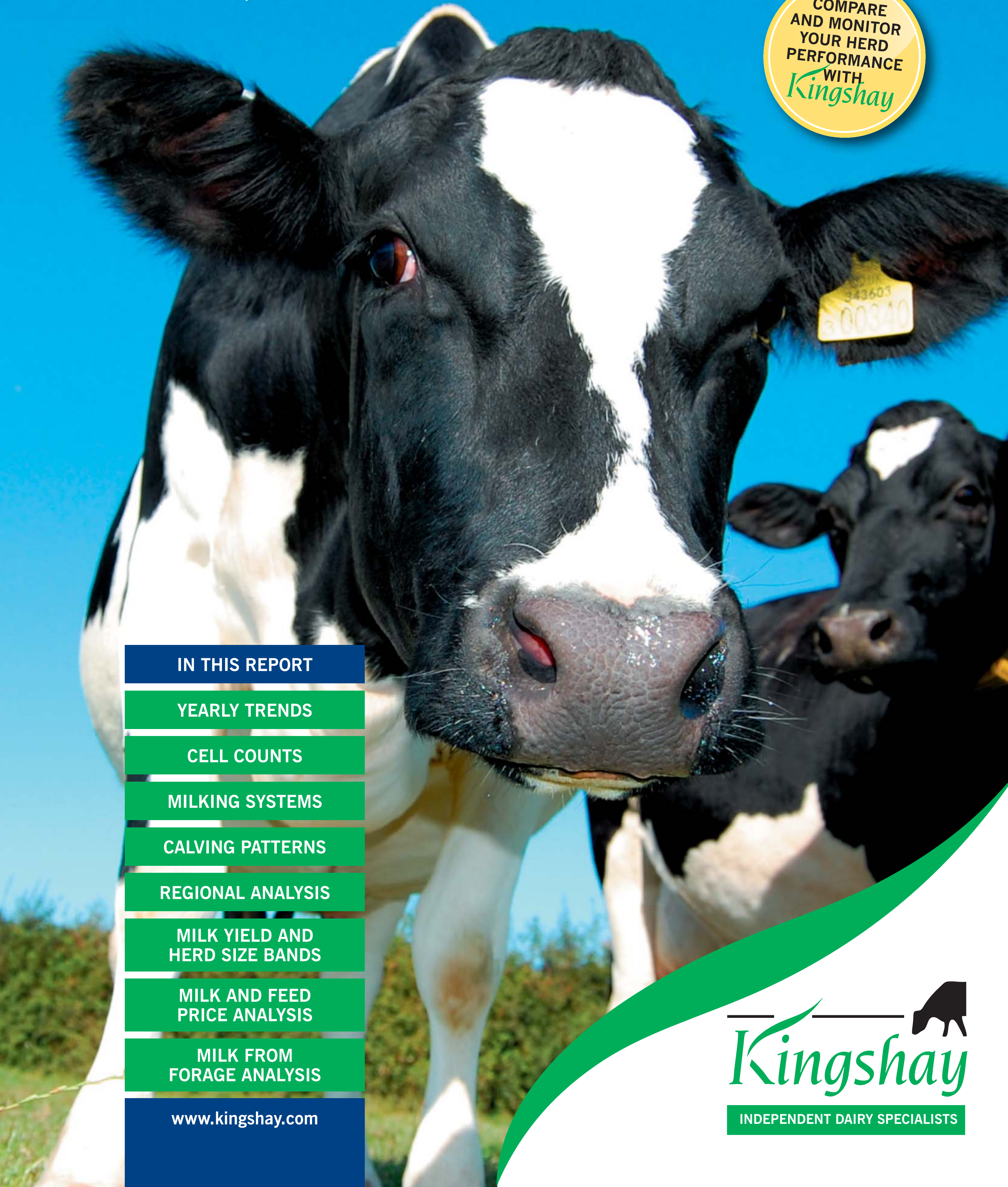
Kingshay DAIRY MANAGER

Dairy Costings Focus

Annual Report 2012



IN THIS REPORT

www.kingshay.com

Kingshay

INDEPENDENT DAIRY SPECIALISTS

Welcome

At Kingshay, we've worked for over 20 years to bring you independent information and practical support from the ground up.

"Kingshay – impressively unbiased and filling a vital role for tomorrow's dairy farmers."
Anthony Gibson

Based at Bridge Farm, a commercial dairy farm on the edge of the Somerset Levels, our team has faced the same changes and challenges as farmers across the UK.

The Kingshay offices, Bridge Farm, Somerset

Our unique combination of heritage and understanding is a crucial element in advising our members, whether our agricultural experts are driving a tractor on a field scale trial, answering a call on our telephone support line or carrying out a One2One Consultancy farm visit.

Not only are you assured that we are independent, unbiased and experienced, you know that we're committed to sharing our technical know-how and no-nonsense facts so you get the most out of your membership and truly unlock the potential on your farm.

Our network of experts is a call or a click away, and will happily advise on which Kingshay services are best suited to you, your farm and your aims.

Putting your trust in Kingshay – by joining, upgrading your membership or simply making an enquiry – ensures you stay up-to-date so that you can keep farming with confidence.

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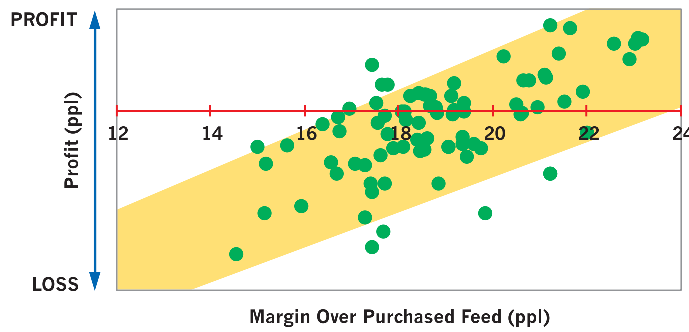
Introduction

Drawing on Kingshay's extensive Dairy Manager costings data, this Dairy Costings Focus enables you to benchmark your own herd's performance so you can build on strengths and address any weaker areas.

The leading costings service in the UK, **Dairy Manager** includes a comprehensive suite of reports from margin over purchased feeds, through herd longevity, forage reports and health analysis through to **Profit Manager**, which reports the full costs of production down to the bottom line.

MOPF vs Profit (ppl)



We've long promoted the mantra, ***"If you measure it, you can manage it"***; our experience shows the most profitable herds are those that keep accurate records and crucially use them to inform their business decisions.

Take the graph above. This sample indicates strongly that herds achieving a good Margin Over Purchased Feed (MOPF) also achieve a higher profit.

As a producer you need to know both you full costs of production and your sustainable milk price in order to:

- cover all costs of production
- provide a reasonable sum for reinvestment
- supply a return on your management skills and input.

Our **Profit Manager** reports can provide this information, based on recommended regular evaluations.

See pages 10-11 or visit our website, **www.kingshay.com**, to find the full list of **Dairy Manager** packages available.

Monitoring the key physical and financial drivers with our monthly reports will give you the best return on your time, ensuring 'seat of the pants' farming with only the milk cheque and the bank statement to refer to is a thing of the past.

Trends over the last 10 years

We are all aware of the substantial changes in the dairy industry over the last decade and an increased focus on production costs.

Kingshay's **Dairy Manager** has always given producers the facility to record their full costs of production – an approach we believe is essential. To do this, we offer quarterly and annual options through our Profit Manager reports, and in the meantime you can track the key factors of milk income and feed costs with our monthly Margin Over Purchased Feed reports. Feed is the biggest cost for most herds, just ahead of labour.

Efficient use of purchased feed is vital, as its total cost has almost doubled in 10 years from 3.94ppl. to 7.18ppl. Purchased feed costs now account for 60% of total variable costs and consume 26% of dairy incomes compared to 20% 10 years ago. This emphasises the need to refocus on producing high quality home grown forages.

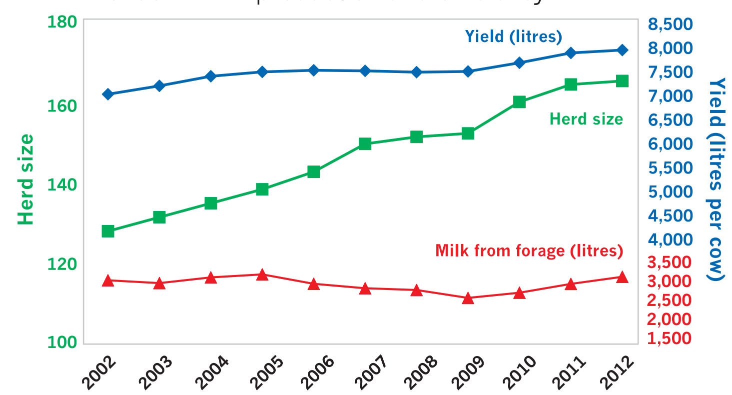
It's clear that producers are also driving for increased profitability through overall herd performance and reduced input costs.

Average herd size has increased from 124 cows in 2002 to 167 this year. Yield per cow has seen an increase of 16% over the same period while the % of culls for health related incidences has risen from 30% 10 years ago to 43%.

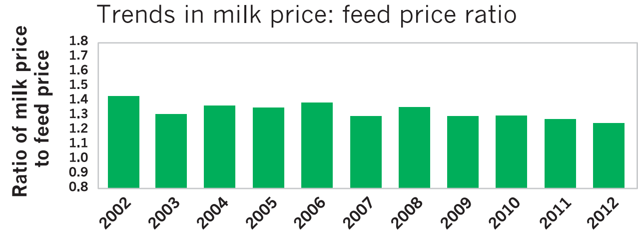
While milk price has risen 43% to 27.96ppl, feed costs have seen the biggest increase of 82% per litre, so the milk price to feed price ratio has declined.

However, it's not all bad news as analysis of Margin Over Purchased Feed (MOPF) per cow and per litre both show a significant improvement.

Trends in milk production and efficiency



Trends in milk price: feed price ratio



Annual rolling results

HOLSTEIN/FRIESIAN, CONVENTIONAL HERDS Year ending March		2002	2012	Difference	% change
Cows in herd		124	167	43	35%
Stocking rate	cows/ha	2.08	2.19	0.11	8%
MILK PRODUCTION					
Yield per cow	litres	6,928	8,034	1,106	16%
Yield from all forage per cow	litres	2,740	2,828	88	3%
% of total yield from forage		40%	35%	5	-13%
Milk price	pence	19.54	27.96	8.42	43%
Total milk value per cow	£	1,399	2,332	933	67%
Milk price: conc. price ratio		1.45	1.27	-0.18	-13%
FEED					
Concentrate use per cow	kg	1,920	2,343	423	22%
Concentrate use per litre	kg	0.28	0.29	0.01	4%
Concentrate price per tonne	£	135	221	86	64%
Other purchased feed cost per cow	£	22	66	44	200%
Total purchased feed cost per cow	£	273	577	304	111%
Total purchased feed cost per litre	pence	3.94	7.18	3.24	82%
All P. Feed @ 86% equivalent per cow	kg	2,222	2,716	494	22%
MARGINS					
MOPF per cow	£	1,080	1,662	582	54%
MOPF per litre	pence	15.60	20.78	5.18	33%

Regional analysis

We always find that analysis by region flags up interesting contrasts in milk production and prices.

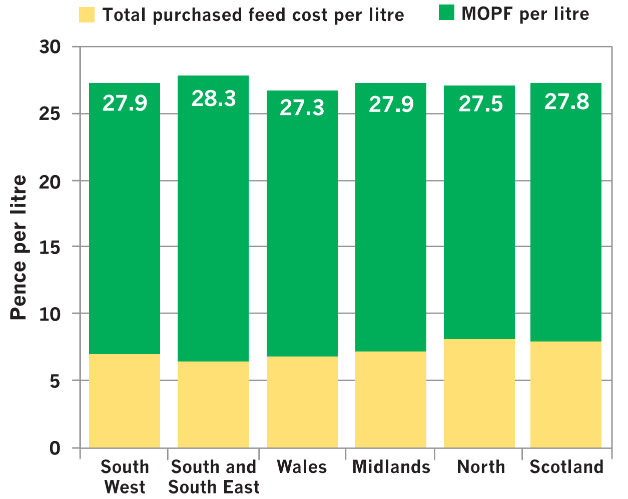
Join now and benefit from Kingshay's professional and commercial experience

For example, it may or may not surprise you to know that milk from forage declines the further north you go, reflecting growing conditions and the length of the grazing season.

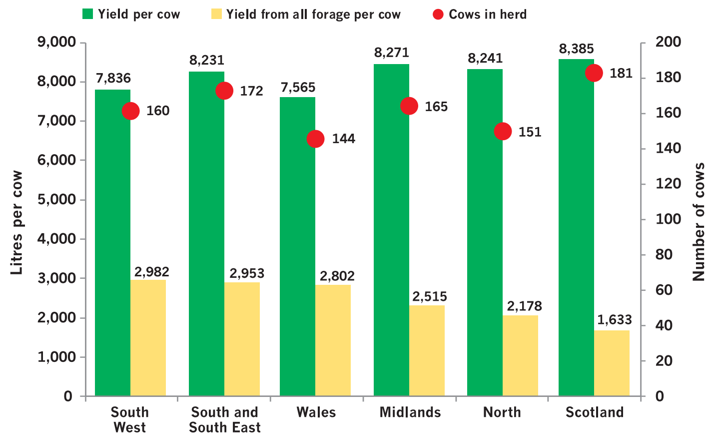
Producers from the southern regions enjoy higher utilisation of forages, resulting in a lower use of and higher margin over purchased feed. Milk prices are also linked to distance to market of some regions, with lower prices in Wales and the northern regions. Similarly, distances involved in haulage affect feed costs. The availability of moist co-products such as Brewers Grains in certain regions influences the proportion of concentrates in diets.

South and South East regions achieve the highest margin per cow and per litre thanks to a combination of higher milk income and lower purchased feed costs.

Margins by region



Herd performance by region



Annual results – Year End March 2012							
HOLSTEIN/FRIESIAN, CONVENTIONAL HERDS		South West	South & South East	Wales	Midlands	North	Scotland
Cows in herd		160	172	144	165	151	181
MILK PRODUCTION							
Yield per cow	litres	7,836	8,231	7,565	8,271	8,241	8,384
Yield from all forage per cow	litres	2,982	2,953	2,802	2,515	2,178	1,633
Milk price	pence	27.91	28.26	27.34	27.88	27.54	27.84
FEED							
Concentrate use per cow	kg	2,279	2,336	2,207	2,536	2,674	2,786
Concentrate use per litre	kg	0.29	0.28	0.29	0.31	0.32	0.33
Concentrate price per tonne	£	227	227	228	222	227	227
Other purchased feed cost per cow	£	50	78	57	72	73	90
Total purchased feed cost per litre	pence	7.03	7.09	7.06	7.53	8.06	8.55
MARGINS							
MOPF per cow	£	1,627	1,737	1,527	1,671	1,602	1,614
MOPF per litre	pence	20.88	21.17	20.28	20.35	19.48	19.29

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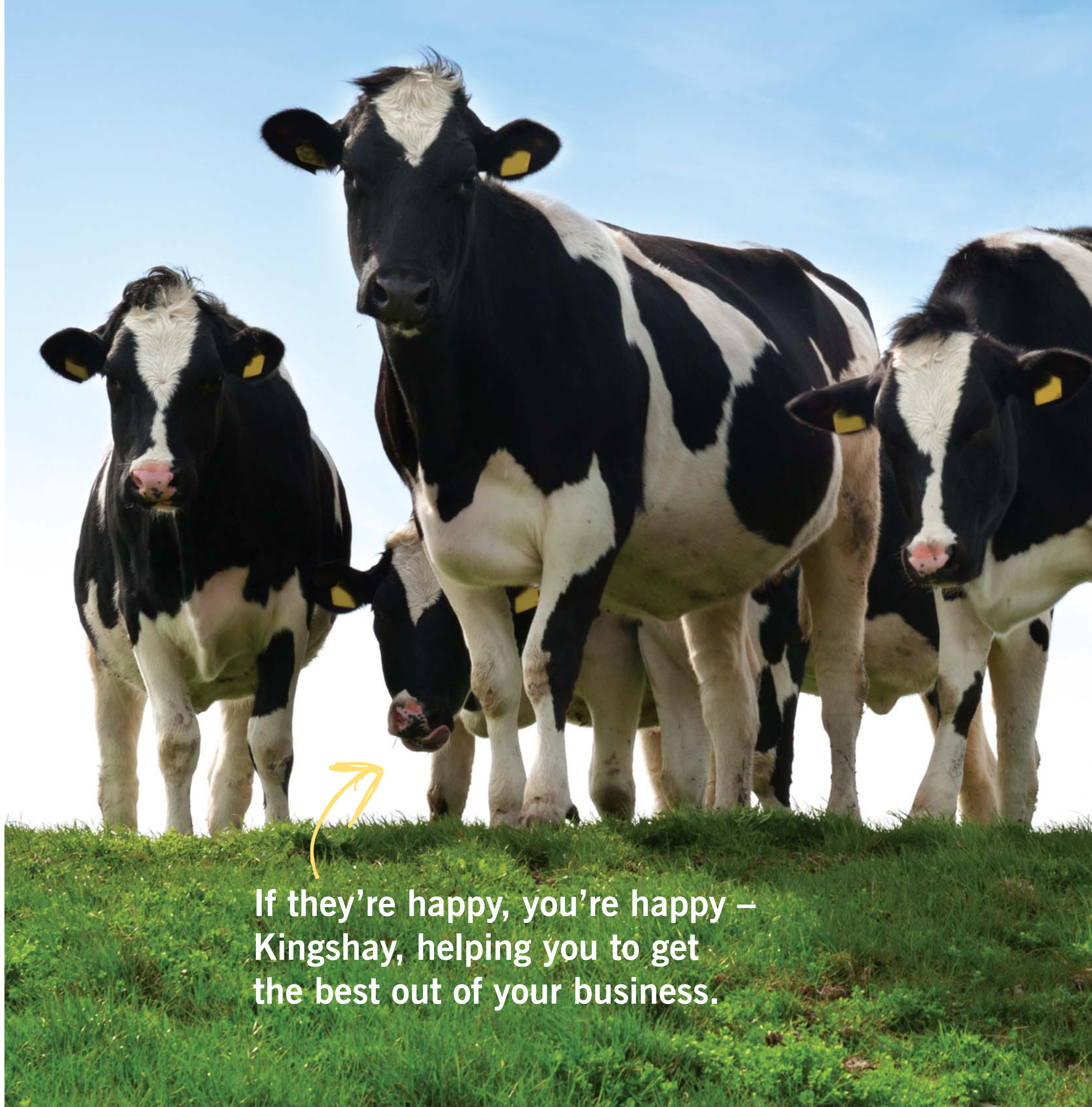
Our One2One Advice service can help you make informed choices on farm business planning, forage and fertiliser planning, herd nutrition and milk predictions.

All our Dairy Consultants and Advisors come from practical farming backgrounds and have full access to our independent research and trial results. Call **01458 851 555** for more information.



If they're happy, you're happy – Kingshay, helping you to get the best out of your business.

Milk yield bands

Our analysis by yield bands shows herds with the highest margins per cow are those achieving over 9,000 litres per cow.

Annual results – Year End March 2012						
HOLSTEIN/FRIESIAN, CONVENTIONAL HERDS		Up to 6000 litres	6000 to 7000 litres	7000 to 8000 litres	8000 to 9000 litres	Over 9000 litres
Cows in herd		119	132	146	167	198
Stocking rate	Cows/ha	2.22	2.06	2.22	2.14	2.29
MILK PRODUCTION						
Yield per cow	litres	5,333	6,566	7,549	8,496	9,673
Yield from all forage per cow	litres	2,629	2,788	2,775	2,827	2,414
Milk price	pence	26.58	27.28	27.73	28.05	28.33
FEED						
Concentrate use per cow	kg	1,379	1,800	2,220	2,550	3,094
Concentrate use per litre	kg	0.26	0.27	0.29	0.30	0.32
Concentrate price per tonne	£	222	225	226	226	229
Other purchased feed cost per cow	£	4	27	39	67	114
Total purchased feed cost per litre	pence	5.83	6.52	7.13	7.47	8.35
MARGINS						
MOPF per cow	£	1,105	1,359	1,551	1,743	1,922
MOPF per litre	pence	20.75	20.76	20.61	20.58	19.98

Feed costs are significantly higher, as well as many other variable costs. These herds will find volatility in feed prices making a greater impact on profitability.

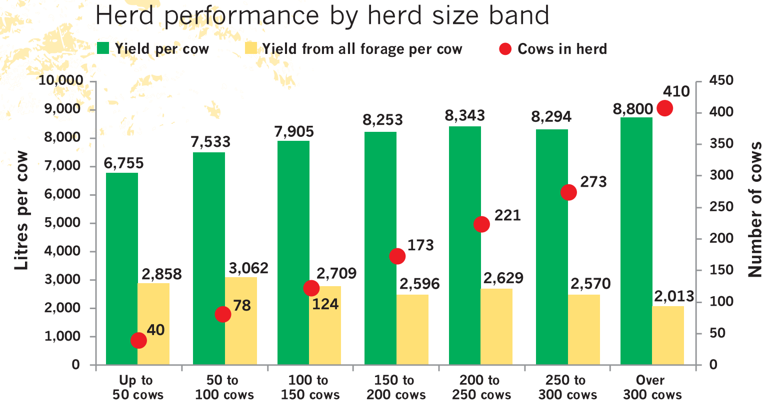
Unsurprisingly, the key factor that drives profitability is the effective teamwork within the on-farm staff and with outside support including the vet, suppliers and consultant. Strong skills and attention to detail are crucial for maintaining high yielding herds, as today's climate allows less room for error in terms of nutrition and health.

Herd size bands

Nowadays the majority of herds are expanding with producers hoping to obtain economies of scale by keeping more cows and pushing up yield per cow.

Larger herds tend to receive a higher milk price through volume bonuses and pay less per tonne for their feed. Despite this, feed costs are higher because their feed rate per litre is higher.

For some larger herds the expected economies of scale are not achieved because herd expansion has stretched both infrastructure and management skills. The importance of identifying optimum herd size and yield level cannot be underestimated, and depends on understanding the limitations of physical factors such as buildings and land as well as the management skills of the team running the herd.



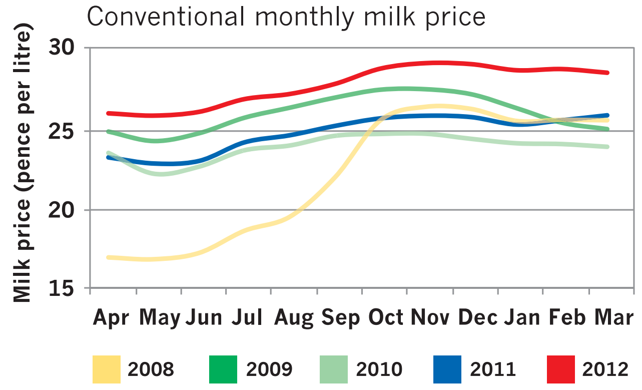
Annual results – Year End March 2012								
HOLSTEIN/FRIESIAN, CONVENTIONAL HERDS		Up to 50 cows	50 to 100 cows	100 to 150 cows	150 to 200 cows	200 to 250 cows	250 to 300 cows	Over 300 cows
Cows in herd		40	78	124	173	221	273	410
Stocking rate	Cows/ha	1.41	1.91	2.18	2.24	2.47	2.47	2.52
MILK PRODUCTION								
Yield per cow	litres	6,755	7,533	7,905	8,253	8,343	8,294	8,800
Yield from all forage per cow	litres	2,858	3,062	2,709	2,596	2,629	2,570	2,013
Milk price	pence	26.08	27.22	27.71	28.00	28.34	28.56	28.80
FEED								
Concentrate use per cow	kg	1,920	2,119	2,354	2,534	2,519	2,505	2,867
Concentrate use per litre	kg	0.28	0.28	0.30	0.31	0.30	0.30	0.32
Concentrate price per tonne	£	229	232	229	225	218	220	217
Other purchased feed cost per cow	£	10	24	50	62	70	80	104
Total purchased feed cost per litre	pence	6.64	6.75	7.38	7.57	7.36	7.56	8.14
MARGINS								
MOPF per cow	£	1,310	1,533	1,598	1,676	1,745	1,734	1,801
MOPF per litre	pence	19.44	20.46	20.33	20.43	20.98	21.00	20.67

If you feel you and your herd team could benefit from well researched strategic or practical advice our **HowsMyHerd®** or **One2One Consultancy** services may be for you – call Kingshay now to sign up for an assessment.

Milk price analysis

Remaining a hot topic for dairy producers, milk prices to the year ending March 2008 saw a substantial uplift.

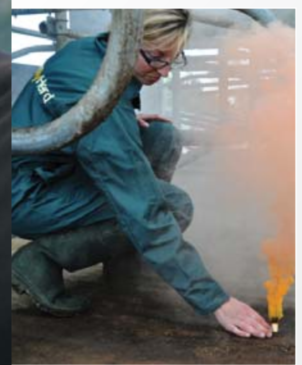
This was sustained in 2009, falling back in 2010 and 2011, and more than recovering to March 2012. The summer 2012 cuts threaten to return prices to below their 2010 levels against a backdrop of rising feed and overhead costs. No one is denying that maintaining a profit in the face of such challenges demands ever closer attention to detail, and the industry will almost certainly see the demise of less efficient producers, or those exposed to poorer contracts.



To build your business:

- understand your milk contract and how to make the most of it
- assess herd performance and the scope for more efficient production
- calculate the gains possible relative to the costs

COMPARE AND MONITOR YOUR HERD PERFORMANCE WITH Kingshay



Kinghay's **HowsMyHerd®** consultants 'read' your cows to make your life easier and your farm more profitable – call us now to sign up for an assessment.

Feed price analysis

The last 10 years have seen input costs such as feed and fertiliser become more volatile. Looking at the table we can see that if your feed rate is currently 0.3kg of concentrates per litre and you are paying £200/t, then your feed costs will increase by 1.5ppl if cake prices increase to £250/t.

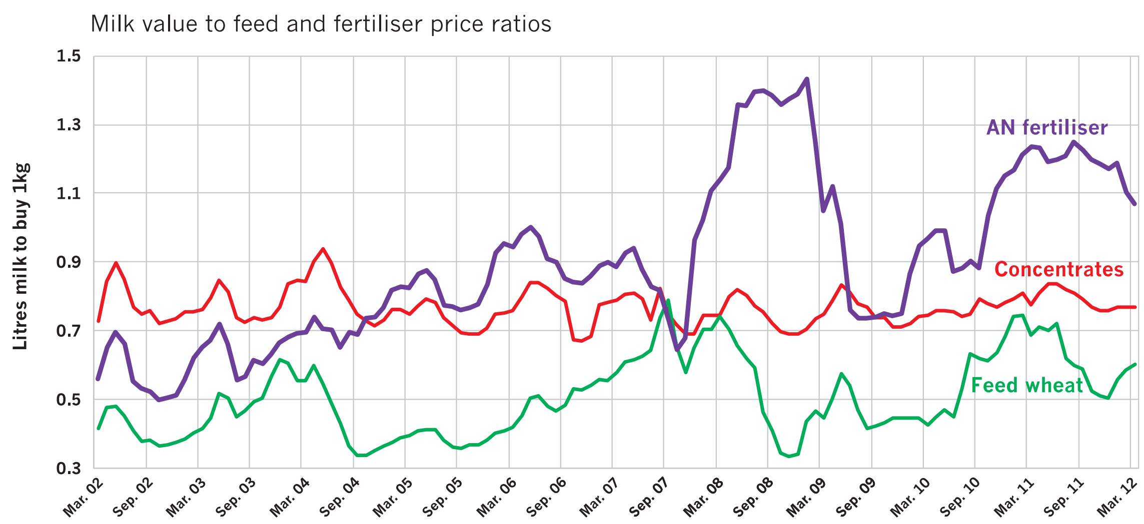
When feed prices are high, the temptation is to cut back on feed use. At Kingshay we advise that you do not reduce feeding rates in response to changing feed costs without fully analysing the figures first. Conversely if feed costs come down, don't increase the level of feeding and potentially reduce your overall feed efficiency.

Feed rate (kg/litre of milk)

Concentrate cost (£/tonne)	0.2	0.25	0.3	0.35	0.4	0.45
120	2.4	3.0	3.6	4.2	4.8	5.4
140	2.8	3.5	4.2	4.9	5.6	6.3
160	3.2	4.0	4.8	5.6	6.4	7.2
180	3.6	4.5	5.4	6.3	7.2	8.1
200	4.0	5.0	6.0	7.0	8.0	9.0
250	5.0	6.3	7.5	8.8	10.0	11.3
300	6.0	7.5	9.0	10.5	12.0	13.5
350	7.0	8.8	10.5	12.3	14.0	15.8

Fluctuation in input costs such as feed and fertiliser is a trend we expect to see more of, with many predicting greater variation in input costs in future. This will provide a budgeting challenge.

Keep yourself well informed with the latest research and figures to enable you to manage your business and develop accurate budgets based on realistic prices.



Kingshay DAIRY MANAGER

Dairy Manager, the UK's leading dairy costings service enables you to track your costs and your herd health status.

Our various packages include options for targeted reports, meaning you can create and monitor regular production forecasts, highlight key health issues, compare yourself to fellow herds and calculate your bottom line profit.

First two months **FREE OF CHARGE***

STARTER

Monitor your margins monthly

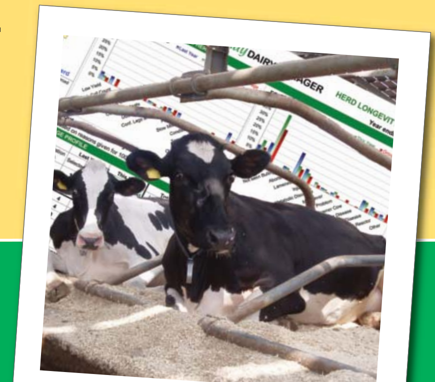
- **Monthly report**: Track your herd performance and margins month to month and year to year. Plot your herd on the Kingshay Milk Map.
- **Special interest group**: Rank your herd against the best herds using similar systems.
- **Annual summary**: Analyse the annual performance of your herd.

Independent costings
Dairy Manager

REGULAR

All the benefits of Starter, plus:

- **Longevity report**: Reduce future culls by analysing reasons for culling cows.
- **Calves, culls and replacements**: Quarterly report tracking the cost of replacements.
- **Milk profile report**: Forecast production and monitor your progress month by month.
- **Annual feed summary**: Compare your costs of purchased feeds to other herds in your region.



Detailed performance reports
Regular

PREMIUM

Includes Starter and Regular, plus:

- **Health Manager**: Creating a summary of herd health drawn from your existing milk records.
- **Lameness, fertility and mastitis reports**: Quarterly reports highlighting key health issues and hidden costs.

Herd health monitoring
Health Manager

COMPARE AND MONITOR YOUR HERD PERFORMANCE WITH Kingshay

Call the Kingshay hotline on **01458 851 555** for more information.

PREMIUM PLUS

Includes Starter, Regular and Premium, plus:

- **Profit Manager**: Quarterly reports detailing all income and production costs for your herd.
- Compare all figures to other progressive herds.
- Shows all costs in total £, pence per litre, £ per cow or £ per hectare.
- **Easy to use**: Uses figures from end of year accounts.

Track bottom line profit
Premium Plus

*First two months FREE OF CHARGE does not apply to Profit Manager.

Milk from forage

The bottom line is that boosting milk from forage can boost your profits.

Our Kingshay Forage Costs report shows that well grown home-produced forage crops cost less per tonne of dry matter than bought in feeds and crucially, with good nutritional quality achieve a lower cost per litre of milk produced.

A higher MOPF is achieved by herds producing more milk from forage as feed costs are significantly lower. Our table shows the top 25% of herds, ranked by milk from forage, had a MOPF per litre that was over 3 pence per litre higher than the bottom 25% – this is worth a pretty respectable £38,000 to a 150 cow herd averaging 8,500 litres.

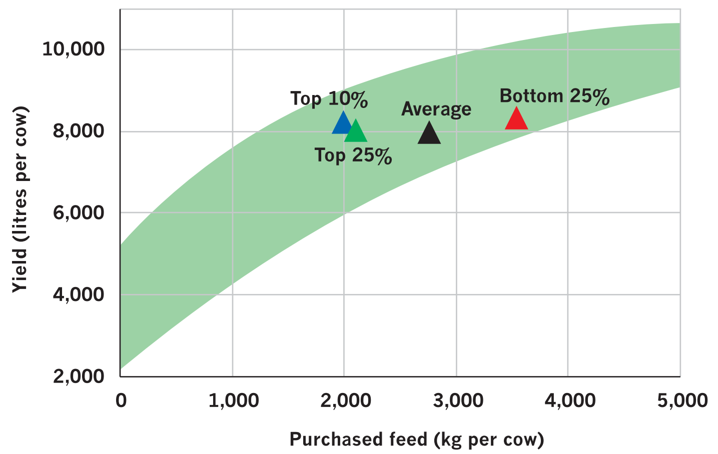
Although Kingshay's data indicates that an increase in milk production from forage has clear benefits to MOPF, we must consider the variable costs of forage production. Using our Profit Manager herd data we can see that the highest profit per litre herds produce more milk from forage. They had higher forage variable costs – this is likely to indicate a more proactive reseeding and fertilising strategy – but this was more than recovered by purchased feed savings.

Another interesting statistic from the top 25% of herds ranked by milk from forage is that over 90% of the extra MOPF per litre they achieve is due to better feed efficiency rather than a better milk price – these herds paid more for their compound feeds suggesting it pays to use higher quality feeds but less of them.

Annual results – Year End March 2012 (Ranked by Milk from Forage)

HOLSTEIN/FRIESIAN, CONVENTIONAL HERDS		TOP 10%	TOP 25%	AVERAGE	BOTTOM 25%
Cows in herd		127	141	160	191
Stocking rate	cows/ha	1.99	2.09	2.19	2.22
MILK PRODUCTION					
Yield per cow	litres	8,214	8,060	8,003	8,334
Yield from all forage per cow	litres	4,390	3,965	2,723	1,415
Milk price	pence	27.80	27.82	27.83	27.97
FEED					
Concentrate use per cow	kg	1,873	1,985	2,386	2,903
Concentrate use per litre	kg	0.22	0.24	0.30	0.35
Concentrate price per tonne	£	230	231	227	224
Other purchased feed cost per cow	£	22	24	64	115
Total purchased feed cost per litre	pence	5.37	5.86	7.31	8.97
All P.Feed @ 86% equivalent per cow	kg	1968	2114	2777	3548
MARGINS					
MOPF per cow	£	1,832	1,761	1,634	1,579
MOPF per litre	pence	22.43	21.97	20.52	19.00

Milk from forage milk map



The Milk Map (left) illustrates how more efficient herds have used significantly less concentrates and bulk feeds than the less efficient herds to produce a similar yield per cow.

Calving pattern

Calving pattern can have a huge impact on the type of system and costs of production. By taking a looking at MOPF we can see this variation.

Annual results – Year End March 2012

HOLSTEIN/FRIESIAN, CONVENTIONAL HERDS		Spring	Autumn	Winter	All year round
Cows in herd		165	151	127	163
MILK PRODUCTION					
Yield per cow	litres	6,666	7,903	7,507	8,082
Yield from all forage per cow	litres	3,097	3,050	2,641	2,639
Butterfat	%	4.20	4.12	4.10	4.06
Milk price	pence	27.02	27.90	26.99	27.86
FEED					
Concentrate use per cow	kg	1,740	2,220	2,179	2,449
Concentrate use per litre	kg	0.25	0.28	0.29	0.30
Concentrate price per tonne	£	224	226	228	226
Other purchased feed cost per cow	£	26	49	46	69
Total purchased feed cost per litre	pence	5.86	6.85	7.08	7.46
MARGINS					
MOPF per cow	£	1,399	1,652	1,486	1,642
MOPF per litre	pence	21.16	21.05	19.91	20.41

All year round calving systems have the highest feed costs. For spring calving systems, the milk price is perhaps higher than might be expected in view of the seasonality deductions during their peak production months. This may be explained by the higher butterfat, indicating that these producers are on a commodity milk contract and are making the most of the constituent payments.

Health trends

The results we've collated in the graphs below draw on data from herds using the Health Manager option within Dairy Manager.

"It's good to have a fresh pair of eyes looking at every aspect that we look at everyday. Now that the cows are more comfortable they're much happier and so are we!"

Mark Oliver, Cornwall

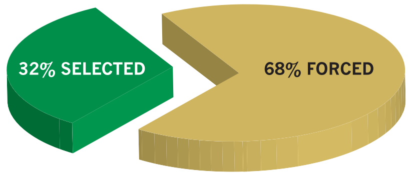
The latest results show that 68% of cows leave the herd for 'Forced' reasons related to health and fertility, whilst 32% are selected to leave for performance and other management issues. These proportions have changed little in recent years despite average yields increasing by over 1,000 litres and herd size by 50 cows.

There is a common conception that high yielding herds are bound to have higher culling rates and a greater proportion of cows leaving for forced health and fertility issues.

Our data shows that this is not the case. It's not the size or system that matters; it's the management and level of efficiency that has the biggest effect.

Health factors represent the largest reason for culling, accounting for 40% of culls, followed by 28% for fertility issues but many of these are related. For example, lameness can be the underlying cause of a number of other issues, as having sore feet will reduce her time at the feed barrier, reducing yield, body condition and her immunity to mastitis and the likelihood of getting in calf.

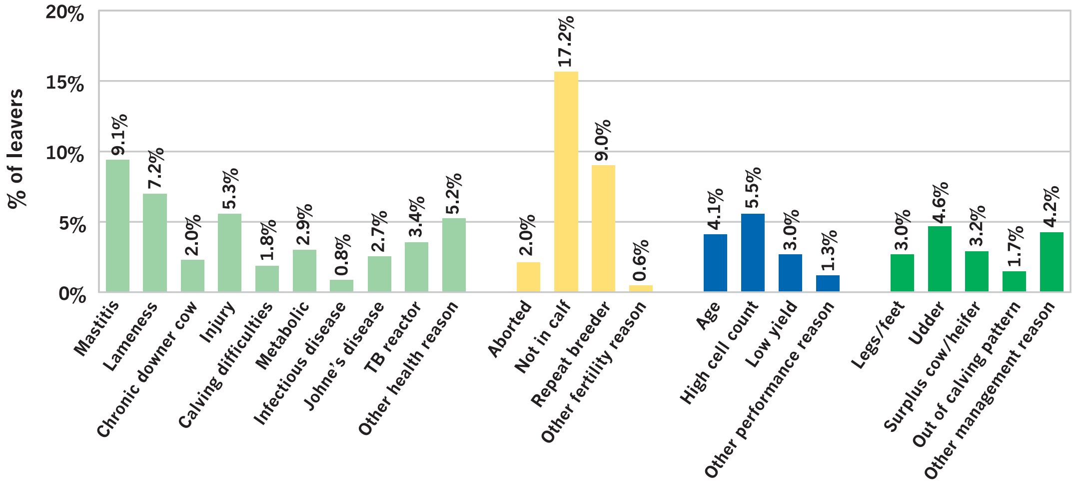
Effective mobility scoring will highlight many potential lameness cases and allow treatment before significant problems occur.



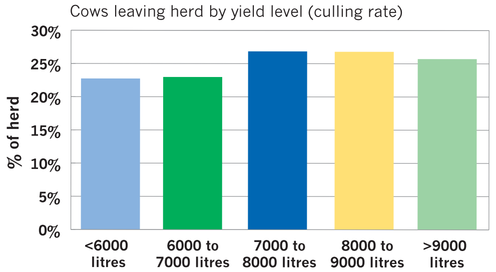
All herds should have Key Performance Indicators (KPI's) in place that are monitored regularly. Our Health Manager reports help you to monitor fertility, lameness and mastitis KPI's, as well as the main reasons for cows leaving the herd. These are valuable management tools to help improve herd longevity, working towards the ultimate aim of improved herd welfare and better financial returns.

Call Kingshay to book a consultation with a **One2One** or **HowsMyHerd®** consultant for further advice.

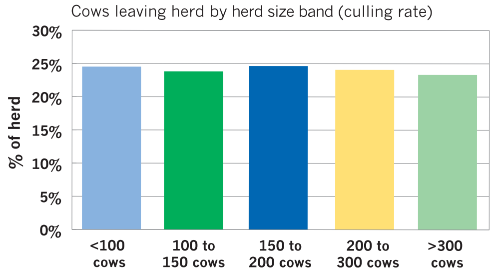
Cows leaving the herd



Cows leaving herd by yield level (culling rate)



Cows leaving herd by herd size band (culling rate)



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Health trends (continued)

You will no doubt be all too aware that health costs soon start to add up when you take into account hidden costs such as losses in milk yield.

When analysing herds that have had **HowsMyHerd**® assessments along with results from Kingshay's herd health survey, we have found clear financial benefits to lowering health incidences. The table below compares the costs between average health incidences and the top 25%.

Cases per 100 cows	Group	Top 25%	Estimated cost per case	Difference
Mastitis	59	29	£245	£7,350
Lameness	48	21	£275	£7,425
Milk Fever	7	2	£220	£1,100
Displaced Abomasums	3	0	£250	£750
Difficult Calvings	5	1	£380	£1,520
Retained Cleansings	7	2	£380	£1,900
Abortions	3	1	£450	£900
Metritis	12	2	£190	£1,900
Total				**£22,845**

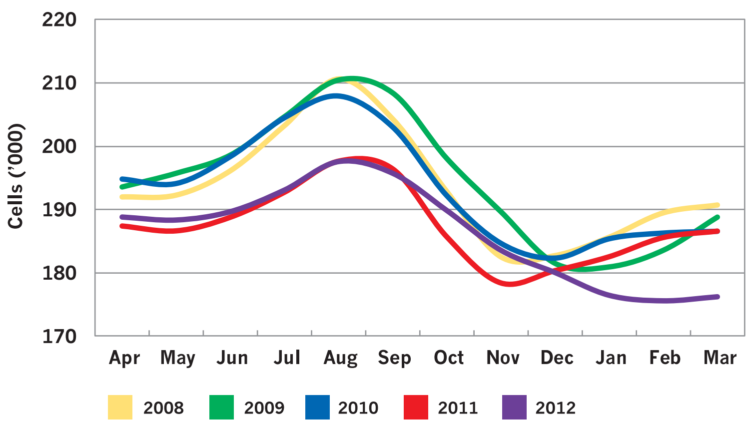
You can see that if a 100 cow herd with average health incidence figures improved their herd health to come in the top 25%, they could potentially save over £23,000 or 3.1ppl.

Ask yourself, do you know the ***true*** health costs for your herd?

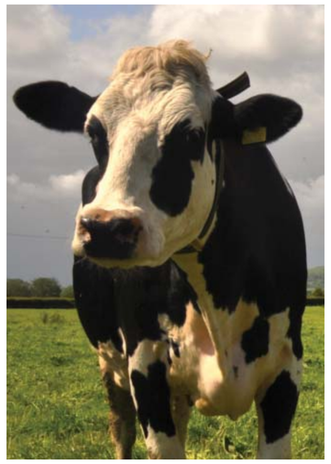
Track your herd health status and bottom line profit with Kingshay's **Health Manager** and **Profit Manager** options within **Dairy Manager**. Go to **www.kingshay.com** or call **01458 851 555**.

Cell counts

You may expect cell counts to be higher in winter months when cows are housed with poor ventilation and an increased risk of bacterial contact with the udder, but as our chart shows cell counts rise in the summer months. Many herd managers find it easier to control the cows' environment when housed compared with when they are grazing, particularly given the difficult conditions of recent seasons. When cows are grazing there are more variables that are not easily managed. Good cow tracks, fly control measures and water availability/trough siting can all play a key part in keeping cell counts in check, and help reduce summer mastitis.



If you have an existing **Dairy Manager** package you might consider upgrading to our Premium option to include **Health Manager.**



"Since making the recommended changes, lying times have improved dramatically. Two hours after milking, 100% of heifers were lying perfectly in the cubicles."
John Downing, Kent

Housing systems

Analysing herds by housing systems flags up some interesting trends in levels of mastitis and lameness.

Mastitis

Cows on loose housing systems have considerably higher incidence of mastitis than those in cubicles, with key issues being building ventilation, stocking rate and frequency of bedding and cleaning out.

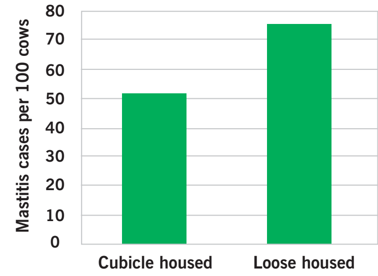
Many loose housed herds find they need to clean out every two weeks to prevent a build-up of harmful pathogens within the bedding.

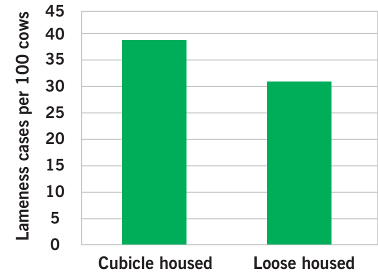
HowsMyHerd®: Healthy profits from healthy herds. Call us for details.

Lameness

Lameness incidence is less clearly linked to housing system but the trend for loose housed herds to have a lower level of lameness reflects the opportunity it gives cows to stand on a more forgiving surface than concrete.

Adequate lying time is essential, with most cows needing to spend 12 to 14 hours (50-60% of their time) lying down. Poorly designed cubicles or inadequate space per cow will lead to extended standing time and higher levels of lameness.





Labour costs

All farmers know that labour is second only to feed across costs of production.

Our wide ranging Trials Reports feature research information on topics such as grass and forage crops, silage and slurry additives and starter fertilisers. **Join Kingshay and start receiving them now.**

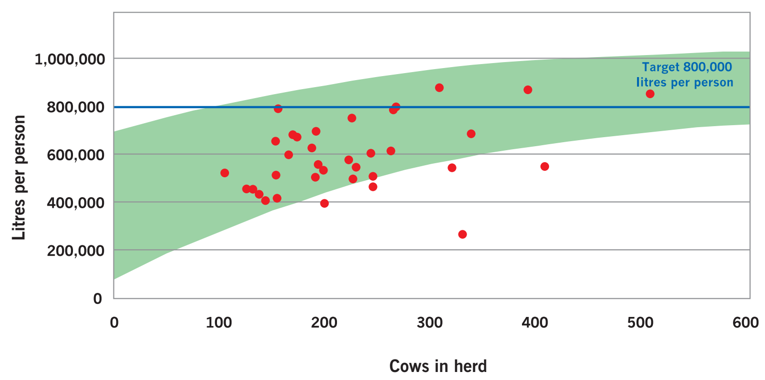
Herds recording their costs through Kingshay's **Profit Manager** take into account paid and family labour by supplying details of each family member's role and the hours spent involved in running the herd. A specific hourly rate is then applied according to the role they fulfil. This way, valid comparisons can be made between herds with all paid labour, all family labour or a combination of the two.

Ranking herds by profitability, labour is the standout cost between the best and worst quartiles by profit. The least profitable have a labour cost of 6.7ppl against the best herds at 4.6ppl.

On a 150 cow herd yielding 8,500 litres this difference amounts to over £25,000.

Labour costs	Highest 25% profit per litre	Group average	Lowest 25% profit per litre
Paid labour	2.2	4.2	4.9
Family labour	2.4	1.9	1.8
Total labour	**4.6**	**6.1**	**6.7**

Labour milk map



Another useful way to measure labour efficiency is to examine litres of milk output per labour unit. The chart to the left shows a selection of herds plotted by herd size and output per labour unit; a useful benchmark to aim for is 800,000 litres per person.

At this level, which is the equivalent of 100 cows at 8,000 litres per labour unit, labour is being used efficiently and should allow sufficient time for adequate care for individual cows. At higher levels there is a risk that cow performance may suffer as labour is potentially stretched.

Organic update

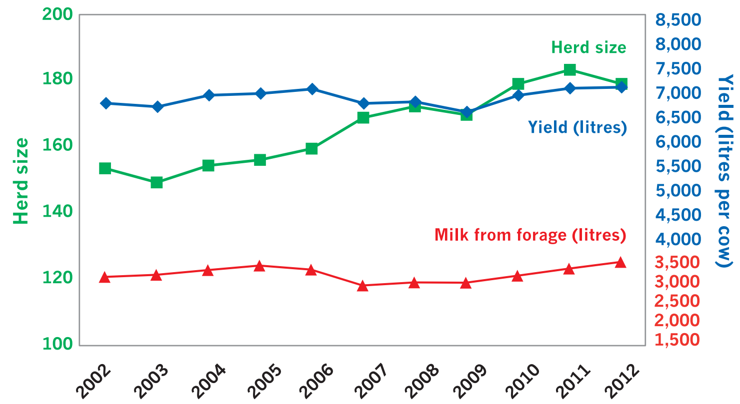
Organic producers have faced challenges with volatile costs in recent years.

The recession and resulting fall in demand for organic products has caused the premium milk price received above conventional herds to be squeezed. As we've seen with conventional herds, the main difference between the top and bottom organic producers is the use of quality home grown conserved forages to reduce reliance on more expensive purchased feeds. The top 25% of herds ranked by MOPF per litre average 3,716 litres from forage, resulting in a MOPF 29% higher than the bottom 25%. Although a higher milk price is a contributing factor, the main cost saving can be seen in their lower purchased feed costs.

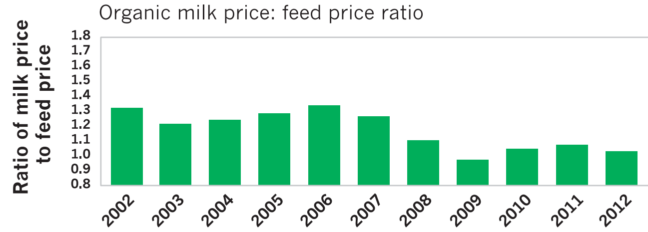
Annual results – Year End March 2012 (Ranked by MOPF per litre)

HOLSTEIN/FRIESIAN, ORGANIC HERDS		TOP 25%	AVERAGE	BOTTOM 25%	Difference
Cows in herd		193	179	154	25%
Stocking rate	cows/ha	1.46	1.56	1.46	0%
MILK PRODUCTION					
Yield per cow	litres	6,588	6,858	7,239	-9%
Yield from all forage per cow	litres	3,716	3,343	2,745	35%
Butterfat	%	4.03	4.00	3.98	1%
Protein	%	3.26	3.25	3.22	1%
Cell count		201	199	213	-6%
Milk price	pence	33.90	32.14	31.20	9%
FEED					
Concentrate use per cow	kg	1,408	1,716	2,185	-36%
Concentrate use per litre	kg	0.20	0.24	0.30	-33%
Concentrate price per tonne	£	311	317	324	-4%
Other purchased feed cost per cow	£	5	9	26	-81%
Total purchased feed cost per litre	pence	6.46	7.87	9.94	-35%
MARGINS					
MOPF per cow	£	1,797	1,655	1,534	17%
MOPF per litre	pence	27.45	24.27	21.26	29%

Organic milk production and efficiency



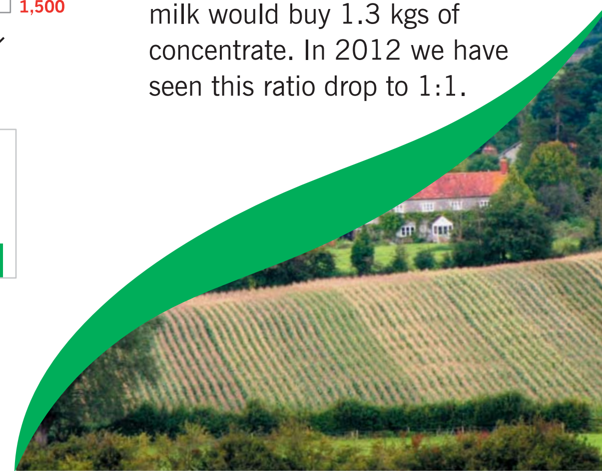
Organic milk price: feed price ratio



Over the last 10 years, trends in milk production and efficiency have fluctuated. Milk from forage has increased since 2007, but there is still room for improvement on feed efficiency.

Organic herd size has levelled out in the last few years at around 180 cows. When looking at the trends in margins, we see they have steadily increased; however these increases must also cover other variable and overhead costs.

Peak organic feed prices were seen back in 2008/09, and several organic herds have improved their margins by adjusting the type of feeds used with more emphasis on producing good quality home grown protein crops. In the past ten years the milk price to feed price ratio peaked in 2006 when a litre of organic milk would buy 1.3 kgs of concentrate. In 2012 we have seen this ratio drop to 1:1.



Channel Island update

Channel Island breeds are renowned for their longevity, milk composition and higher market commodity value, even though total output per cow is lower.

The average culling rate for Channel Island herds is only 19% compared to 27% for Holstein/Friesian herds. Some Holstein/Friesian owners have switched to the Channel Island breeds or introduced crossbreeding, attracted by their better health record, especially in fertility and lameness. The best herds achieve their superior results through a combination of higher total yield and yield from forage together with better milk quality and hygiene leading to a substantially better milk price. These factors feed through to very much higher margins per litre and per cow.

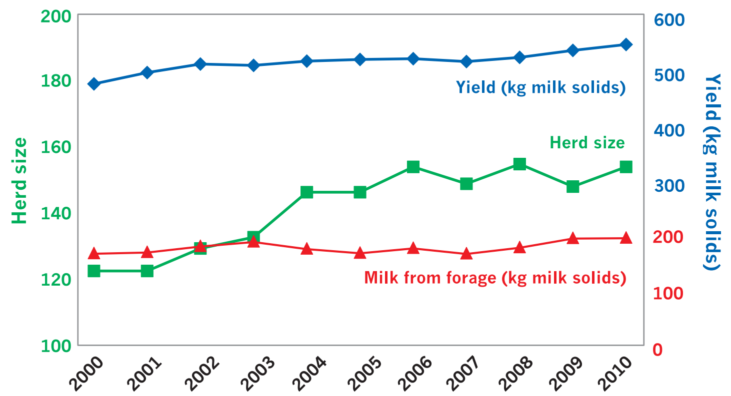
Over the last decade, yields for Channel Island breeds have risen by 98kg Milk Solids or 22%, while milk from forage has remained fairly level.

We can see the biggest trends in the Milk Price to Feed Price ratio. While this has seen a decline in recent years, it is still considerably better than Holstein/Friesian or Organic herds.

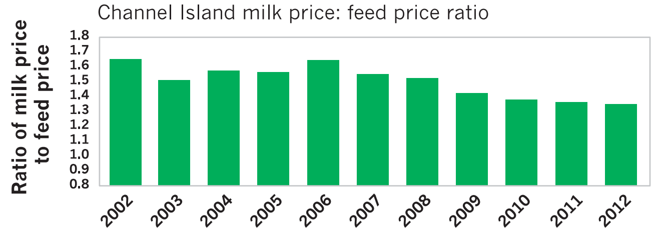
Annual results – Year End March 2012 (Ranked by MOPF per litre)

CHANNEL ISLAND, CONVENTIONAL HERDS		TOP 25%	AVERAGE	BOTTOM 25%	DIFFERENCE
Cows in herd		166	155	177	-6%
Stocking rate	cows/ha	2.25	2.38	1.86	21%
MILK PRODUCTION					
Yield per cow	litres	6,063	5,744	5,725	6%
Yield from all forage per cow	litres	2,261	1,998	1,792	26%
Butterfat	%	5.42	5.34	5.30	2%
Protein	%	3.82	3.77	3.73	2%
Cell count		167	181	205	-19%
Milk price	pence	33.65	31.38	29.77	13%
FEED					
Concentrate use per cow	kg	2,074	1,970	2,013	3%
Concentrate use per litre	kg	0.34	0.34	0.36	-6%
Concentrate price per tonne	£	236	233	240	-2%
Other purchased feed cost per cow	£	62	80	105	-41%
Total purchased feed cost per litre	pence	8.76	8.89	9.66	-9%
MARGINS					
MOPF per cow	£	1,504	1,288	1,143	32%
MOPF per litre	pence	24.89	22.49	20.10	24%

Channel Island milk production and efficiency



Channel Island milk price: feed price ratio



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