



**AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY**

The Irish Agriculture and Food Development Authority

# Business planning for new entrants / rapid expanders – *advisory perspective*

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*Teagasc Dairy Expansion Service*

# Presentation outline

- Dairy Expansion Service
- Cash cost of heifers
- Starting too small
- Grazing infrastructure
- Borrowings per cow

# Dairy Grow



# Background

**53%**

**12%**

**175**

# Heifer costs

- Profit monitor of 600 farmers:
  - Meal €84/LU 380 kg of meal
  - Fertilizer €132
  - Vet €53
  - AI €16
  - Contractor €94
  
- 45 Heifer -24% of total LU
- 0.5 est labour units
- 30% on leased land

# 24 month heifer rearing costs

**Variable costs**

**€415**

**Fixed costs**

**€678**

**Total costs**

**€1,093**

Included

- Labour - €149 / head
- Land - €182 / head





## Cash 'soakers'



## Cash 'makers'





# Starting Too Small

- New entrant farmer
  - Money to purchase 280 dairy LU's
  - Option 1: scale up over 3 year
    - Cows and heifers
  - Option 2:
    - Front Load at start with all cows

# Starting too small

Year	1	2	3	4	5
Cows	150	230	275	275	275
Heifer LU's	130	69	50	50	50
<b>Cows%/total LU</b>	<b>54%</b>	<b>76%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>
Milk sales (Litres/cow)	4000	4300	4500	4850	5000
Cash output/l	33c/l	33c/l	33c/l	33c/l	33c/l
Cash income	€198,000	€326,370	€408,000	€440,000	€453,000
Total LU	280	299	325	325	325
Total Costs	€280,000	€299,000	€325,000	€325,000	€325,000
<b>Net Cash flow</b>	<b>-€82,000</b>	<b>€27,370</b>	<b>€83,000</b>	<b>€115,000</b>	<b>€128,000</b>
<b>Cumulative cash</b>					<b>€271,370</b>

# Starting right

Year	1	2	3	4	5
Cows	275	250	275	275	275
Heifer LU's	25	60	50	50	50
<b>Cows%/total LU</b>	<b>91%</b>	<b>80.6%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>
Milk sales (Litres/cow)	4000	4300	4500	4850	5000
Cash output/l	33c/l	33c/l	33c/l	33c/l	33c/l
Cash income	€363,000	€363,000	€363,000	€363,000	€453,000
Total LU	300	310	325	325	325
Total Costs	€300,000	€300,000	€300,000	€300,000	€325,000
<b>Net Cash flow</b>	<b>€63,000</b>	€43,000	€43,000	€43,000	<b>€128,000</b>
<b>Cumulative cash</b>					<b>€433,000</b>

Option 1: €271,000  
 Option 2: €433,000  
 Difference: €162,000

# Grazing Infrastructure

- Large ticket items normally budgeted for
- Grazing infrastructure often forgotten
- Leaves the farm with:
  - No grass as no investment or
  - No cash as financed from cash flow
  - Capital budget should start here!

# Grazing Infrastructure Capital Costs

Item	Quantity/Ha	Unit Cost (€)	Total (€)
Lime	5	25	125
P&K Build up	5	20	100
Reseeding	2.47	270	667
New Roads	25	20	500
Fencing	212	1.1	233
Water	2.5	100	250
Drainage	??		
<b>Total (Ha)</b>			<b>1875</b>

**Per Acre** **759**

**Per Cow @ 3cows/ Ha** **625**



# Borrowings per cow?

**HOW MUCH CAN I BORROW????**

## Too short a term?

Debt per cow	€3,000	€3,000	€3,000
Term	5	10	15
€/cow/year repayments @ 5%	679	382	285
Litres/cow	c/l		
4000	16.98	9.55	7.13
5000	13.58	7.64	5.7
6000	11.32	6.37	4.75

## Debt per cow

Debt Per Cow	€1,500	€3,000	€4,500
Annual Repayment	€191	€382	€573
Milk Yield (l/cow)	c/l		
4000	4.7	9.55	14.32
5000	3.82	7.64	11.46
6000	3.18	6.36	9.55

# Conclusion

- Cash Cost of stocking up
- Starting point
- Capital Budget
- Borrowings per cow

Thank You