



# Post-quota, will you make money from milk or milk from money?

John Roche



## Quota removal



Time until Wednesday, April 1, 2015 (Cork time)

83

DAYS

6

HOURS

22

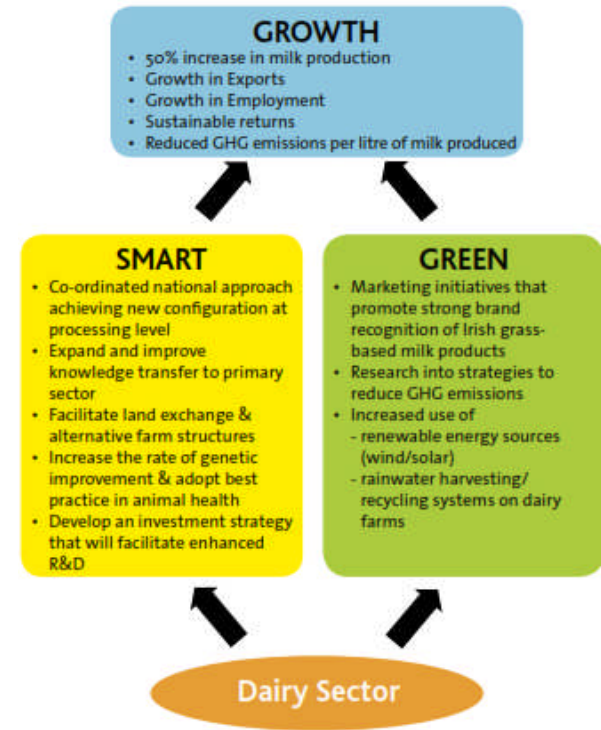
MINUTES

17

SECONDS

Timer wrong? Daylight Saving Time!

# Examples we can follow!




# Examples we can follow!



***“Farming looks mighty easy when your plough is a pencil and you’re a thousand miles from the cornfield”***

*– Dwight D. Eisenhower*

Dairy Sector



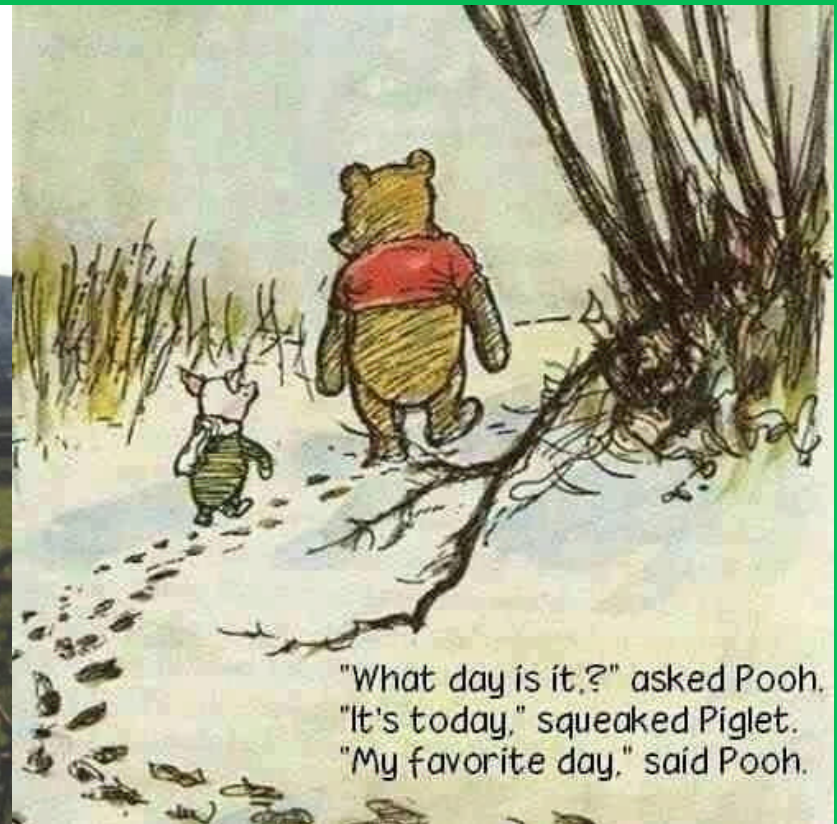
# A wonderful education - experience



# Pre-quota Ireland

***“Those that don’t know history are doomed to repeat it”***

*- Edmund Burke*







# Quota removal

Opportunity?



***“If you don’t like change, you’ll like irrelevance even less”***

*- Gen. Eric Shinseki*

Calamity?



# Quota removal

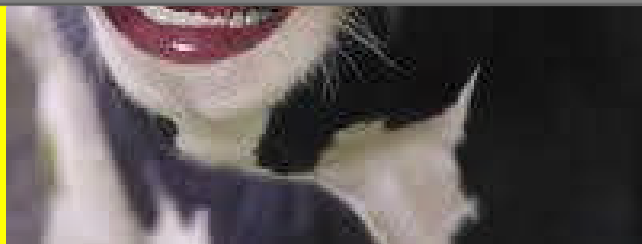
Opportunity?



Calamity?



The deciding factor is you!

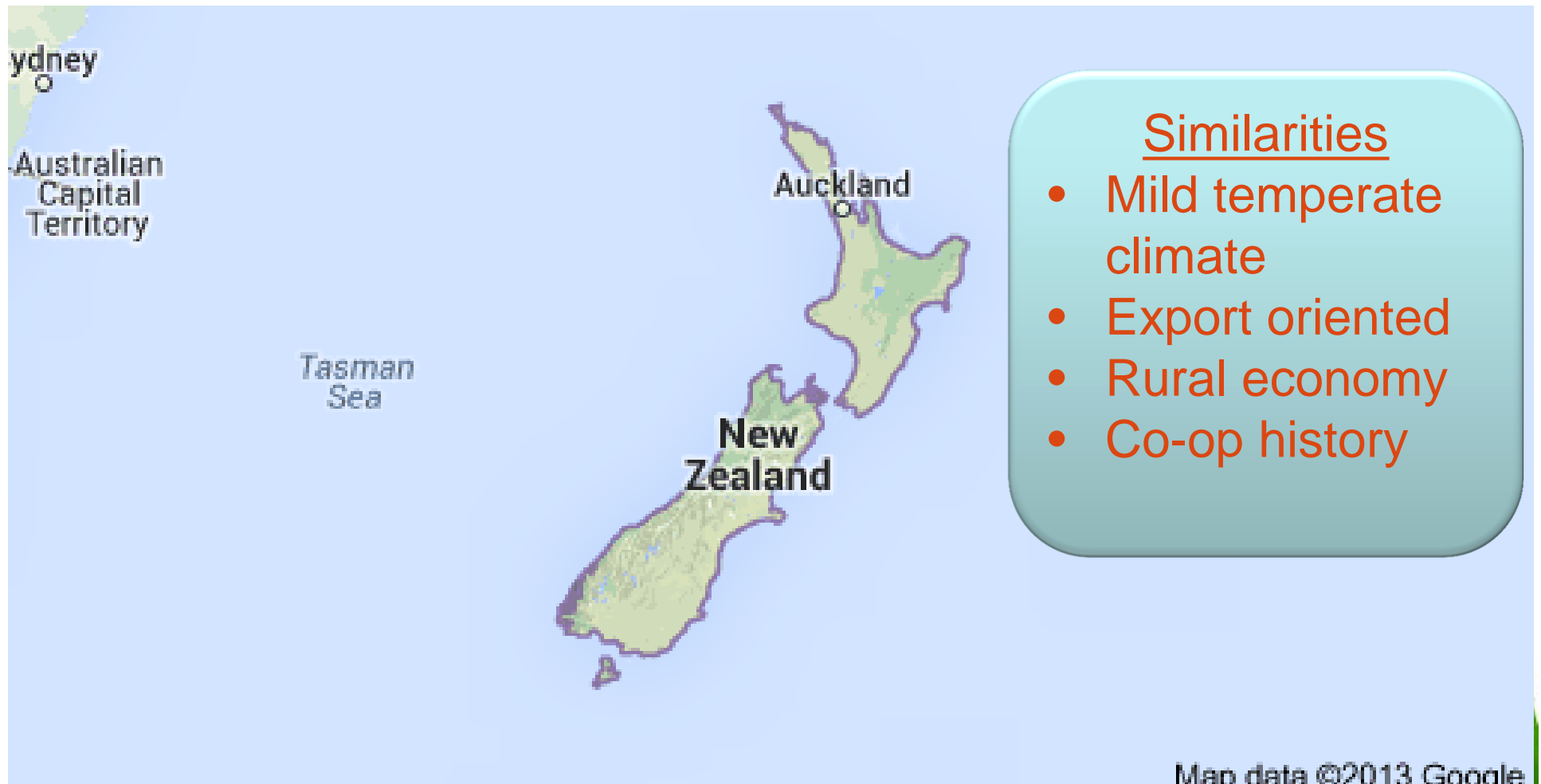


***“If you don’t like change, you’ll  
like irrelevance even less”***

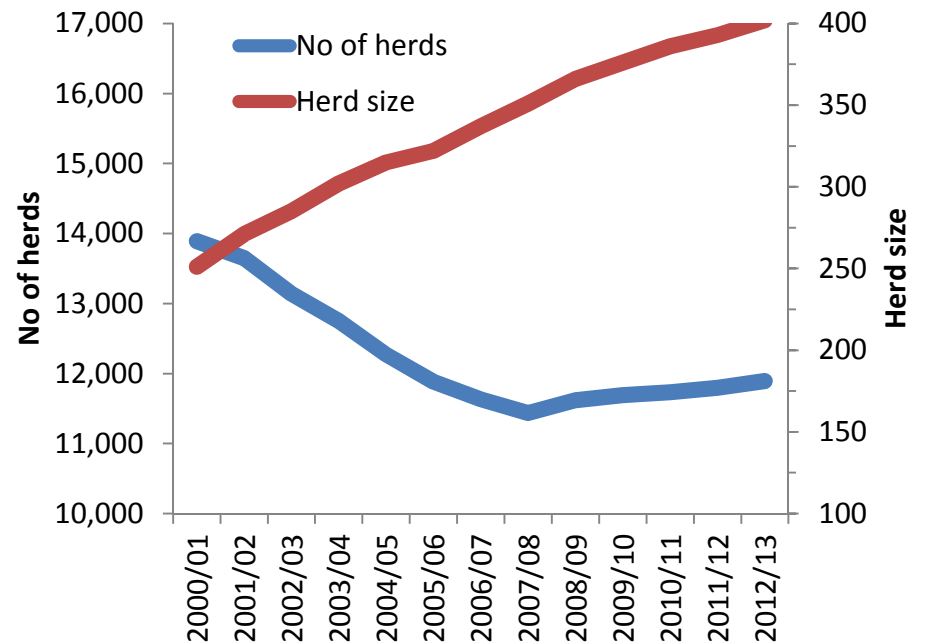
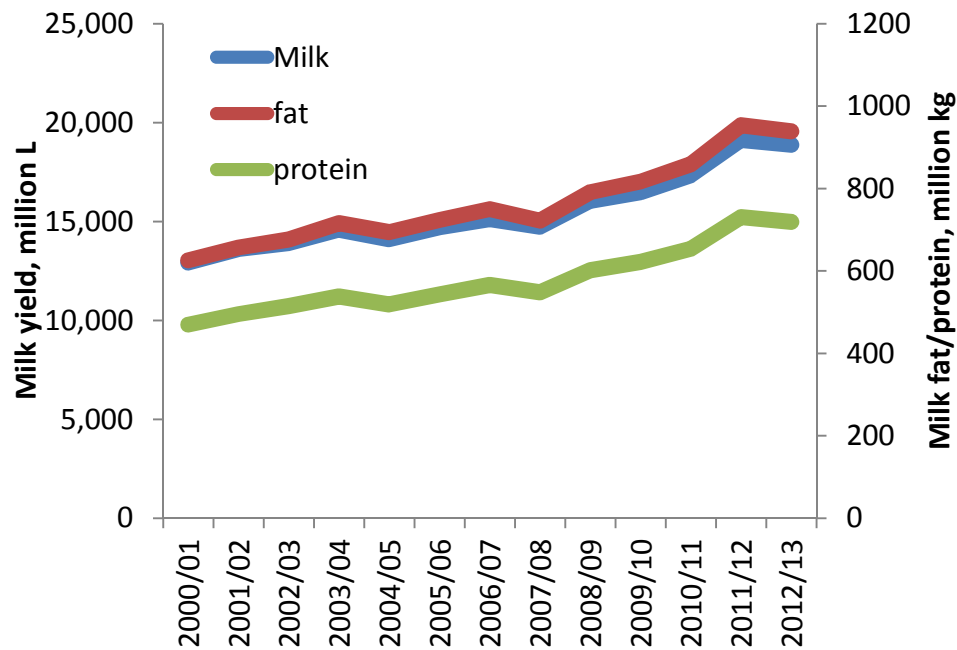
*- Gen. Eric Shinseki*

# Lessons learned from NZ

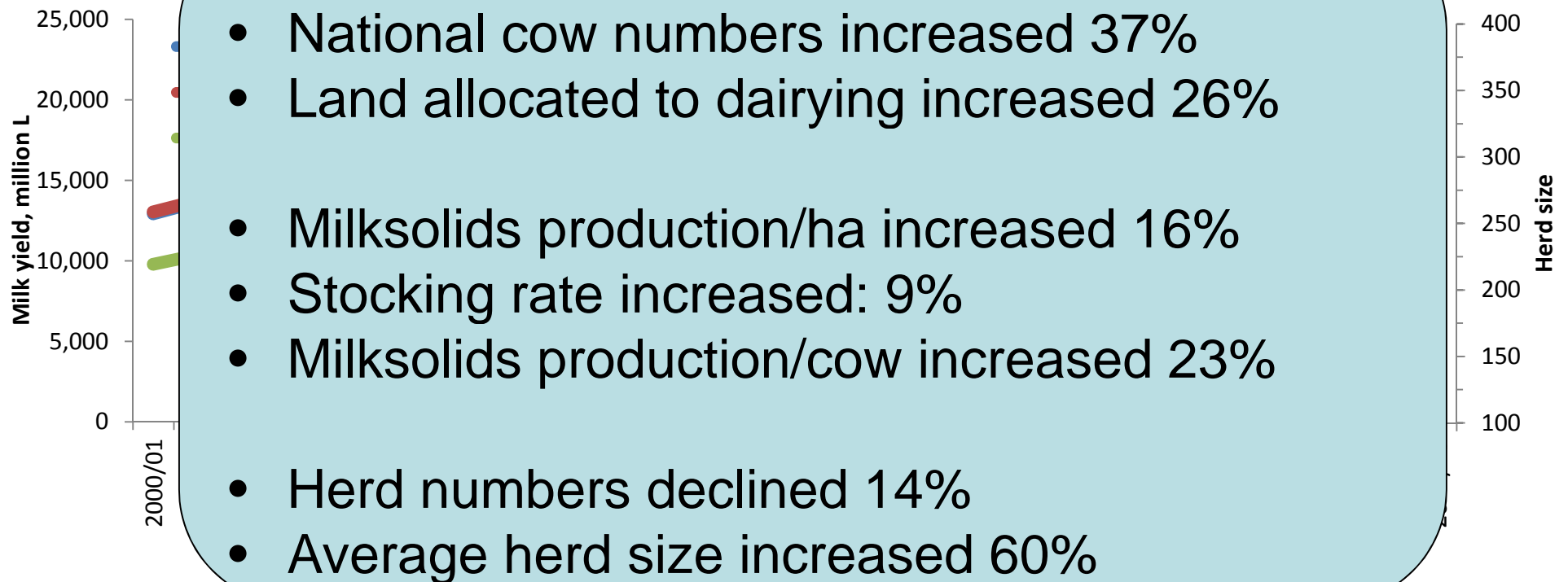
***“Learn from the mistakes of others. You can’t live long enough to make them all yourself.” - Unknown***



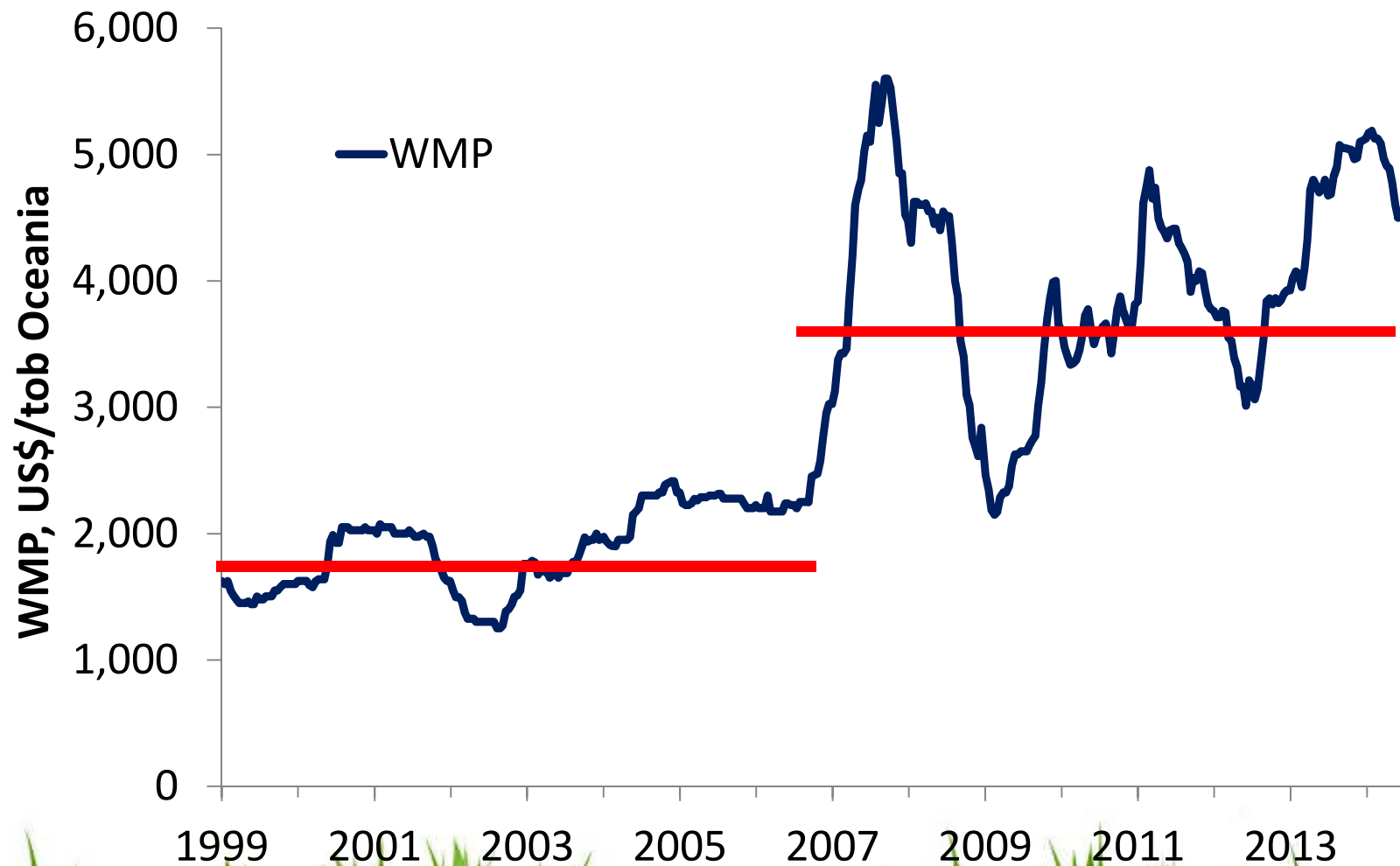
# What changes have we seen?



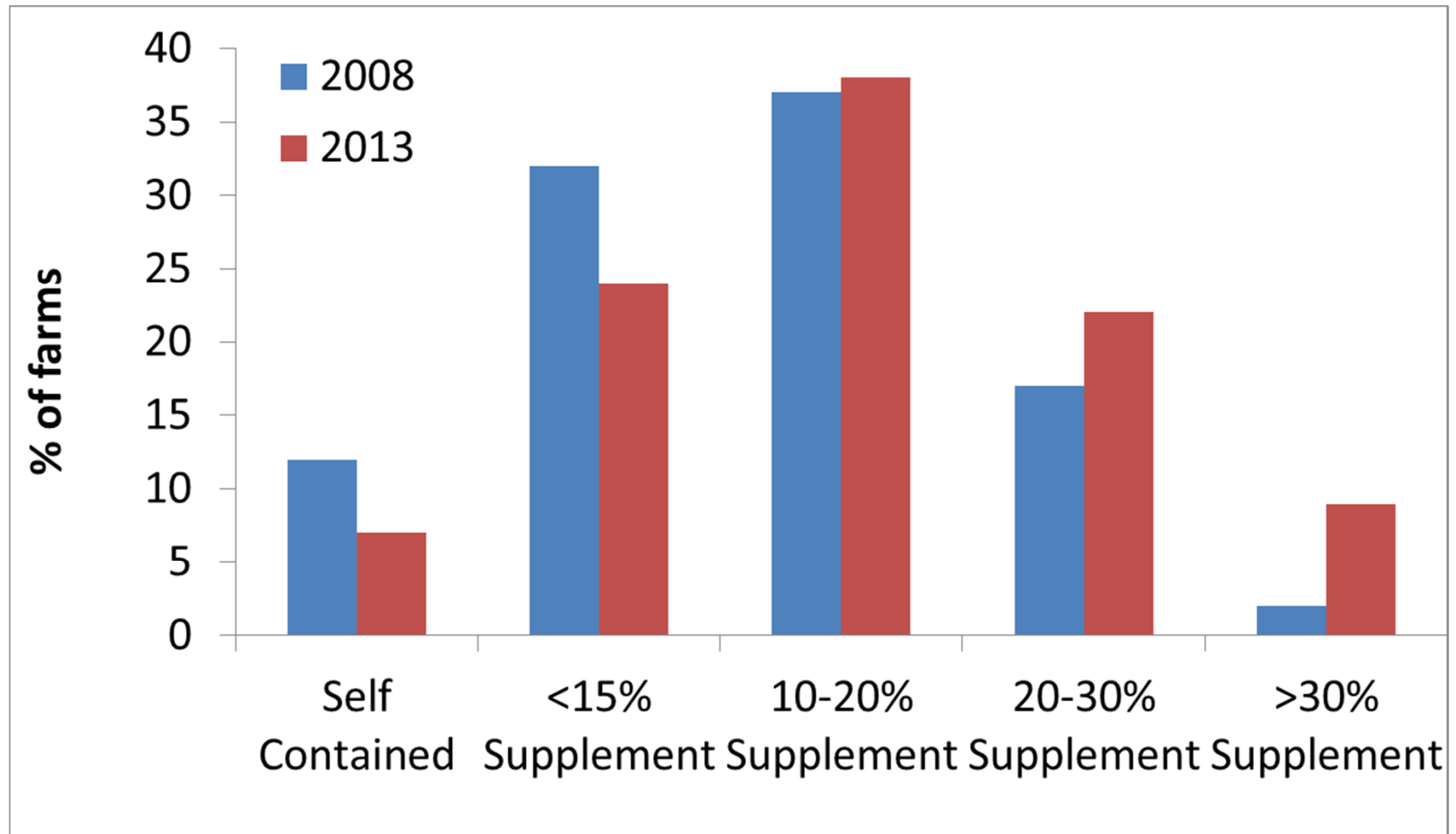
# What changes have we seen?



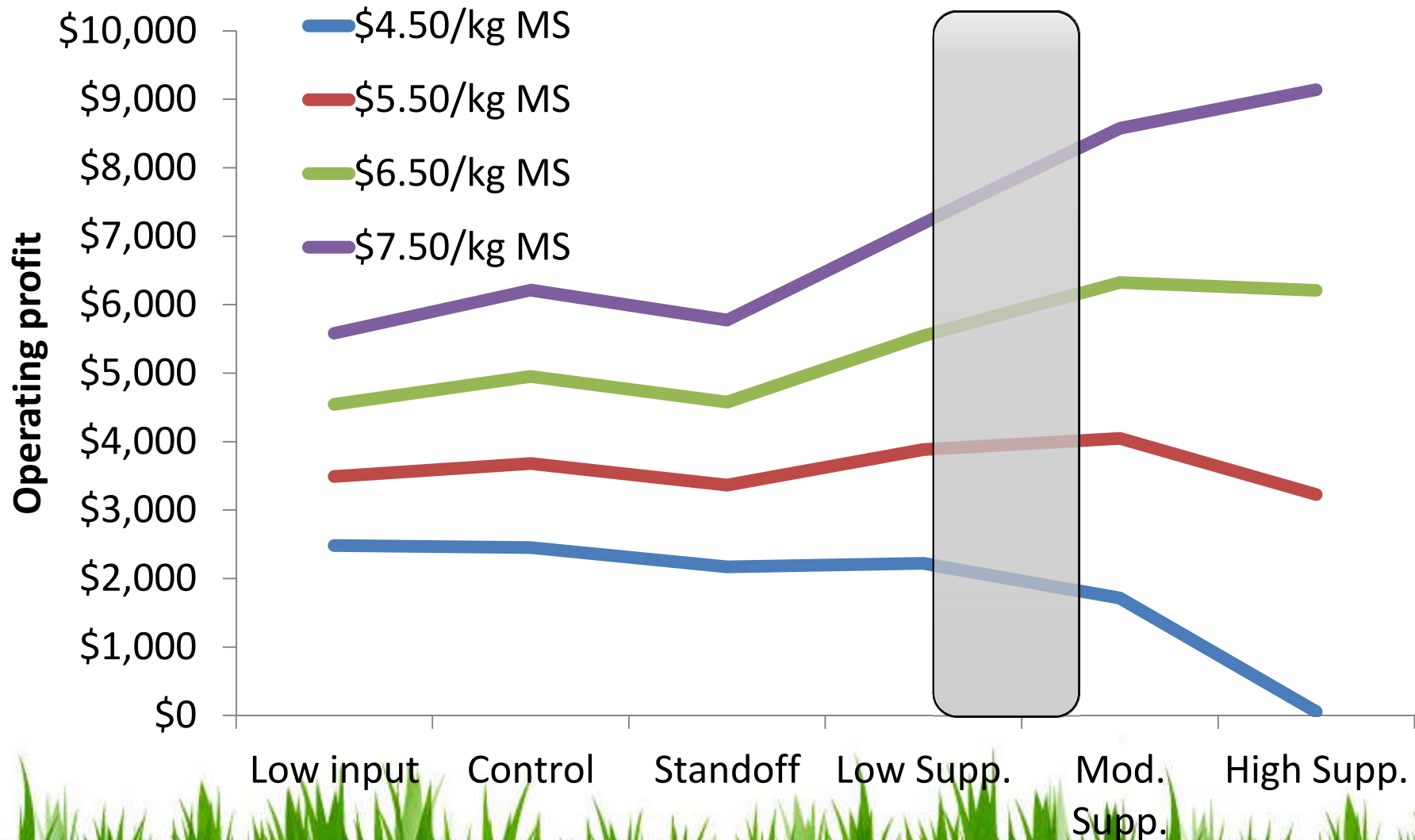
# Lift in milk price



# Industry intensification



# Plenty of research results and case studies to support

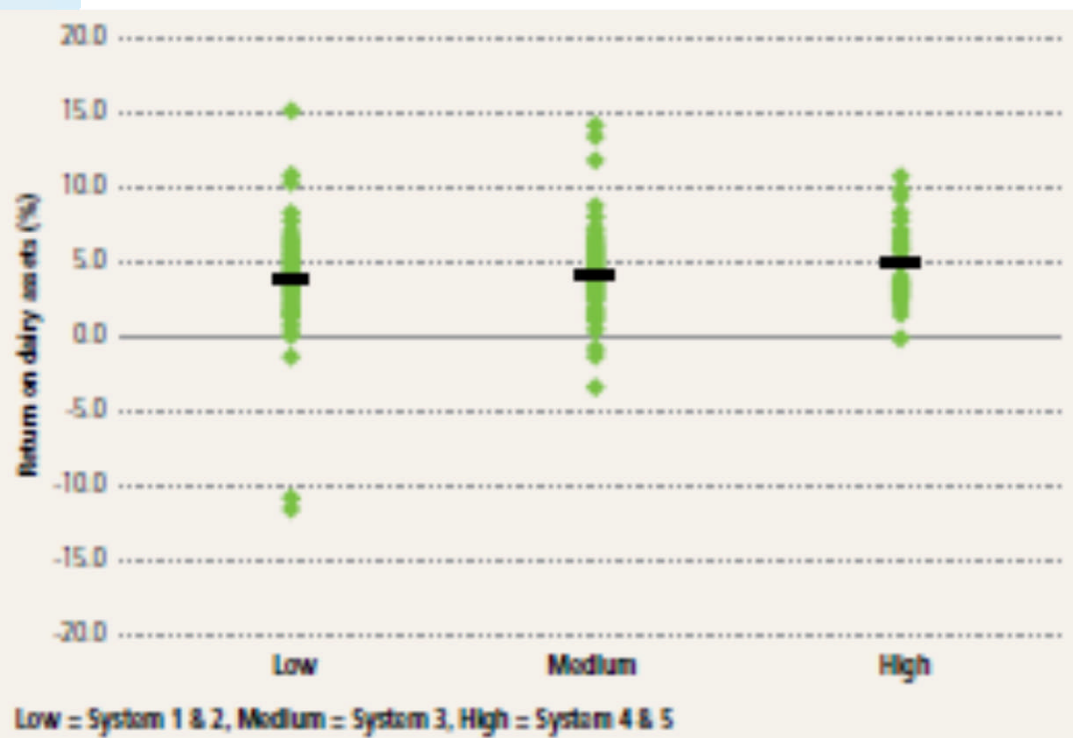


**50**  
years  
OF ECONOMIC  
ANALYSIS

## DairyNZ Economic Survey 2012-13



**DairyNZ**  
Innovation. Sustainability. Competitiveness.



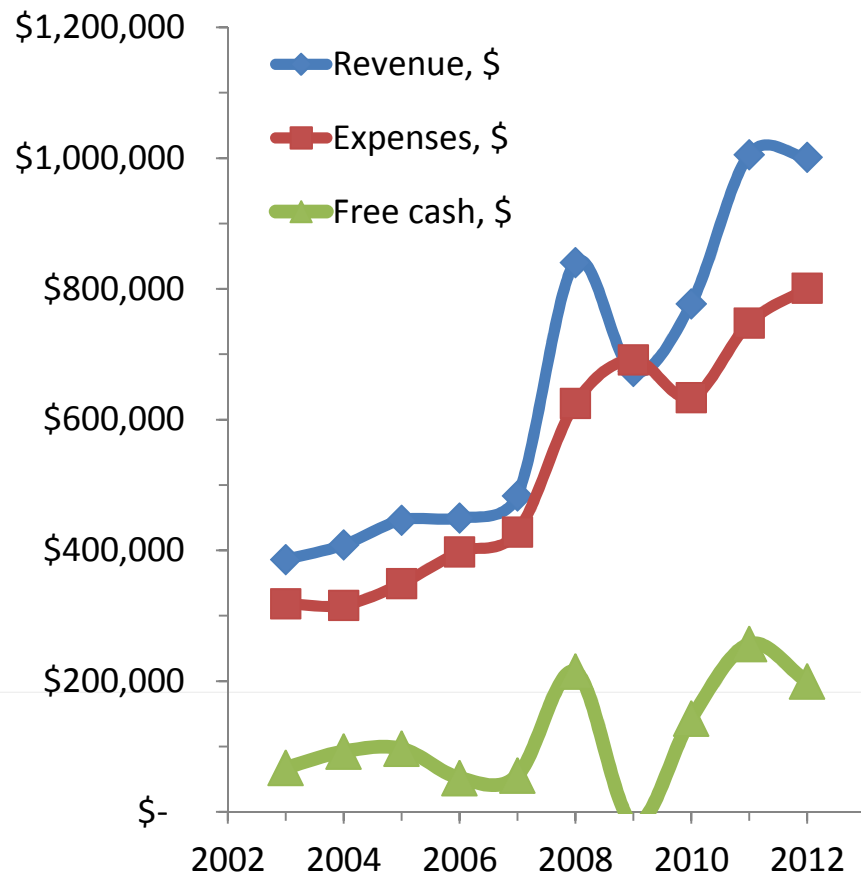


***“The problem with facts is that you can prove anything with facts!”***

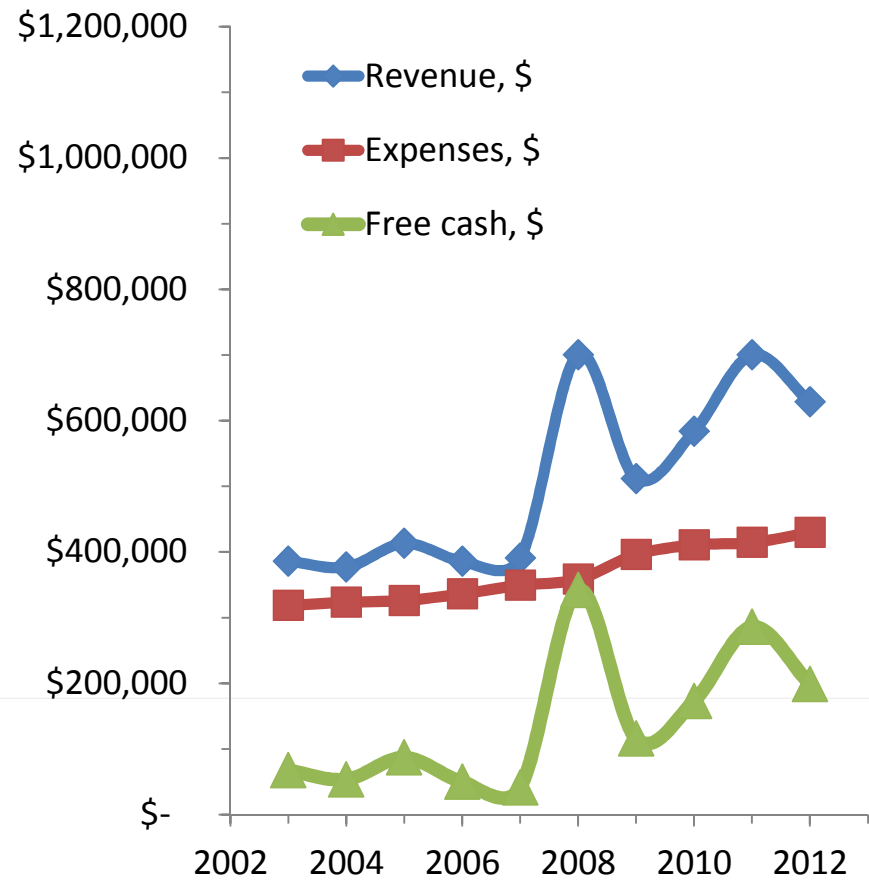
**-Homer J Simpson**

# Change in profit in NZ

## Real data – 285-395 cows

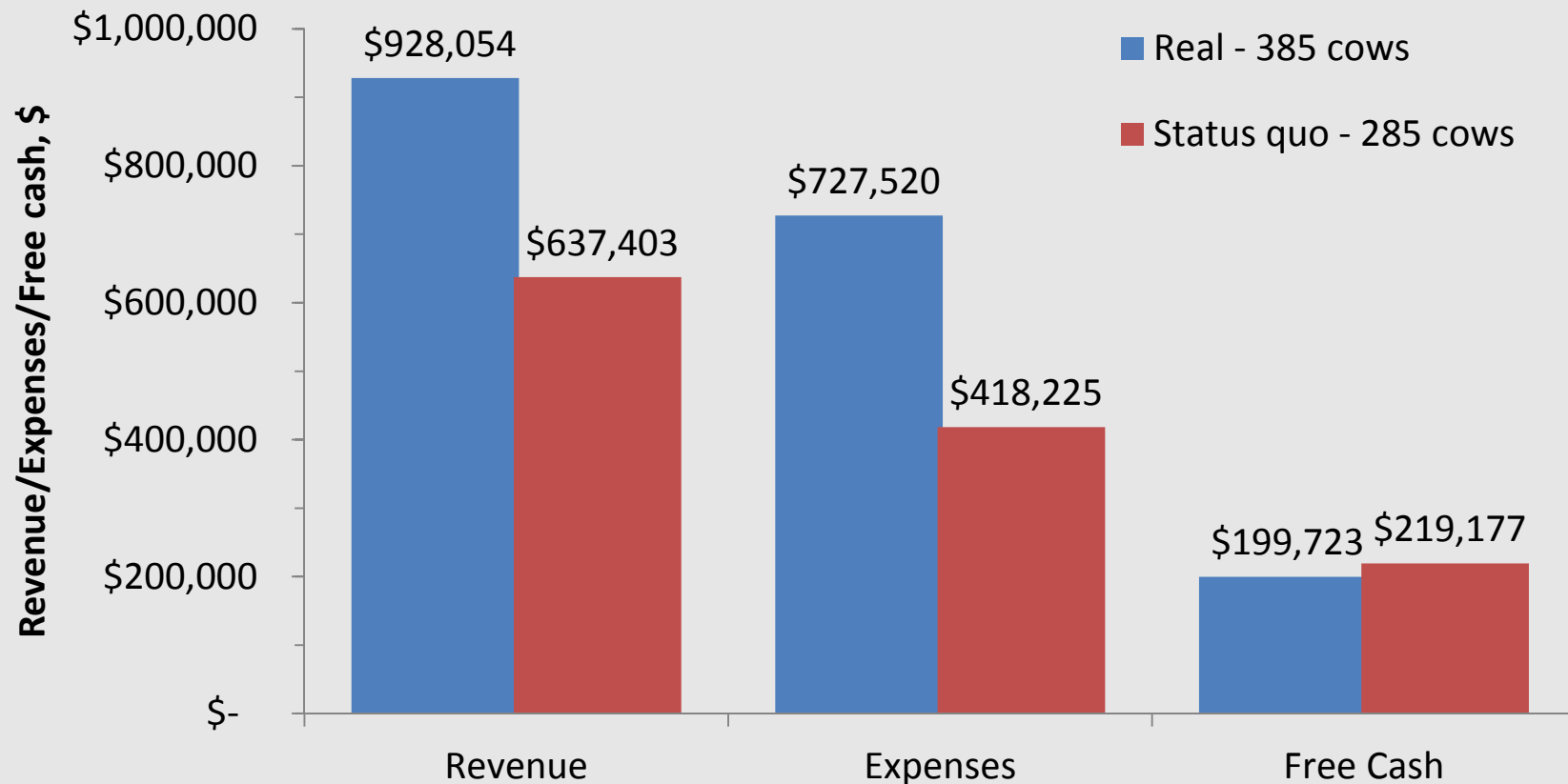


## Status quo – 285 cows



# Change in profit in NZ

*Average farmer is producing ~ 40% more milk and making no more money!*

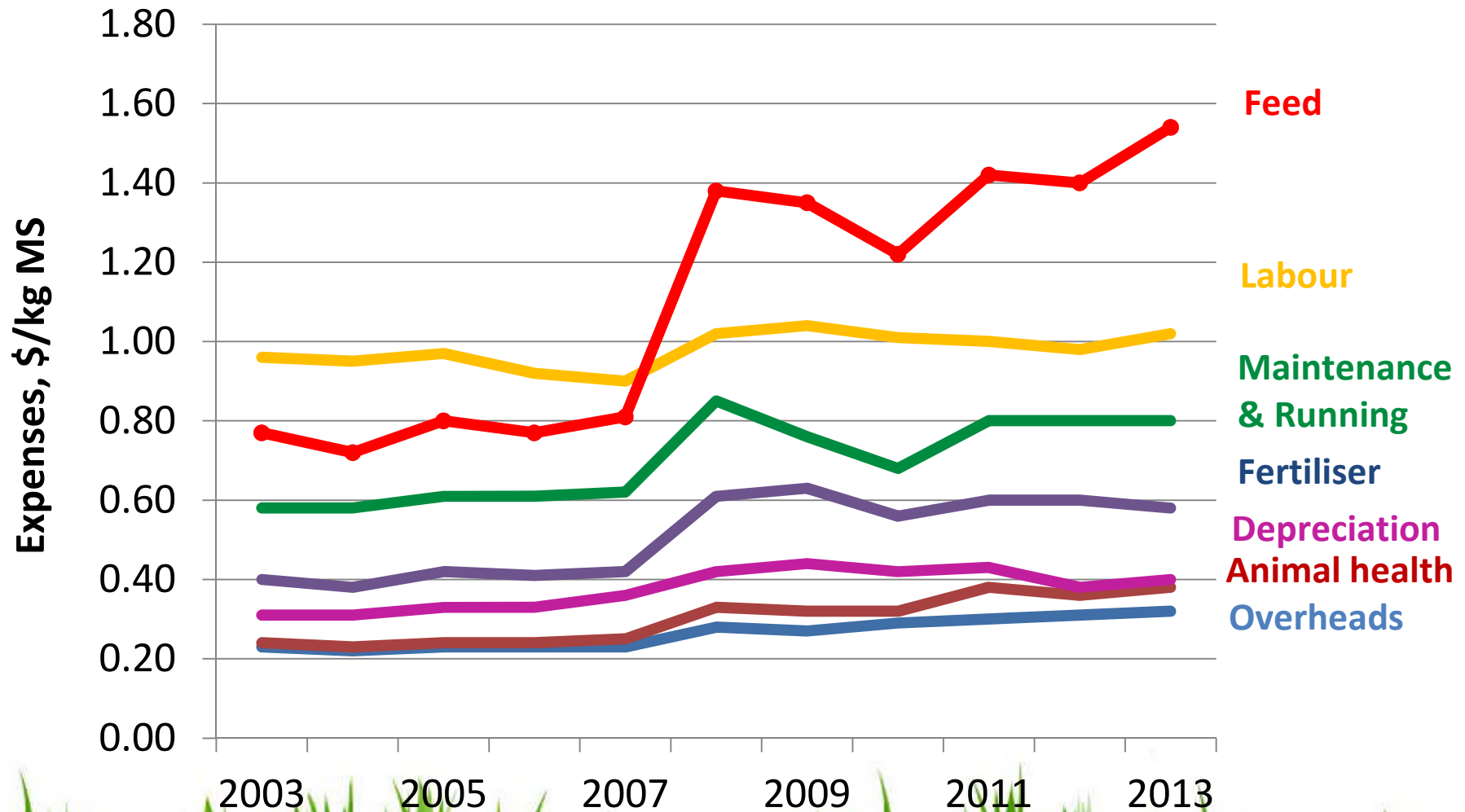


# Lesson 1

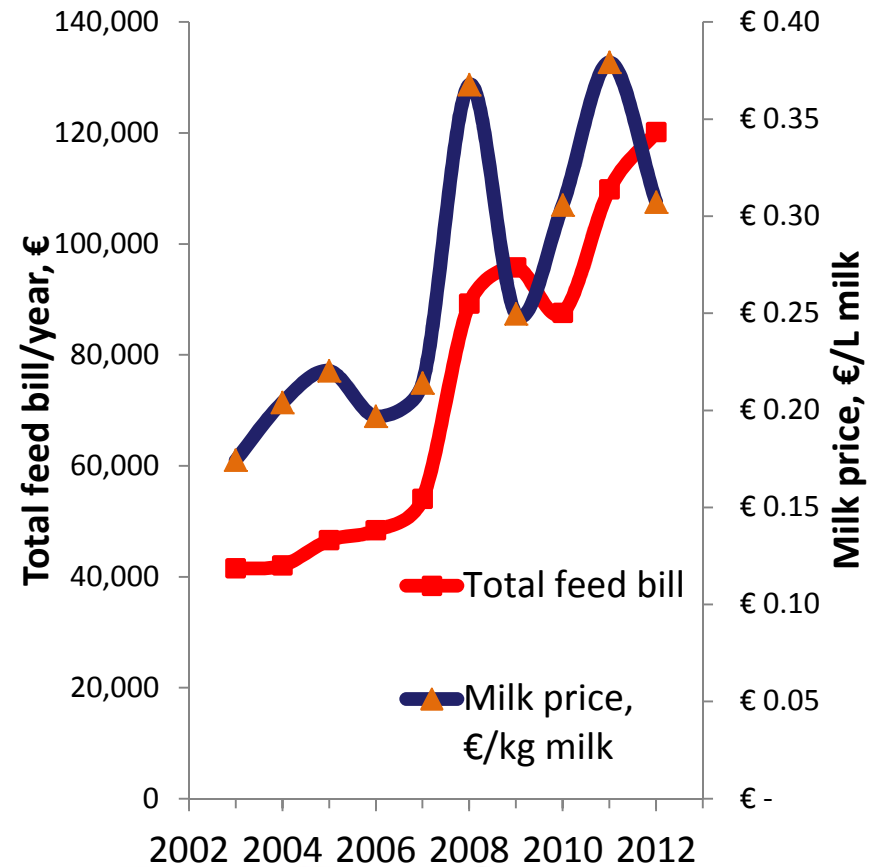
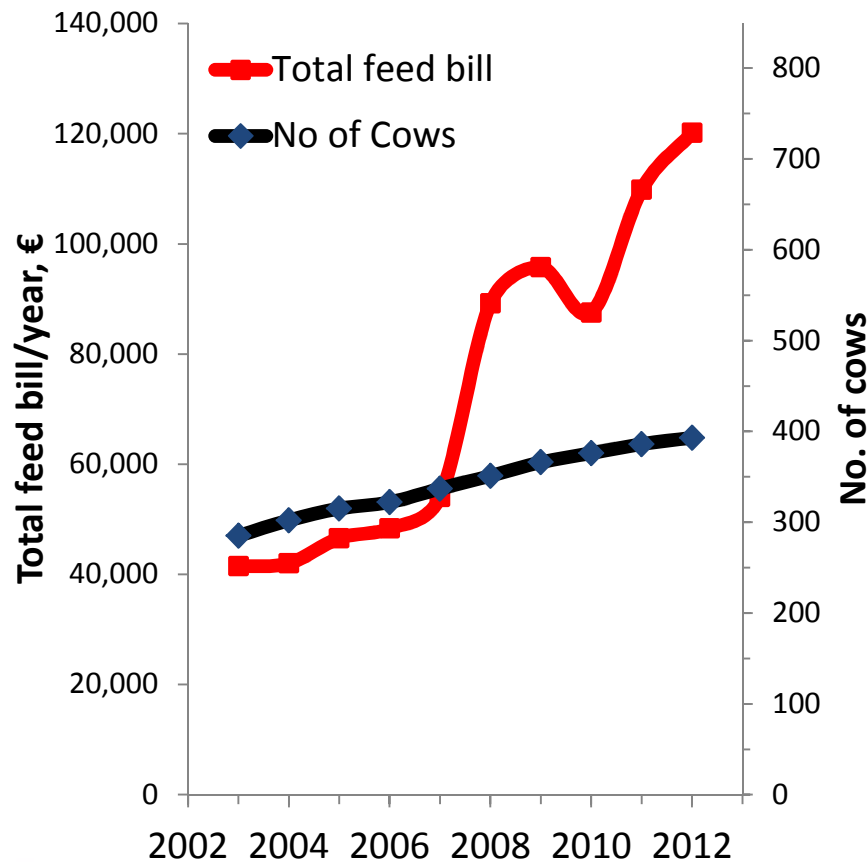
*Increased milk production through intensification has not returned value to the average farmer.*

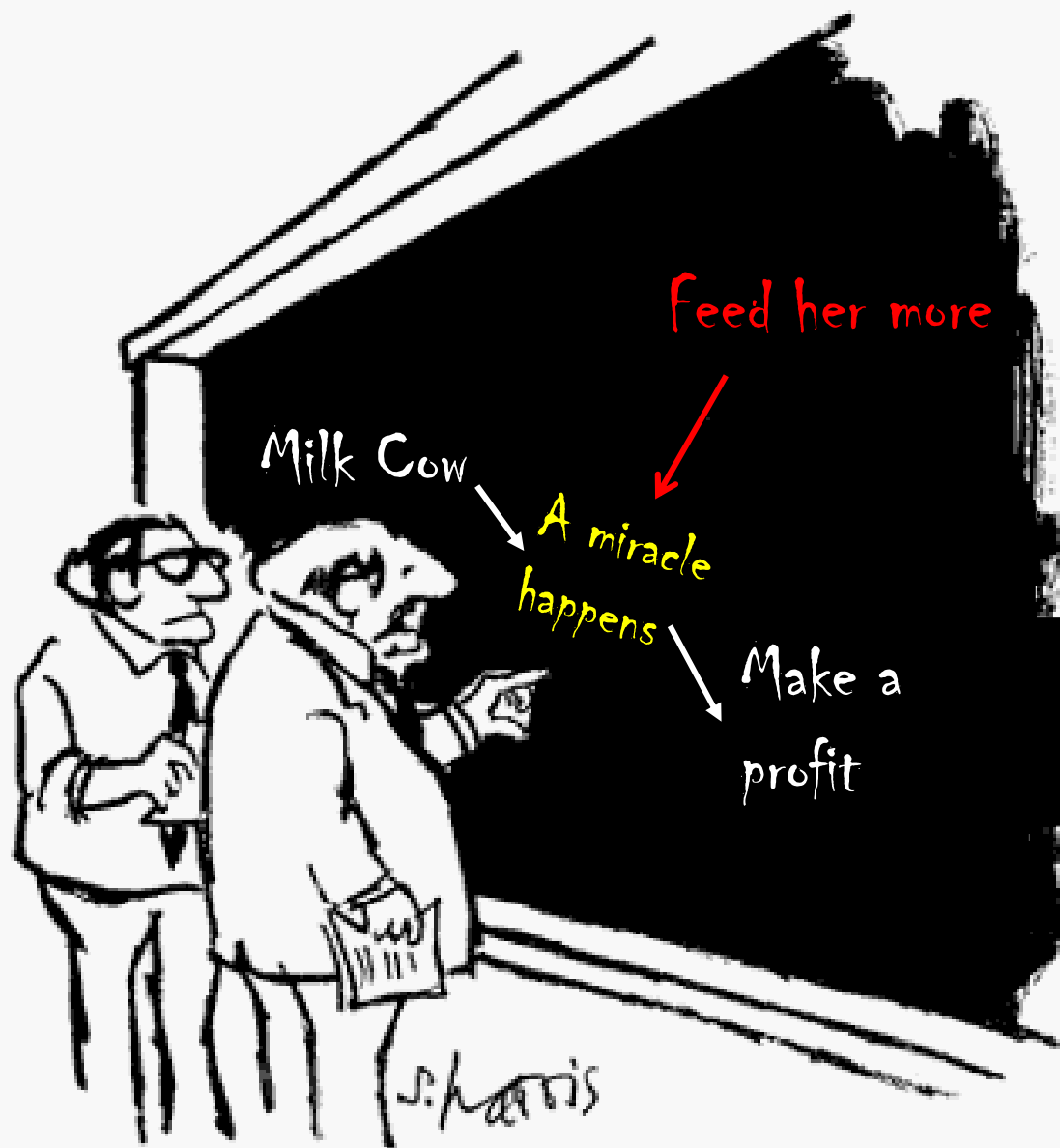


# Change in costs over the last decade



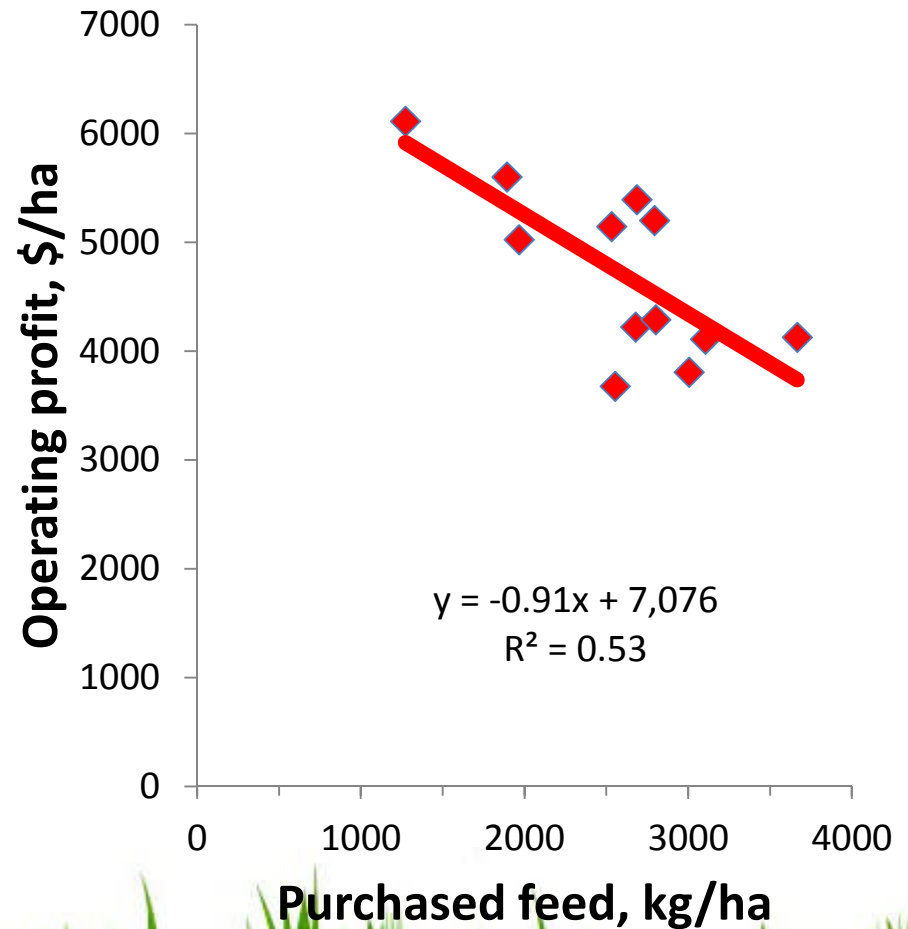
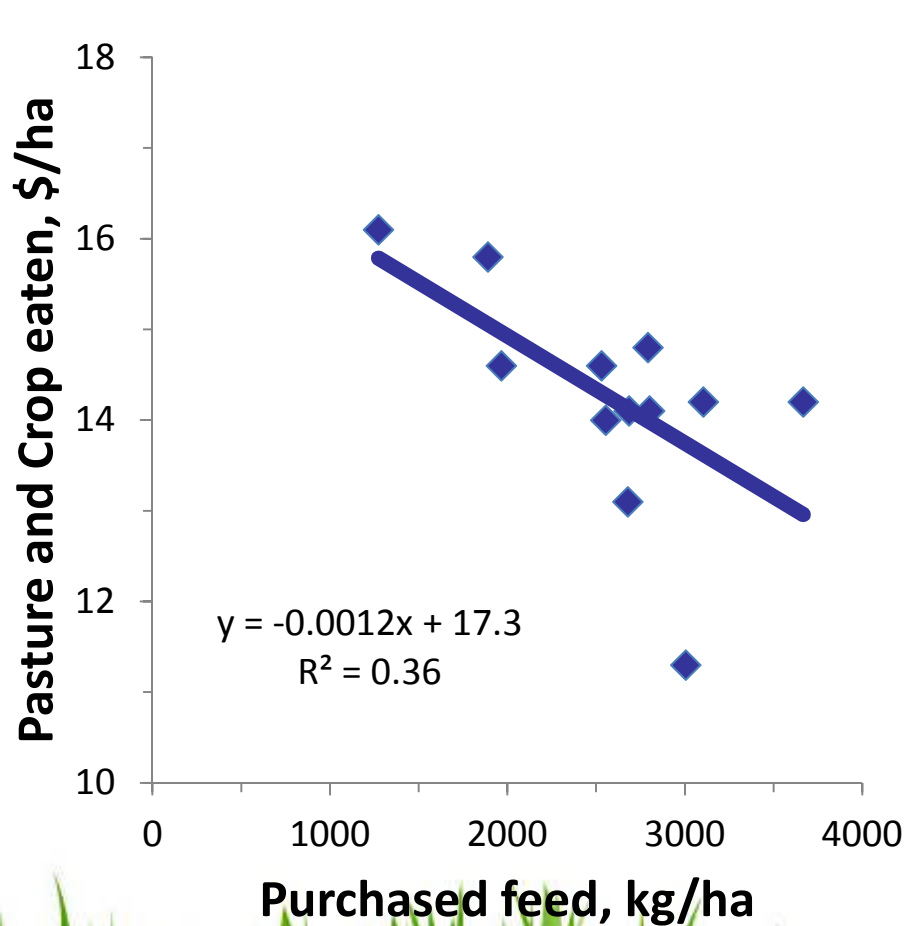
# Increase in feed expenses associated with milk price





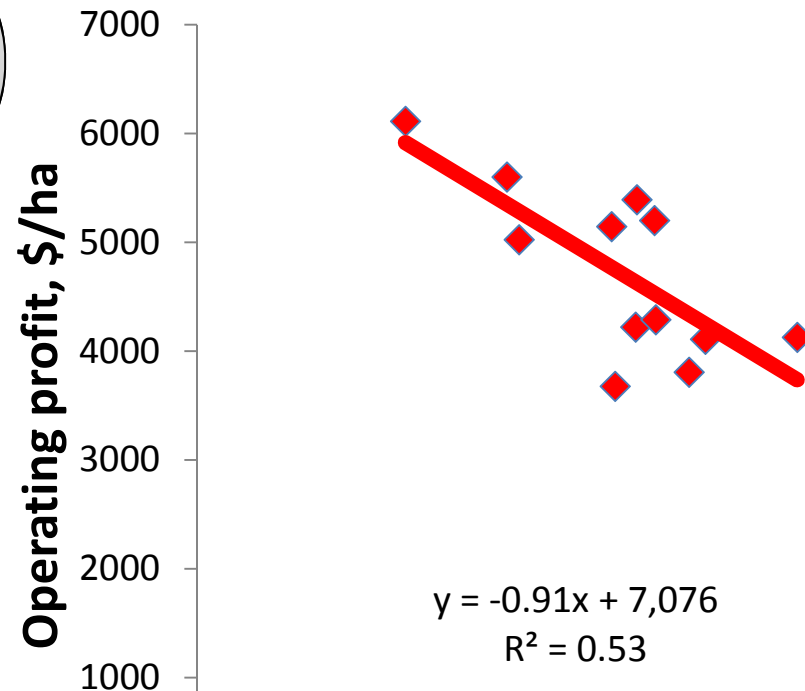
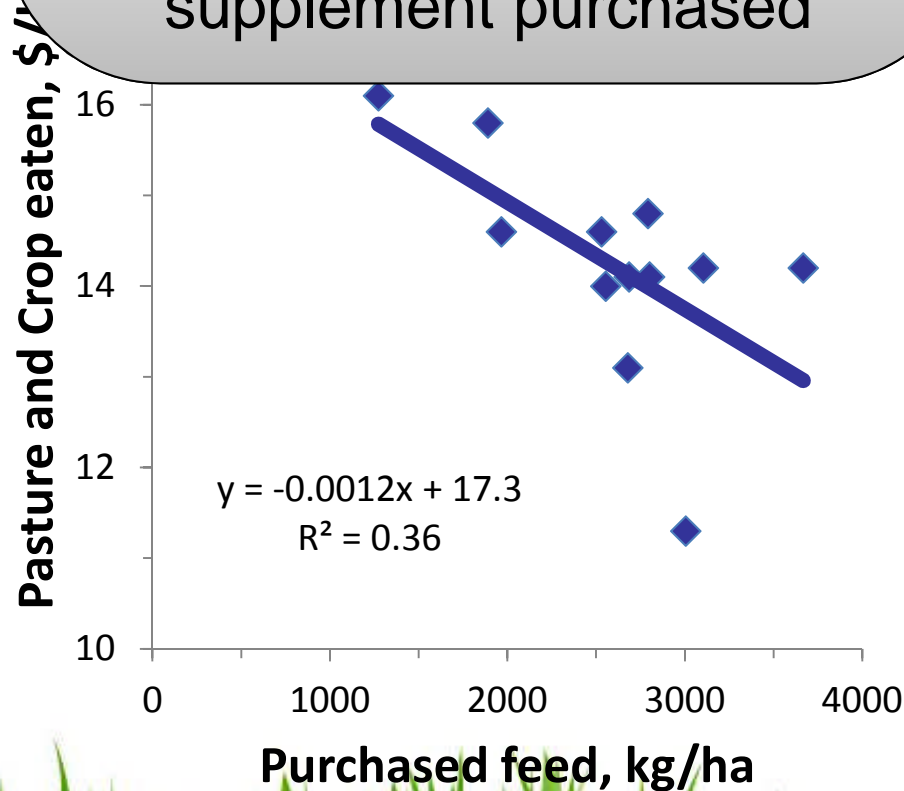
"I think you should be more explicit here in step two."

# Pasture utilisation and profit declines with supplement use in mid-Canterbury



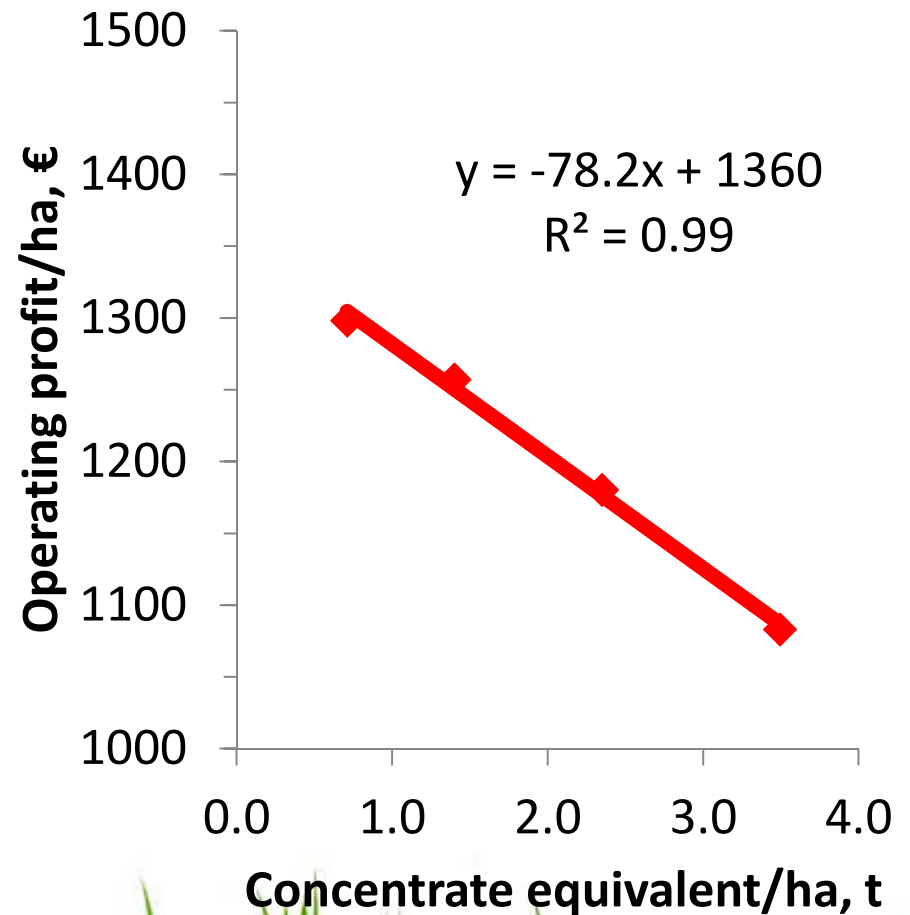
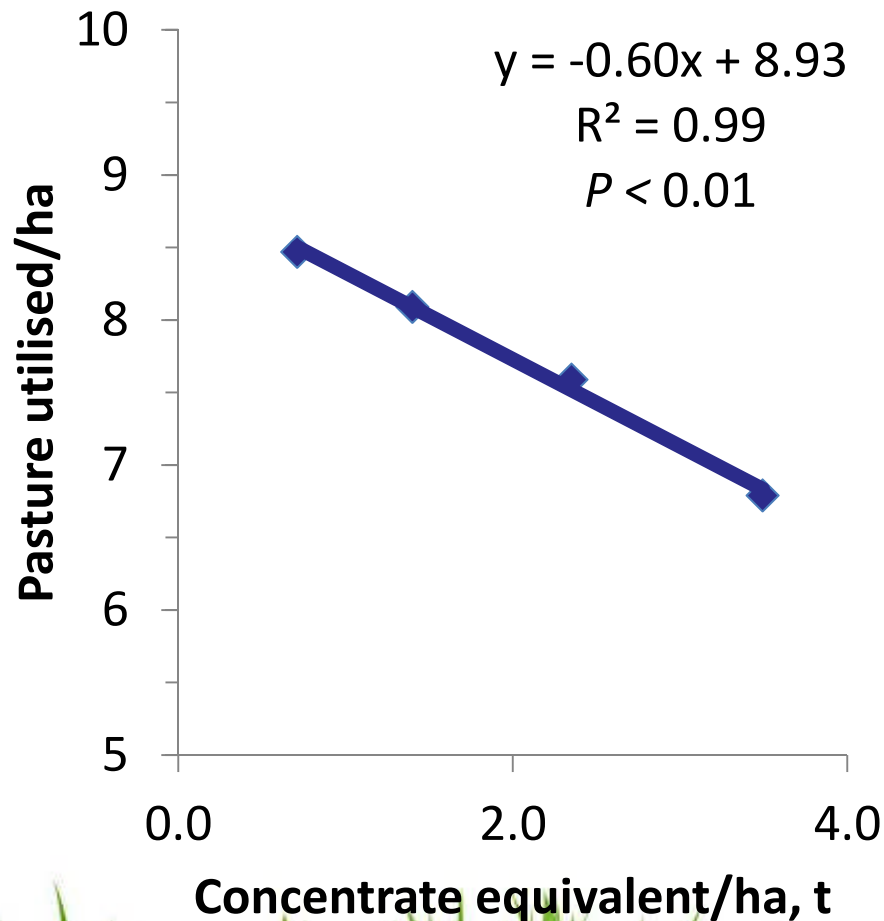
# Pasture utilisation and profit declines with supplement use in

Pasture utilisation declines by 1.2 t DM for every 1 t supplement purchased

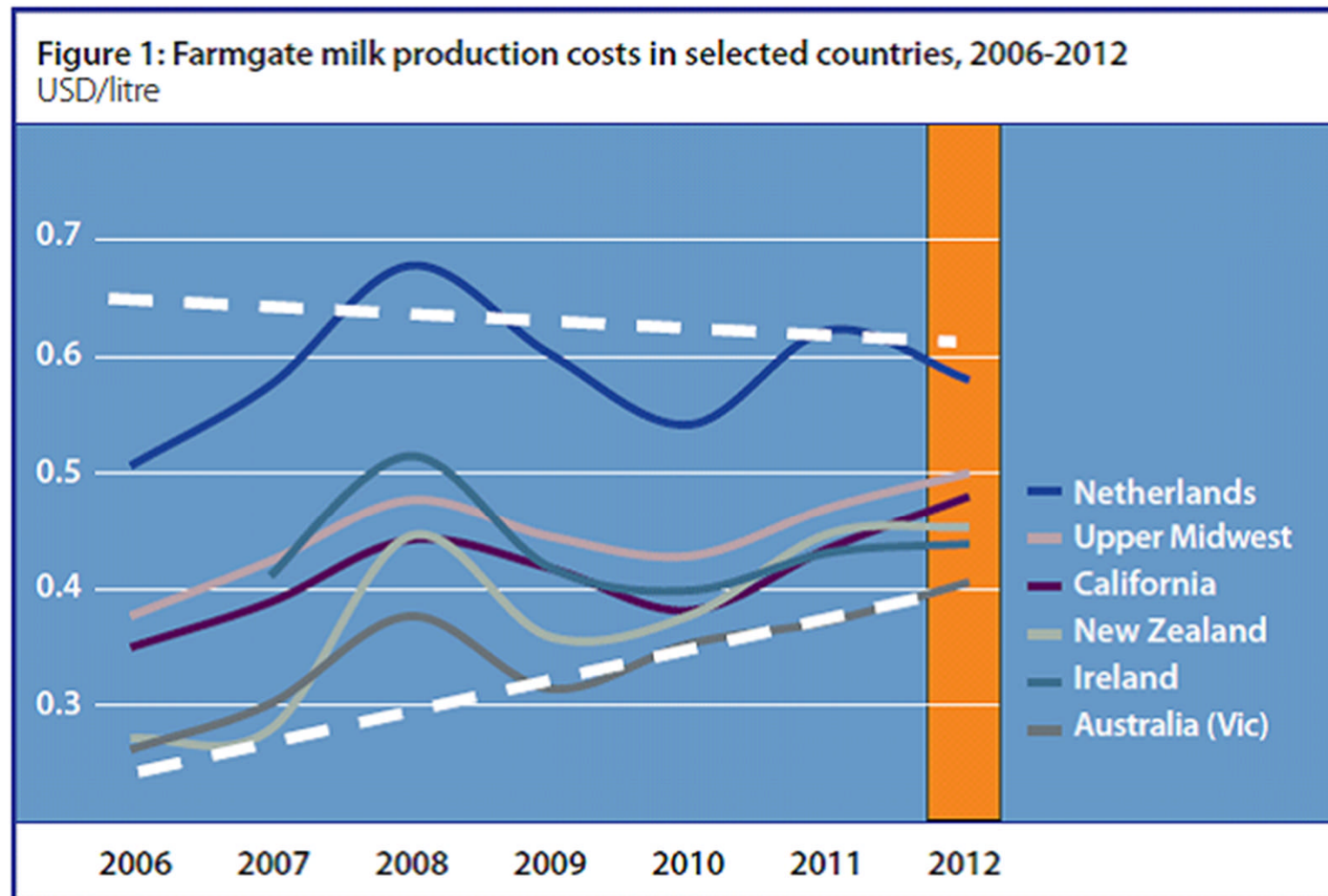


Operating profit declined \$910/ha for every 1 t supplement purchased

# Pasture utilisation and profit declined with supplement use in Ireland



# The changes made over the last 6 years has eroded our low cost base

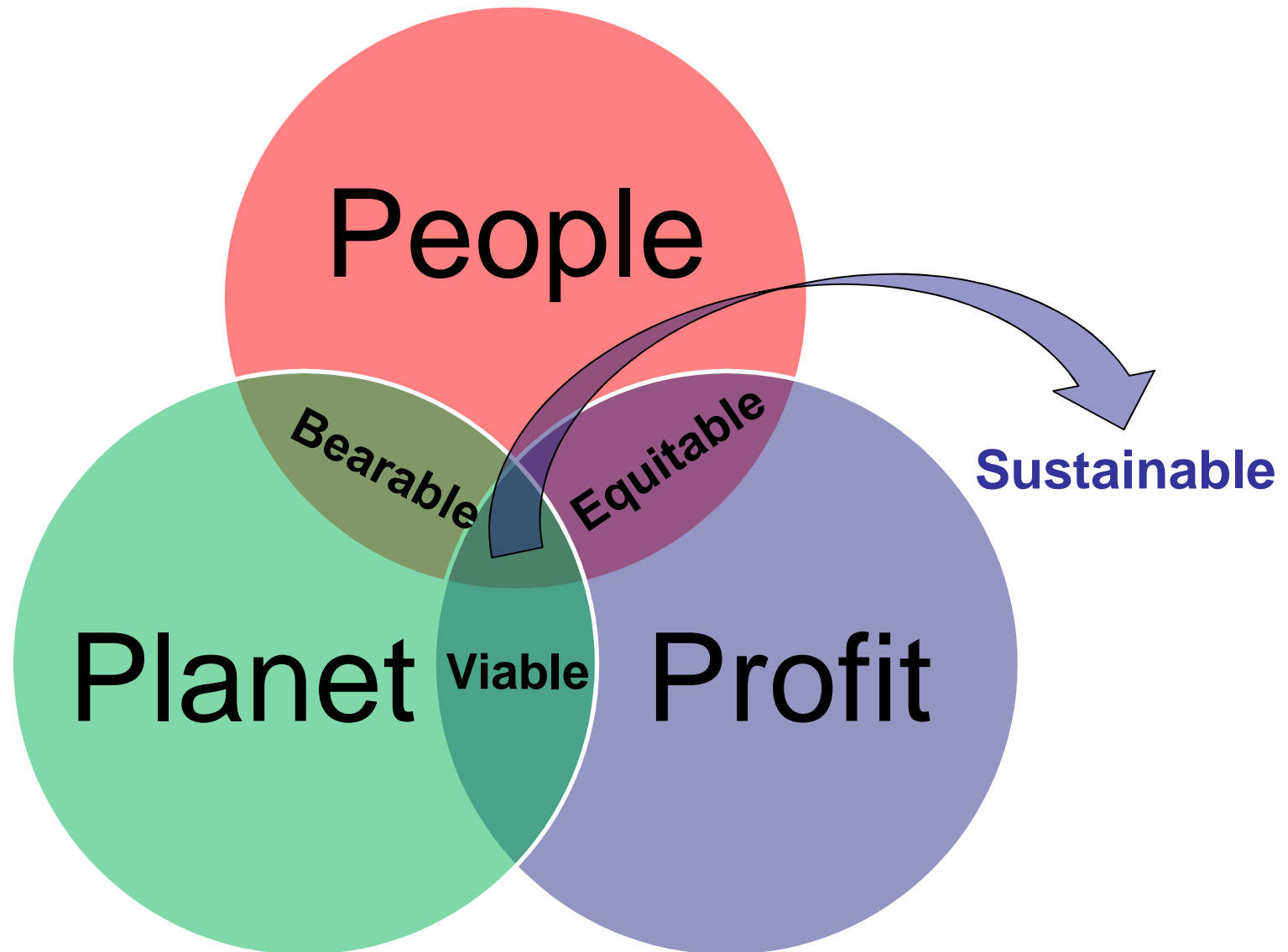


Source: OnFarm Consulting, DairyNZ, LEI, Teagasc, FADN, Genske Mulder, Rabobank, 2013

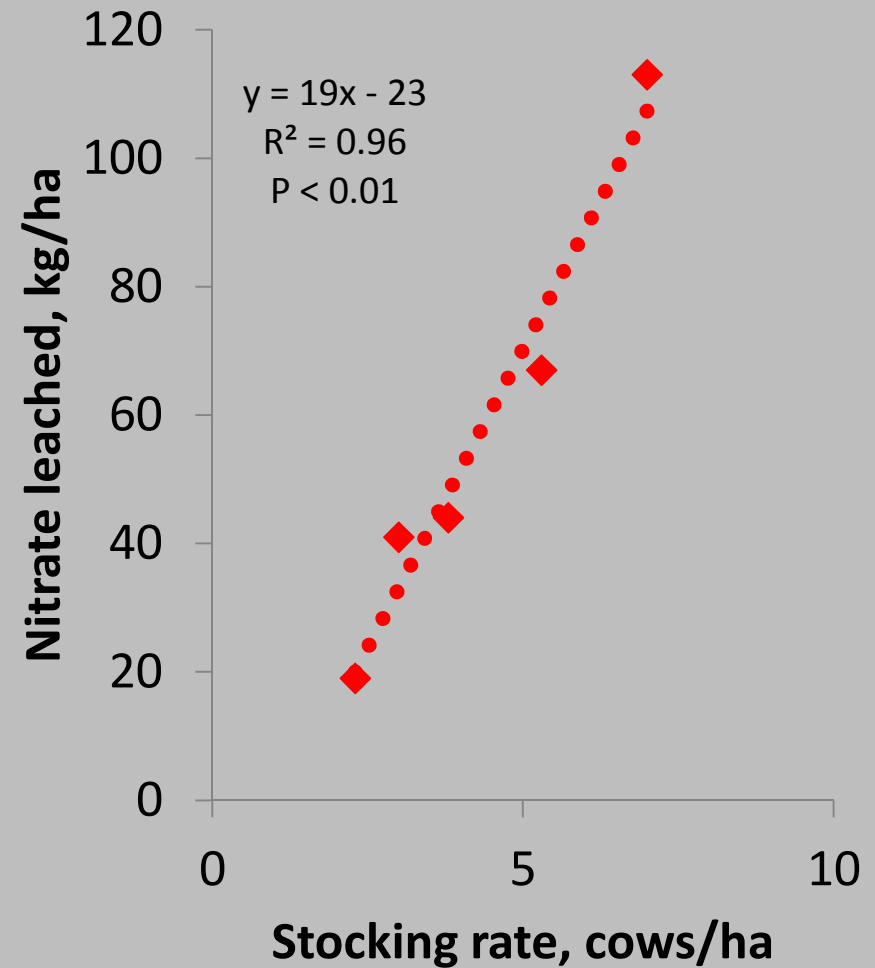
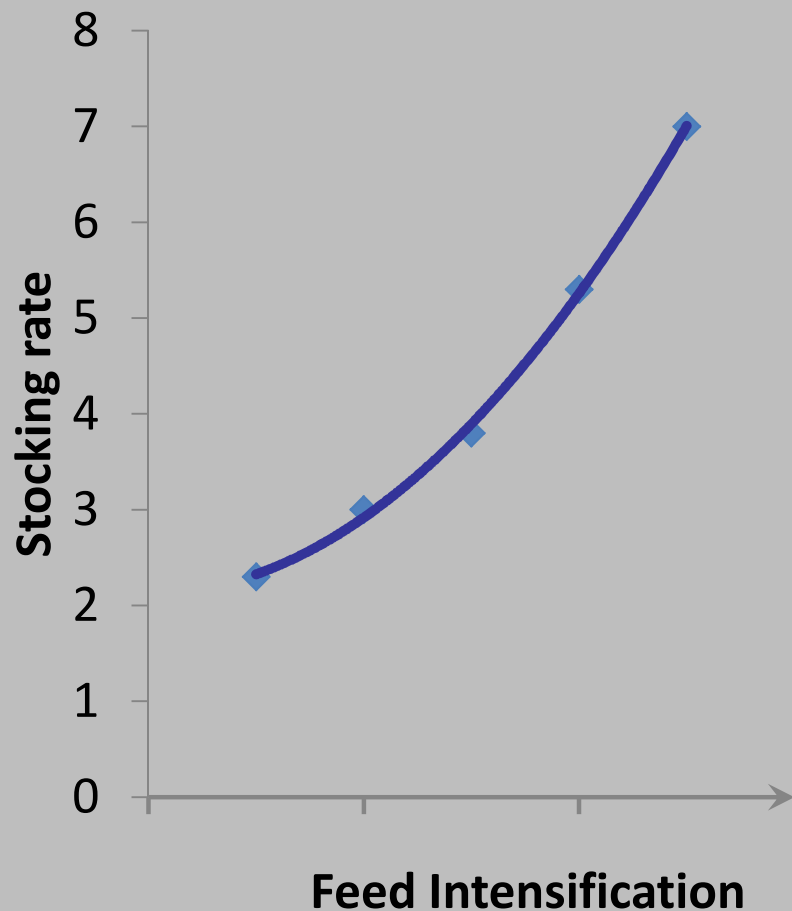
Note: Ireland data for 2006 unavailable

Source: Hayley Moynihan, Rabobank

# Intensification with a cost

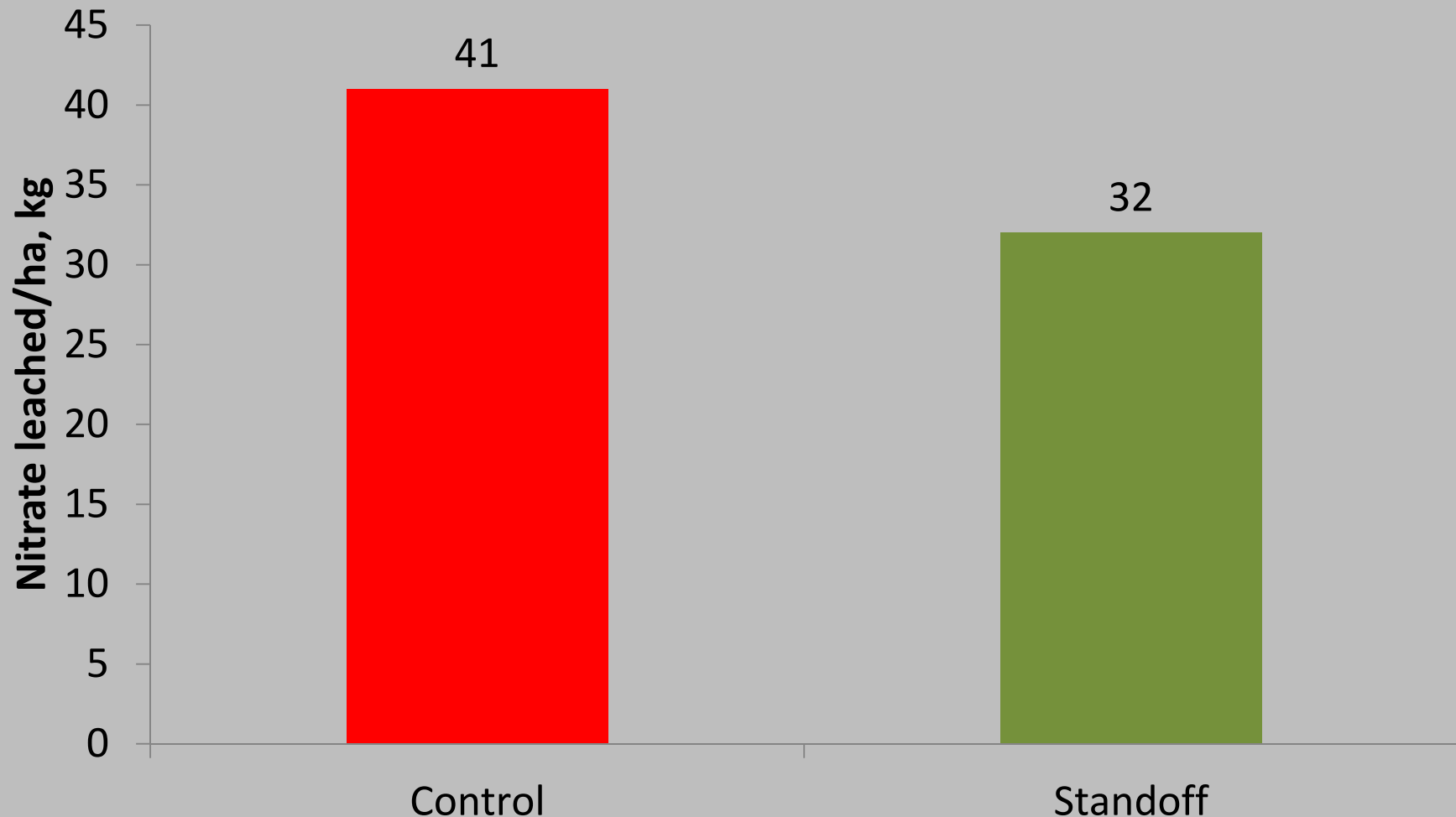


# Intensification increases N leaching

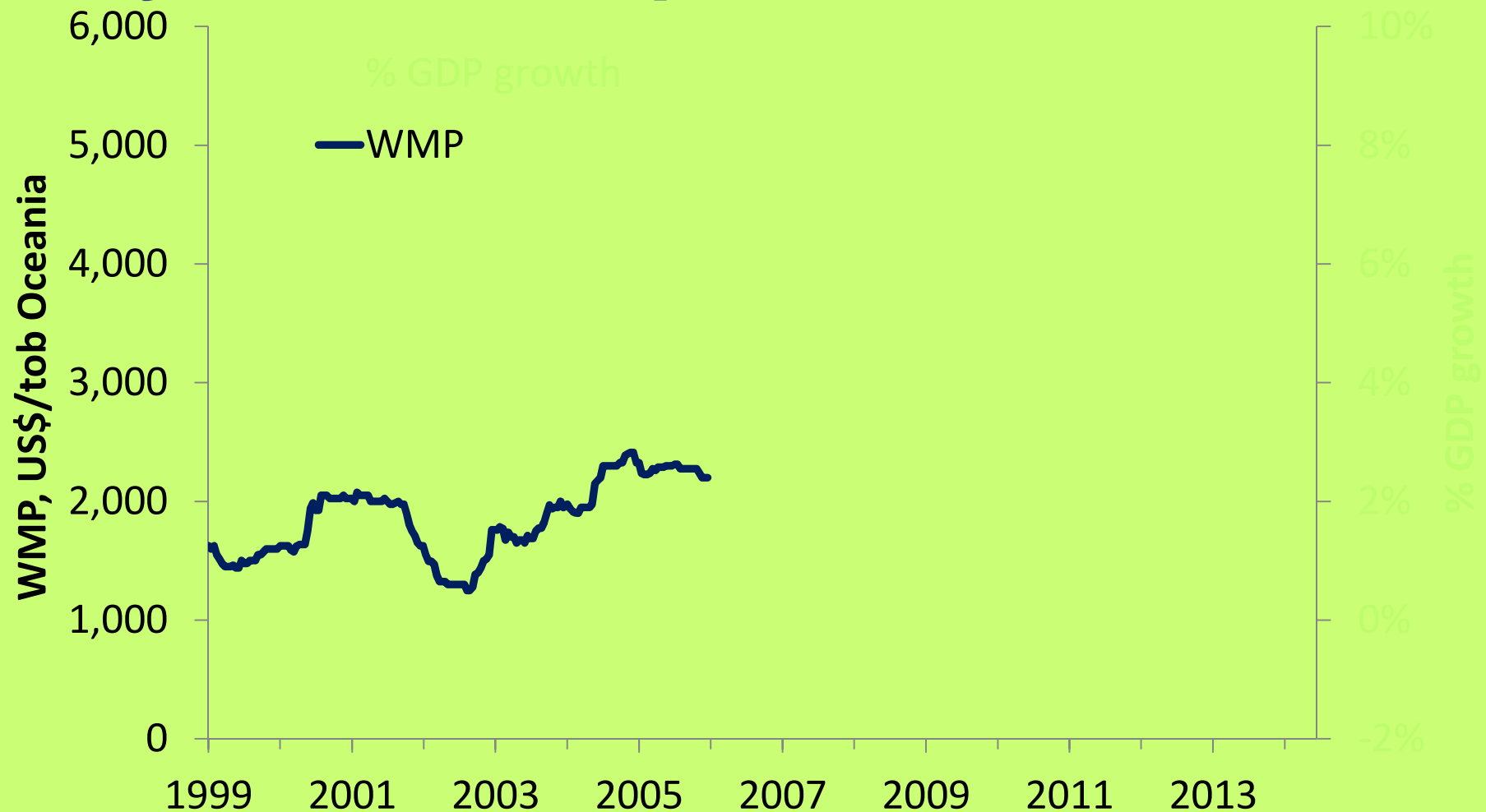


**Increasing stocking rate through purchased feeds increases  $\text{NO}_3$  leaching by 15-20 kg/ha per extra cow**

# Invest in depreciating assets to reduce nitrate leaching



# Milk price volatility exacerbated by additional production from NZ



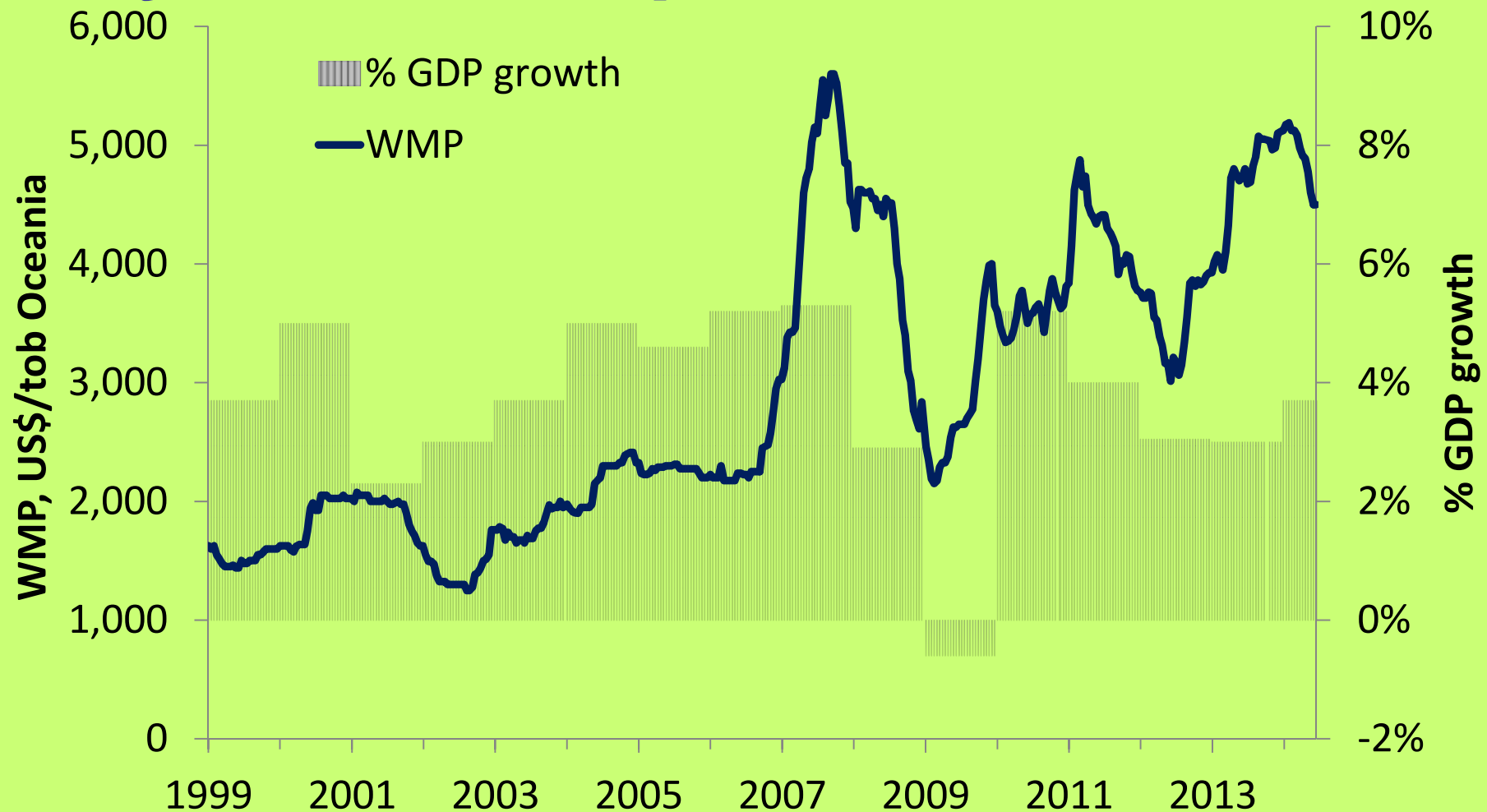
Source: Hayley Moynihan, Rabobank

# Milk price volatility exacerbated by additional production from NZ



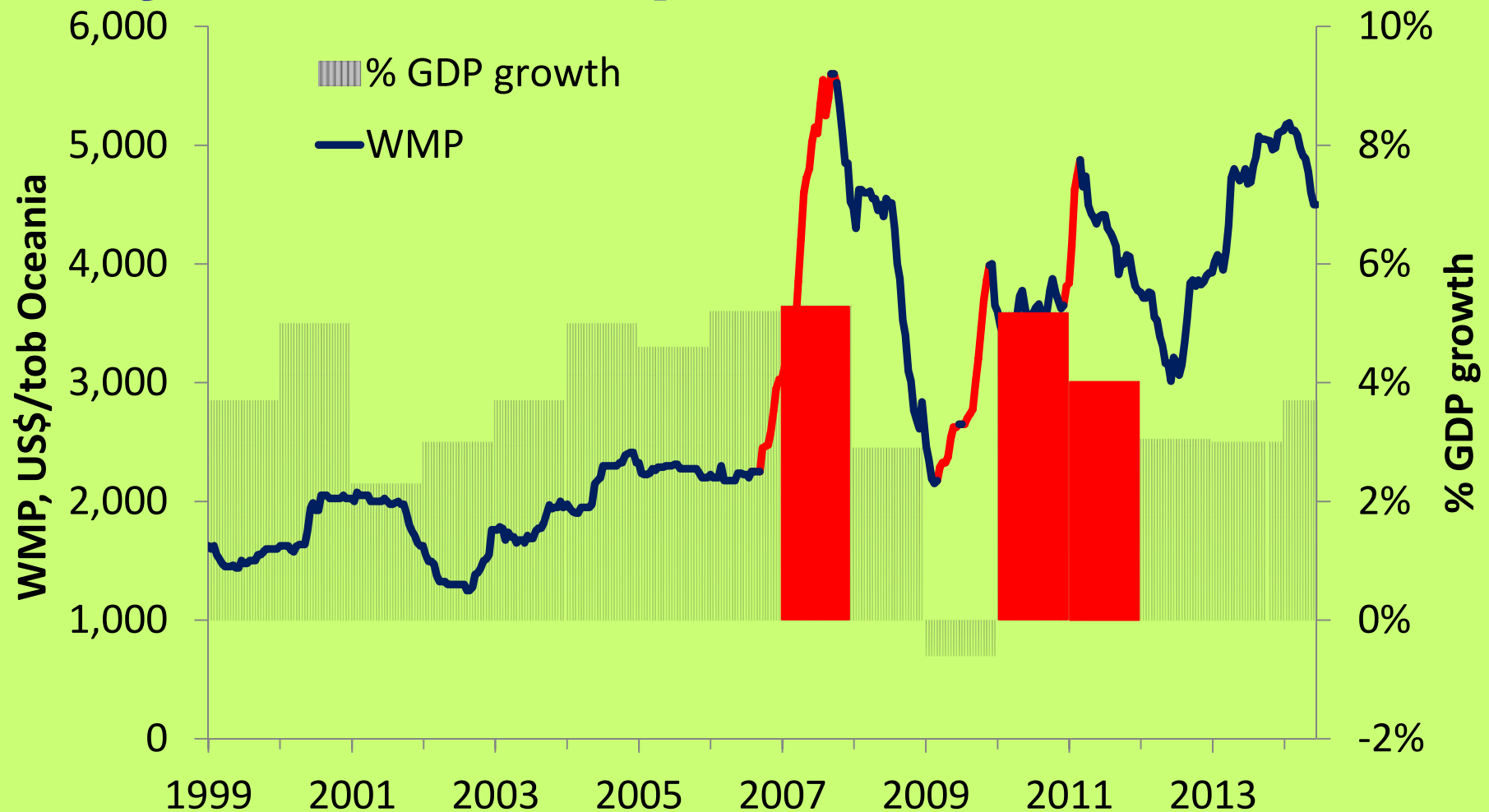
Source: Hayley Moynihan, Rabobank

# Milk price volatility exacerbated by additional production from NZ



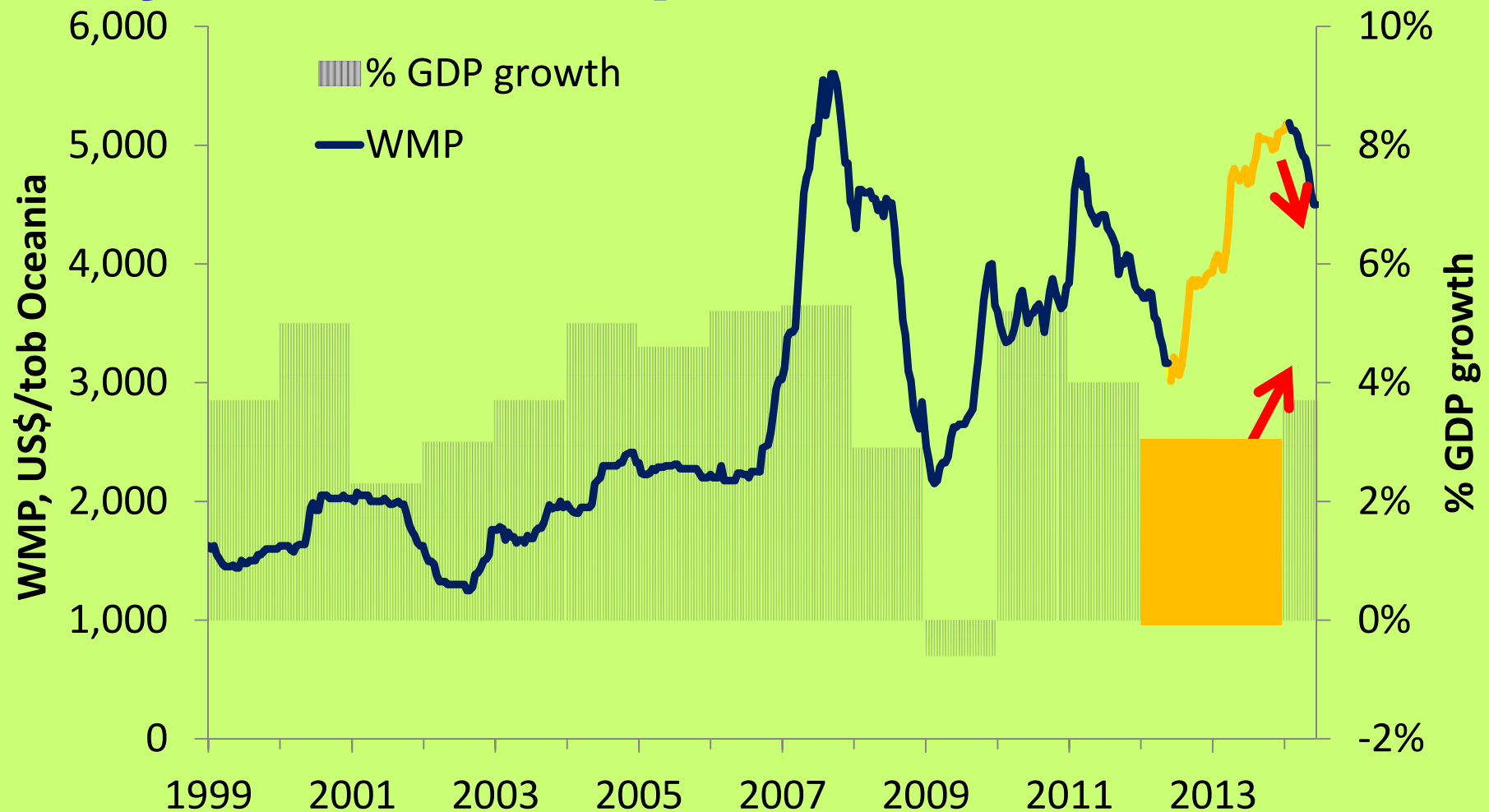
Source: Hayley Moynihan, Rabobank

# Milk price volatility exacerbated by additional production from NZ



Source: Hayley Moynihan, Rabobank

# Milk price volatility exacerbated by additional production from NZ



Source: Hayley Moynihan, Rabobank

# Lesson 2

*Increased milk production through intensification has*

- reduced nitrogen-use-efficiency and increased nutrient losses*
- accelerated the drop in milk price through providing significant traded product*





The Future

NEXT EXIT



Profitable, Resilient, & Sustainable

# What makes us profitable?



Bob didn't have much disposable income. But somehow he still managed to throw away a little each week.

Registered at the G.P.O. Melbourne, for transmission by post as a Newspaper.

== The Victorian ==  
**Wholesale Milk Producers'**  
== Association Journal ==

Issued by the Victorian Wholesale Milk Producers' Association.

Vol. 2. No. 5.

Melbourn, Aug. 27th, 1908.

Price 3d.

The Victorian Wholesale Milk Producers' Association Journal.

Aug. 27, '08.

GENERAL NEWS.

Those engaged in the production of milk for human consumption are, on the whole, a peculiar people—hard to understand. They very seldom take into consideration the cost of production when seeking to place a selling price on the product of their labours, basing it mainly on the supply and demand. That is,

“Those engaged in the production of milk for human consumption are a peculiar people - hard to understand.

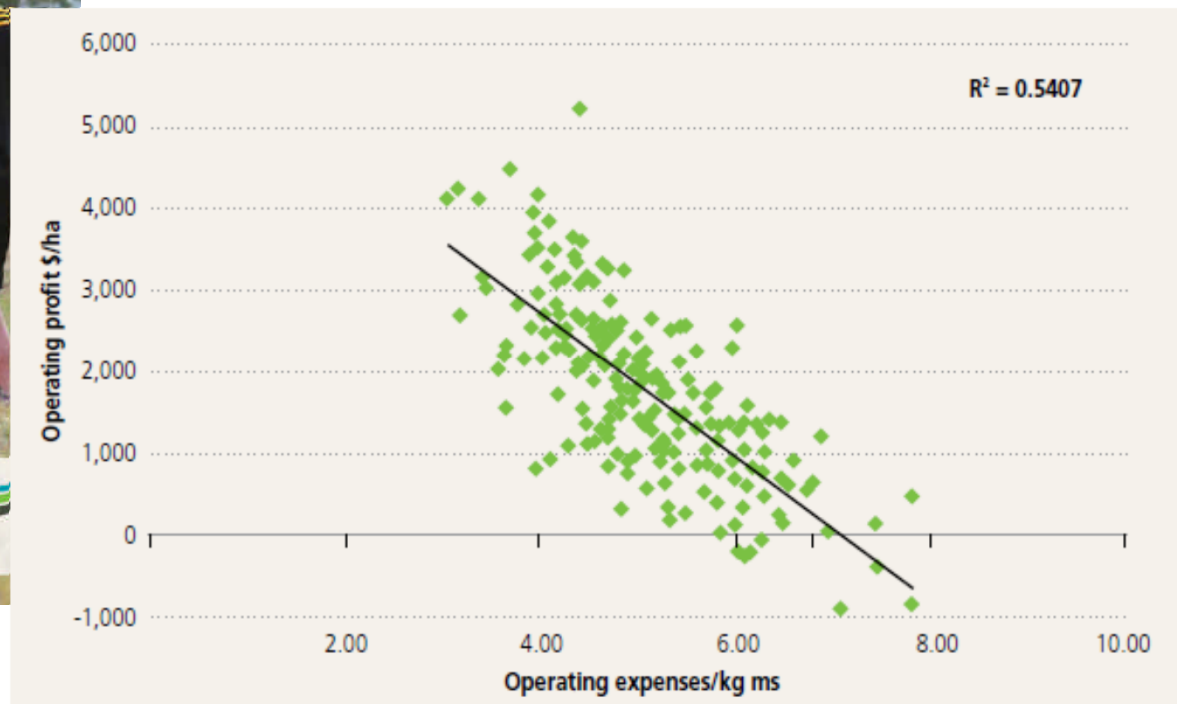
**50**  
years

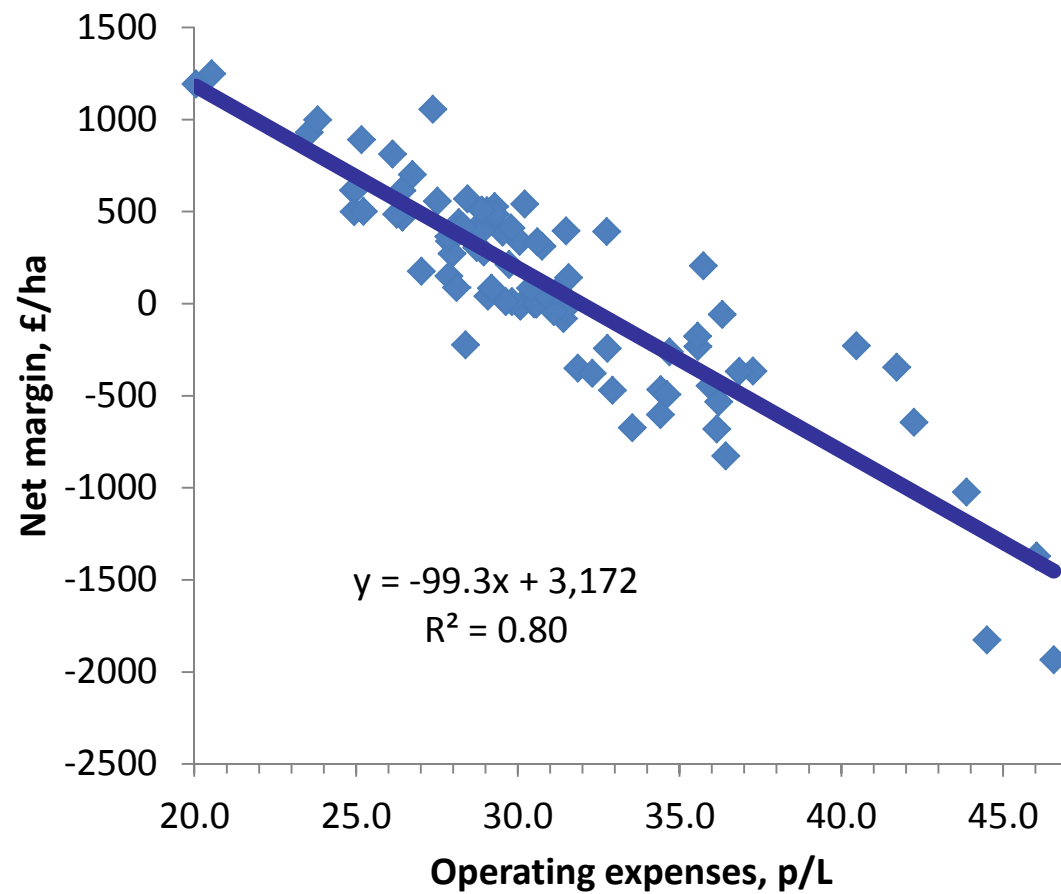
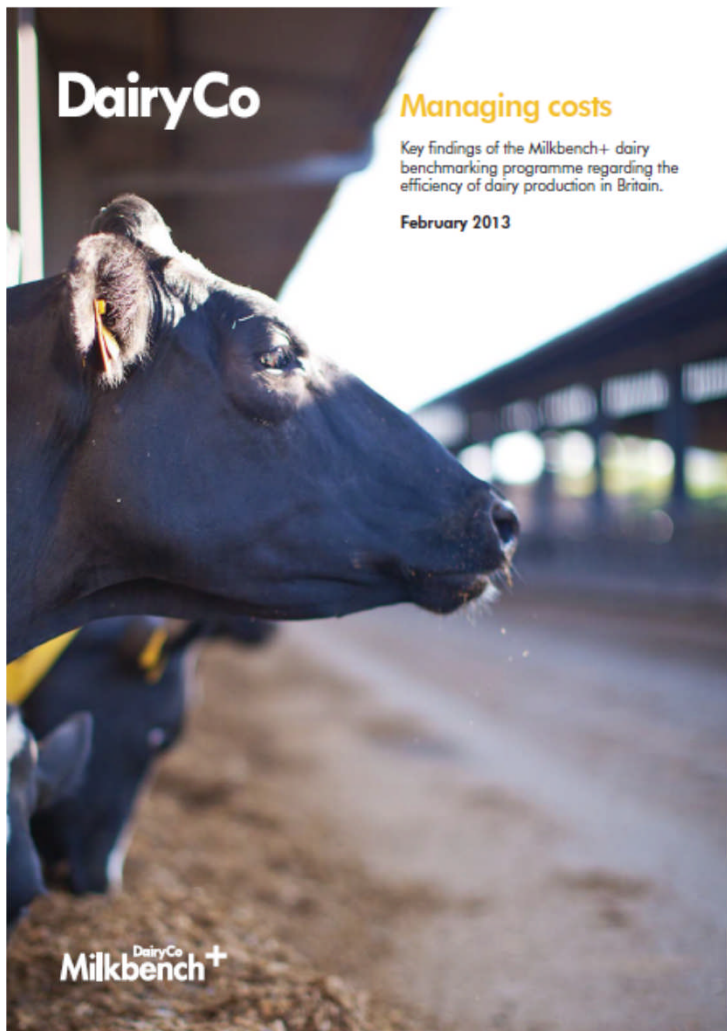
OF ECONOMIC  
ANALYSIS

*DairyNZ*  
*Economic Survey*  
2012-13



Operating expenses/kg MS  
strongly related to profit!

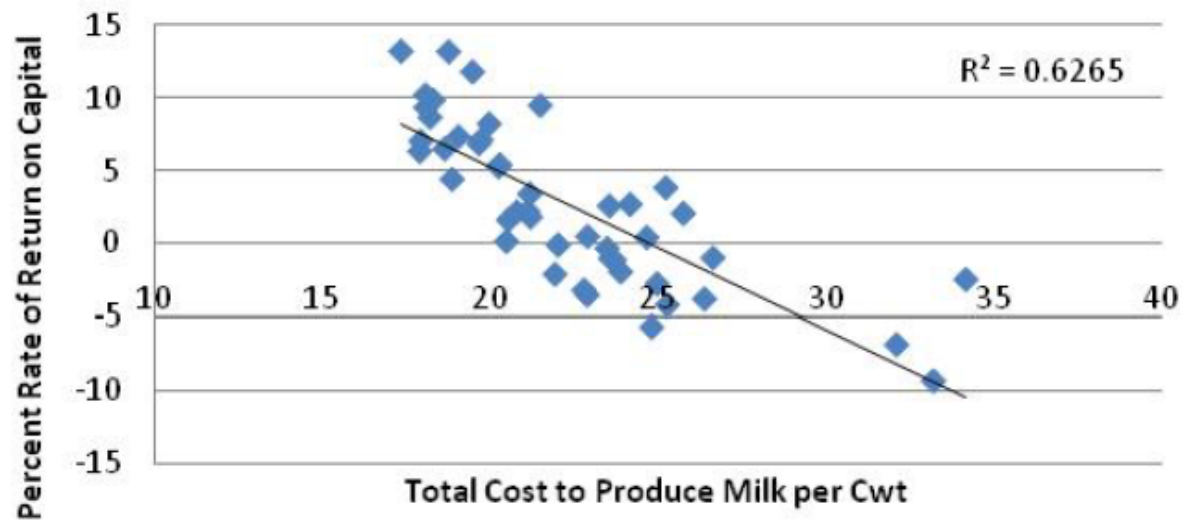


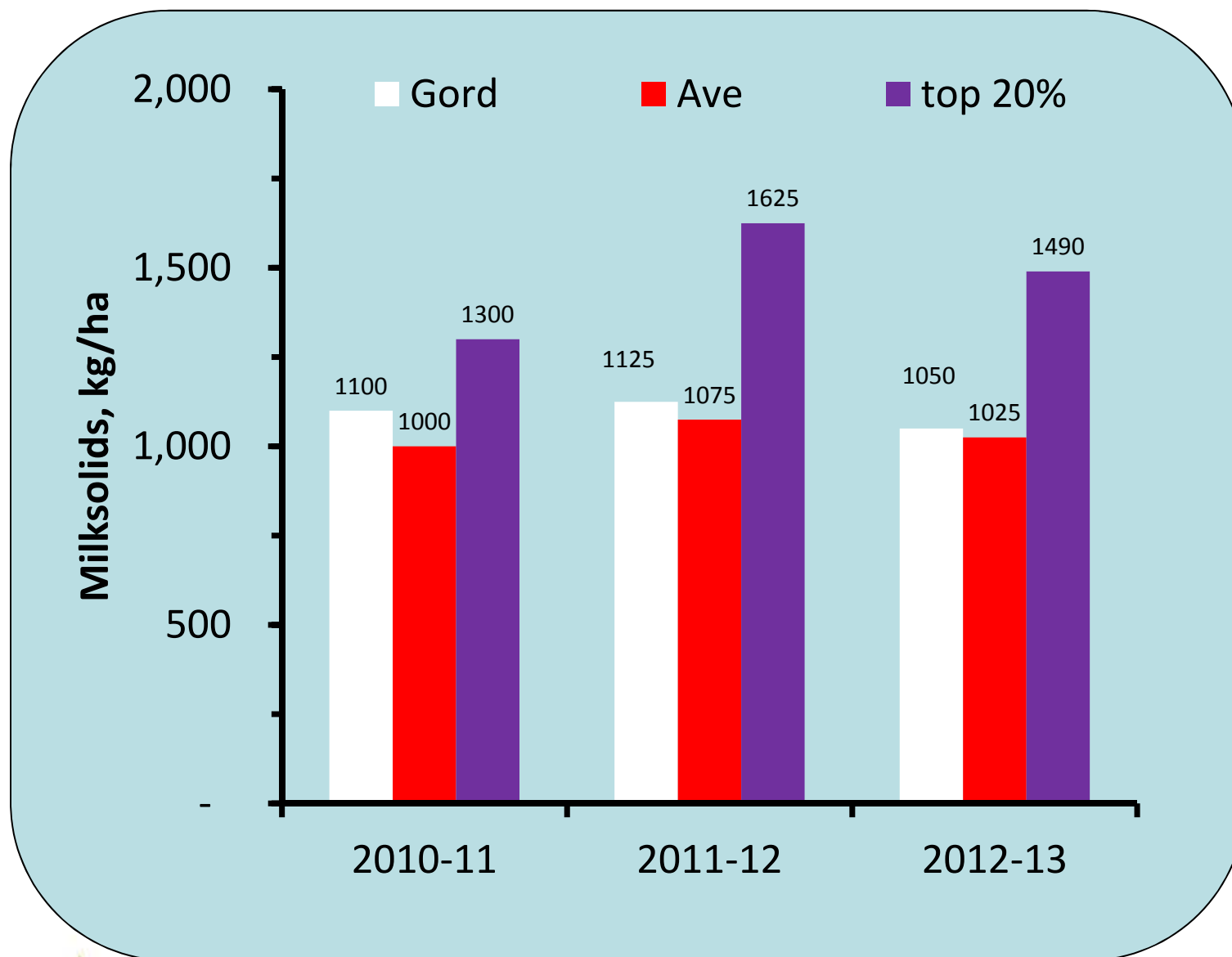


## Keys to the Most Profitable U.S. Dairy Grazing Operations

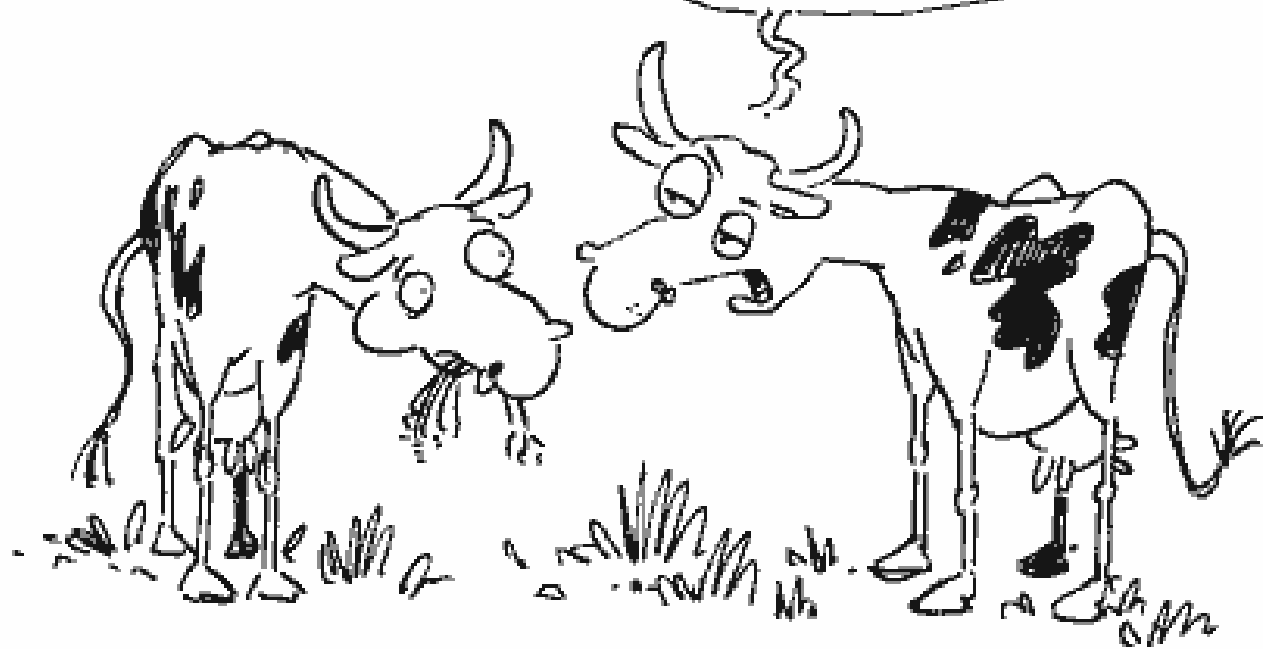
Jason Karszes  
Farm Management Specialist  
PRO-DAIRY  
Department of Applied Economics and Management  
College of Agriculture and Life Sciences  
Cornell University

### Total Cost to Produce Milk vs ROA All Grazing Dairies, 2008

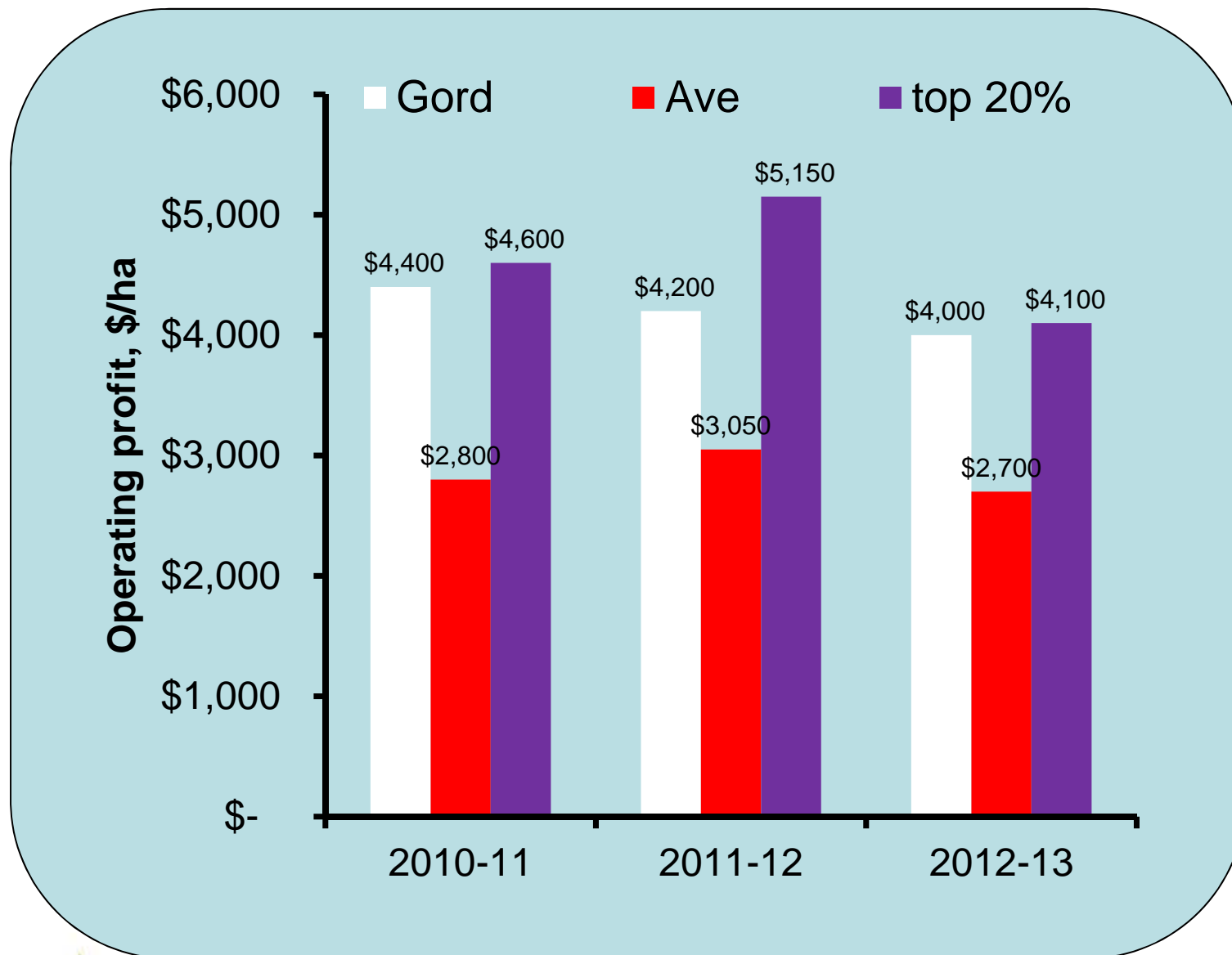





Grass may have  
some nutritional  
value but frankly  
it bores the shit  
out of me !

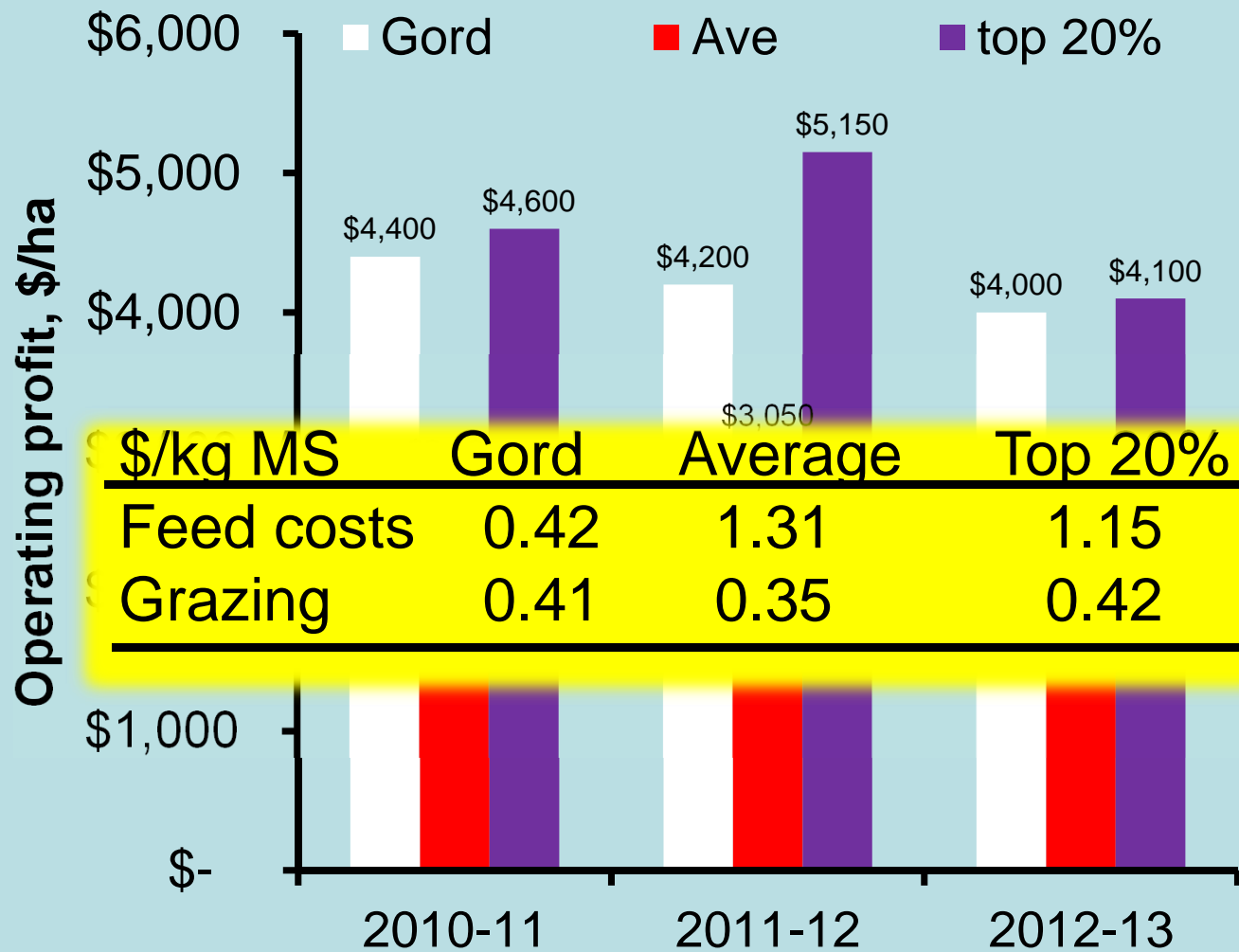


GUS



A herd of black and white cows is walking along a dirt path in a rural setting. The cows are in the foreground, and the path leads into the distance. The background features a green field, trees, and a blue sky with white clouds. A semi-transparent text box is overlaid on the image.

*What makes us resilient?*



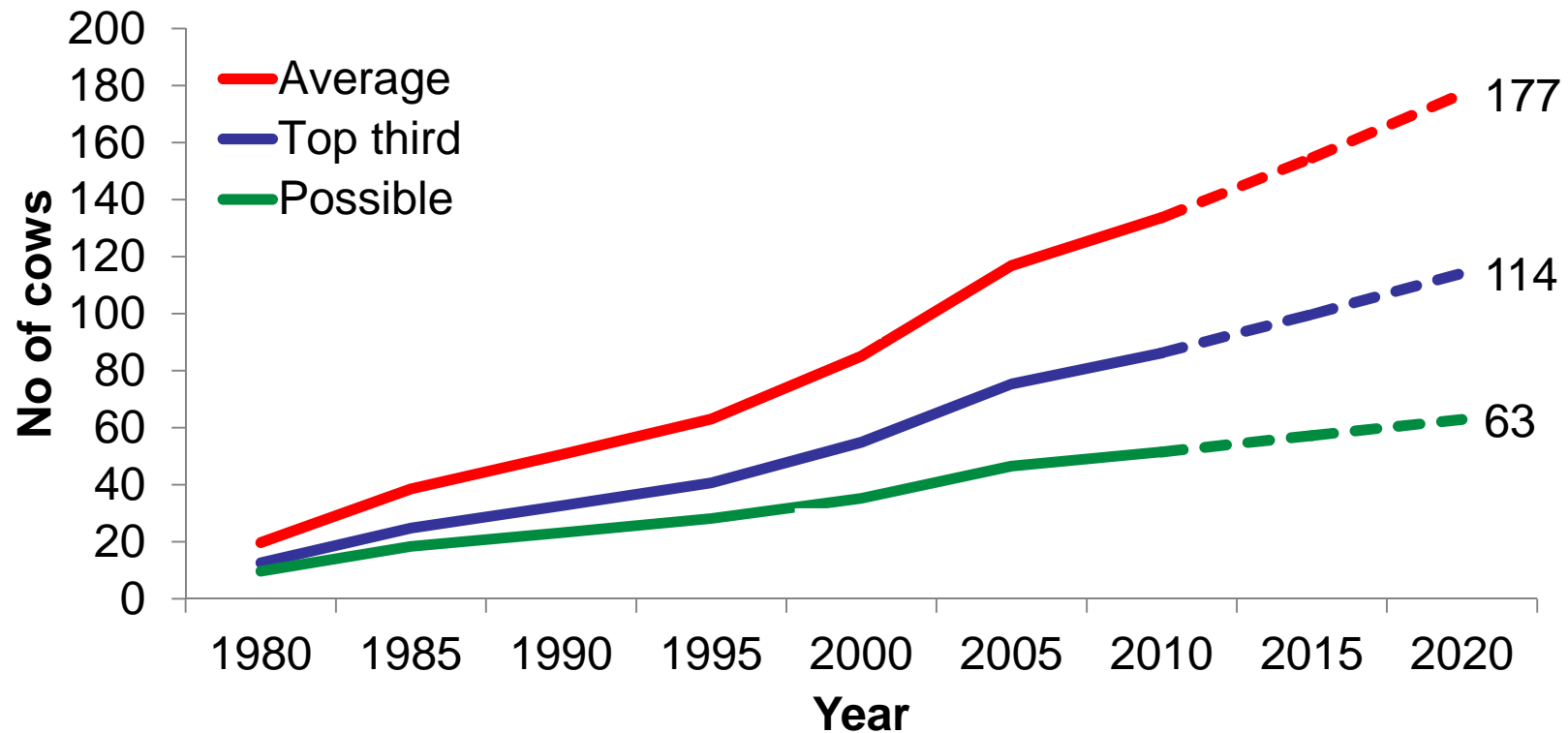


Dude  
I'm joking. You can milk more cows!

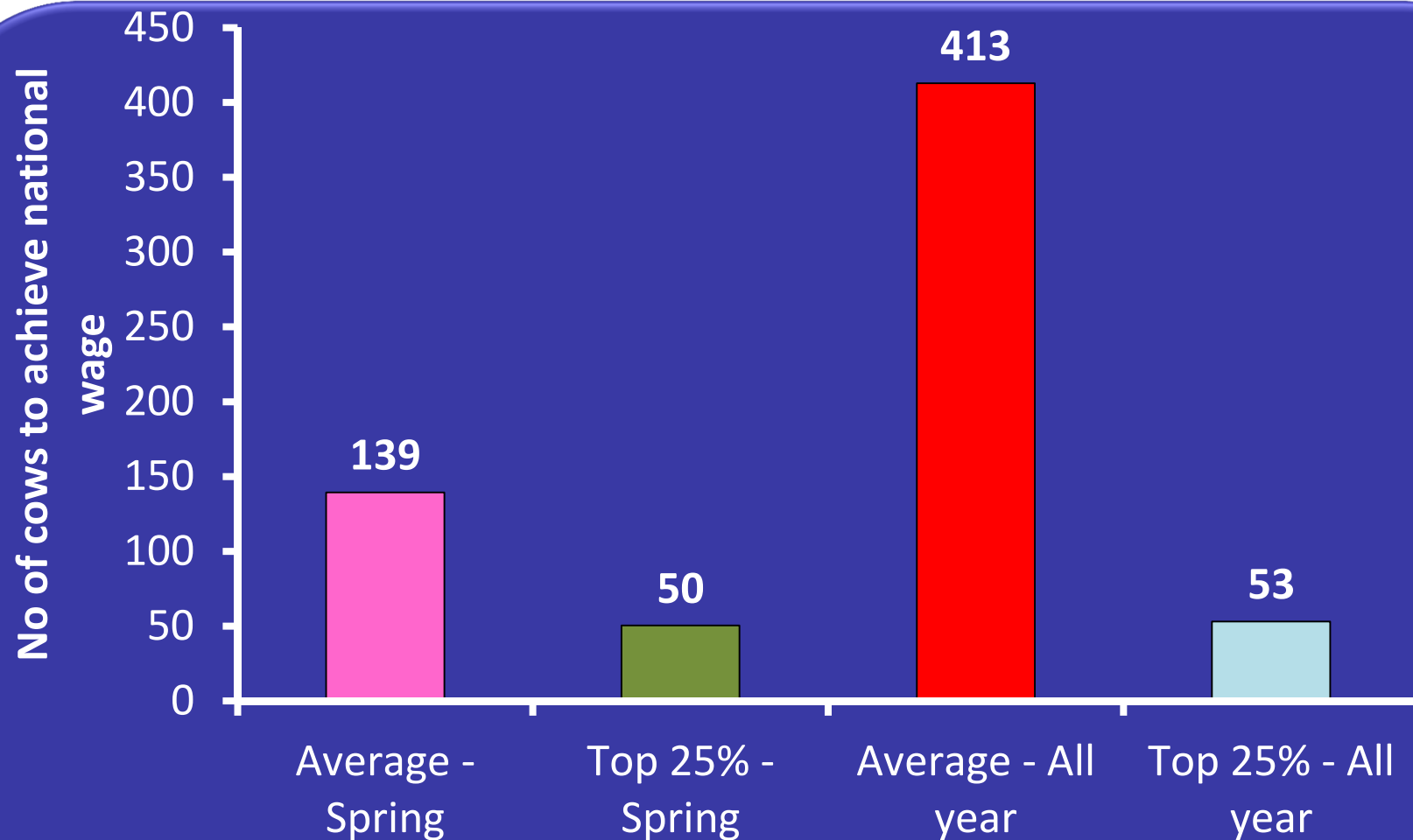


**In life it's not where you go; it's who goes with you!**

# Herd size to earn the average national wage in Ireland @ €0.30/L



# Herd size to earn the average national wage in the UK @ £0.28/L





*To conclude*

# Conclusions

ASK YOURSELF  
IF WHAT YOU  
ARE DOING TODAY  
IS GETTING YOU  
CLOSER TO WHERE  
YOU WANT TO  
BE TOMORROW.

- What are your goals?
- Expansion won't necessarily increase profit?
- Pasture utilisation is the key
- How many cows do you need to milk?
- Trade speed for direction!



## *3 life lessons from*



1. Today you are You. That is truer than true.  
There is no one alive that is Youer than You
2. Why fit in when you were born to stand out
3. You have brains in your head. You have feet  
in your shoes. You can steer yourself any  
direction you choose.





Thank you

