



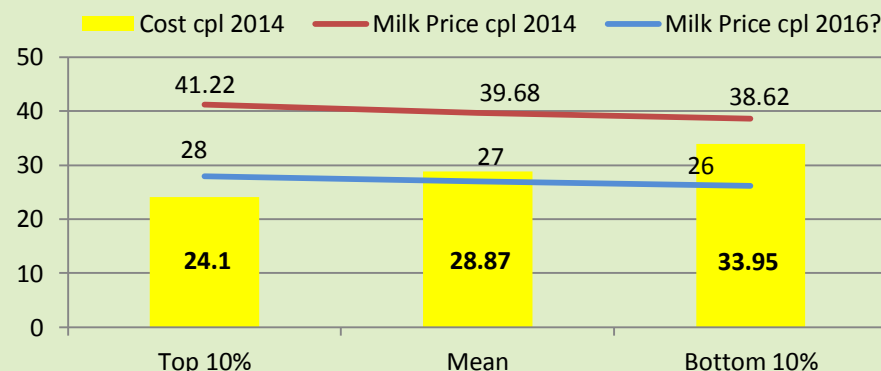
Cutting Your Cloth!

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Setting the Scene

- First year without milk quota
- Milk price projections are relatively poor with medium to long term volatility
- Irish Profit Monitor Data - what is it telling us?
- How has the UK industry progressed with virtual non-quotas



	% Change
No. Dairy Farms	-36%
No. Dairy Cows (m)	-12%
Ave Herd Size	+37%
Ave Milk Yield/Cow	+17%
Source DairyCo.	

What are the main drivers of profit?

1. Costs of Production

- Short term strategy with long term gains

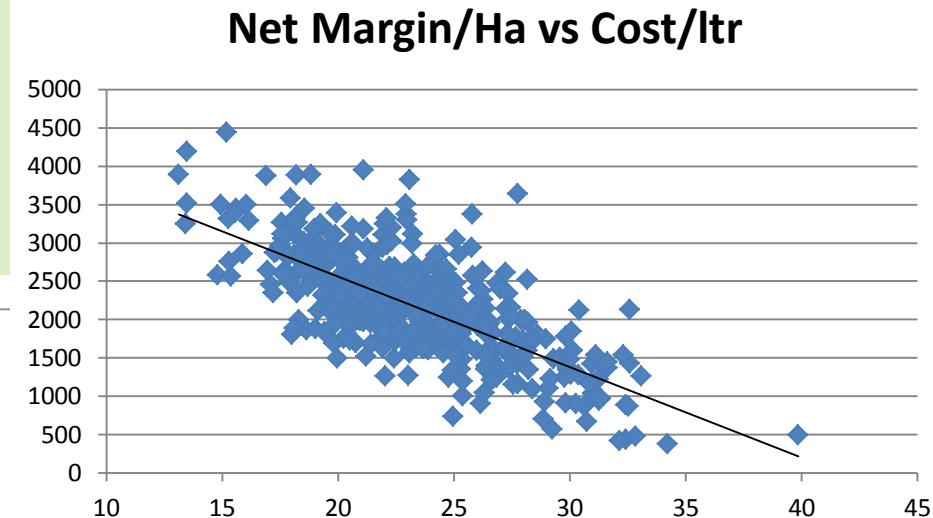
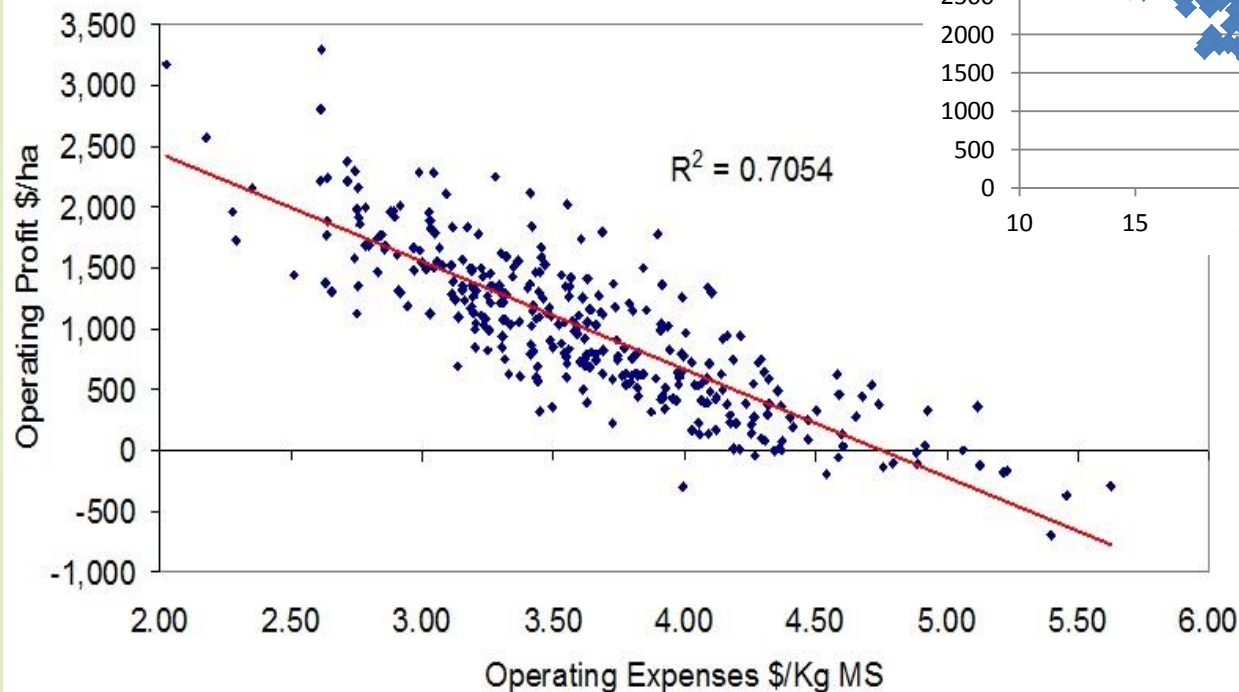
2. Grass Production & Utilisation

- Long term strategy which is biologically balanced

No. 1 Driver of Profit....

1. Costs of Production

- Can explain 70% of the difference in profit between farms



What is your “Breakeven Costs of Production”?

- Simple Retrospective Calculation
- *Expected Income, minus drawings, bank repayments & tax, divided by expected number of litres.*

100 x 5200 = 520,000ltrs x 0.285 = €148,200

50 Calves @€250/calf = €12,500

Total Income = **€160,700**

Minus

Personal Drawings - €42,000

Bank Repayments - €25,500

Projected Tax from previous year - €15,000

Breakeven Costs: €78,200
(15.04c/ltr)

- **Starting Point in controlling costs in low milk price scenario.**

What are your options?.....

- **Higher level of Grass Measurement & Budgeting**
- **Use Urea where possible instead of CAN...** 30% less expensive
- **Consumables...** Shop Around...Avoid Branded Products
 - Vet Products / Minerals / Detergents / Sprays
- **Farm Maintenance** – postpone for a year – but not at expense of farm safety
- **Staff Training** – routine jobs done in-house e.g. hoof care, DIY AI, fencing, welding.
- **Electricity Supply** – shop around!
- *Refer to the paper for more!!*

Cost Cutting – important points...

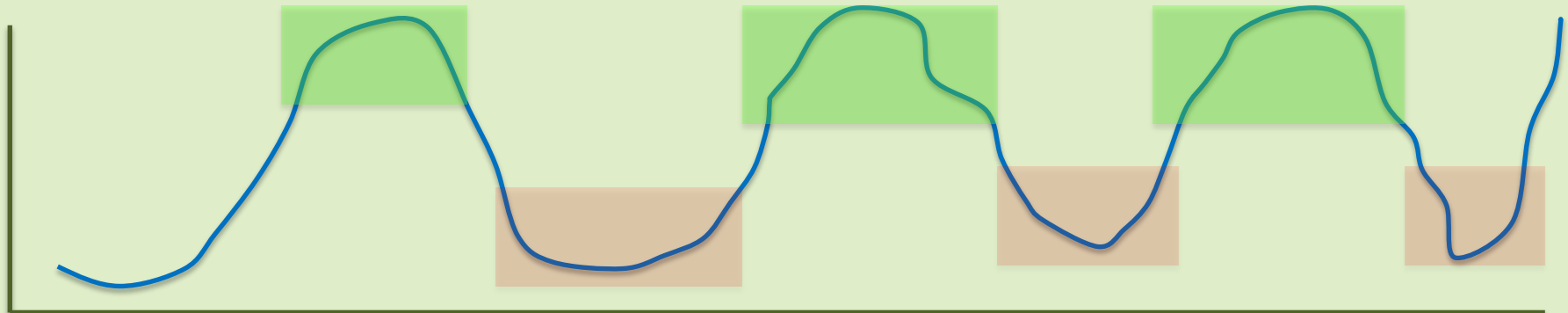
- **Don't focus on one aspect of cost...**cost cutting is multi factorial
- **A lot of options...** not all applicable to everyone but many applicable to most.
- **Develop “Cost Cutting Mindset”**
 - MUST HAVE vs WOULD LIKE TO HAVE!
 - Do you really need it?

Discretionary Expenditure...as a long term strategy

“Discretionary expenditure are the costs to your business that have least effect on the output of the herd in an individual year”

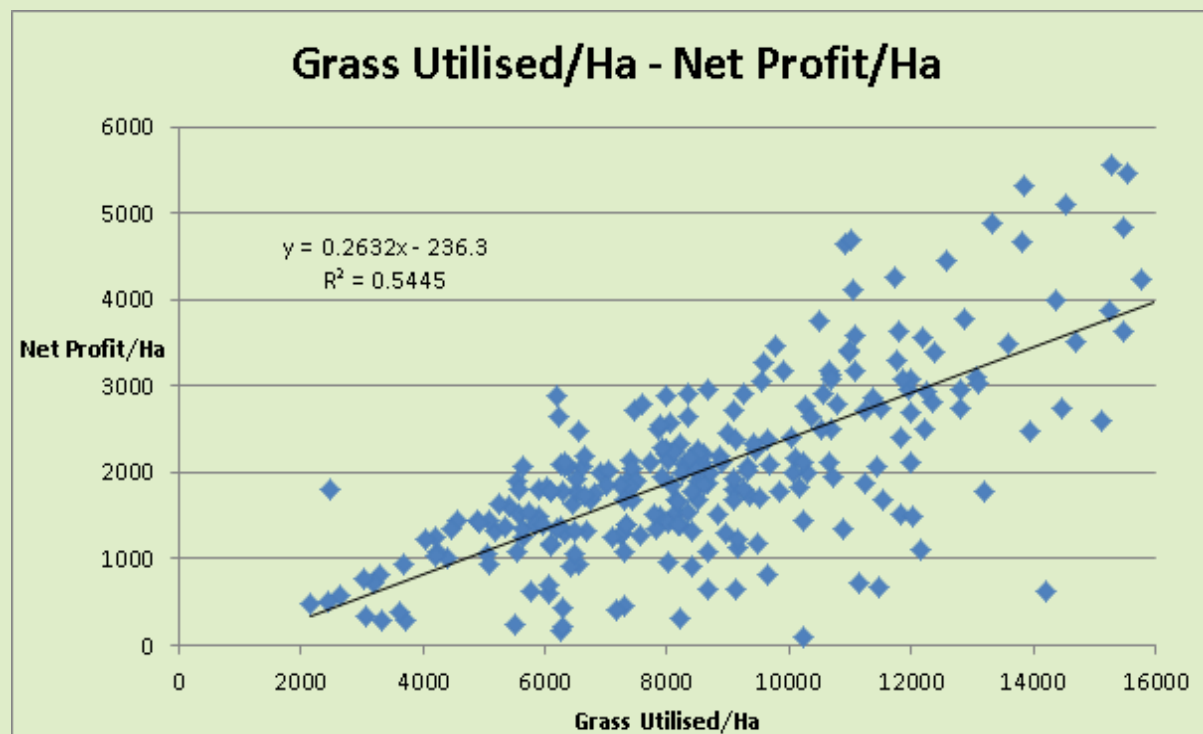
Capital expenditure
Maintenance & repairs
Reseeding

Weed control
Soil Testing & addressing deficiencies



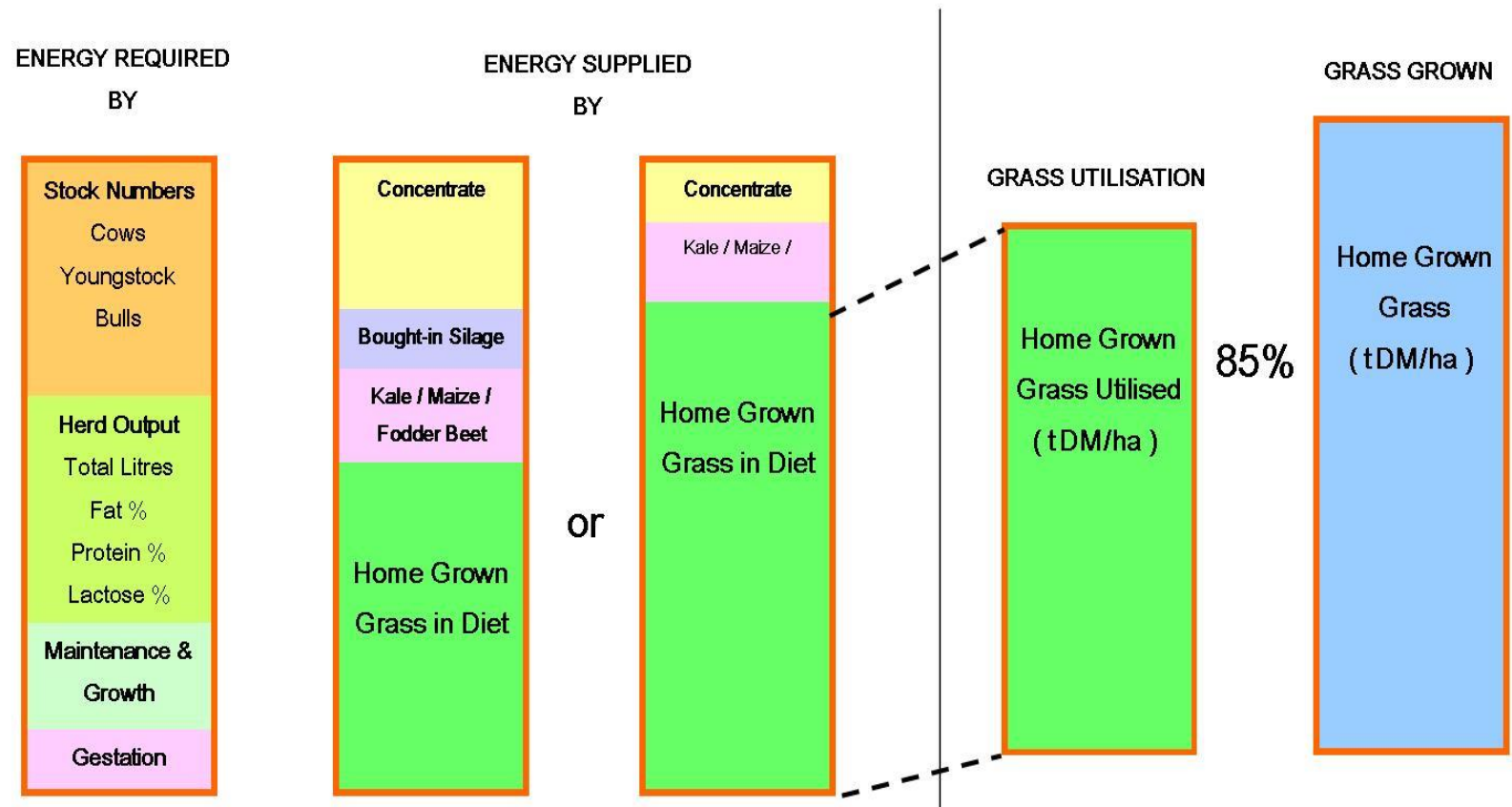
No 2. Driver of Profit...Grass Utilisation

- **Hugely Important Profit Indicator, but very poorly understood**
“relates to the amount of energy required by the herd which is supplied by home grown grass”



+€263/ha

Grass Utilisation / Grass Production Relationship



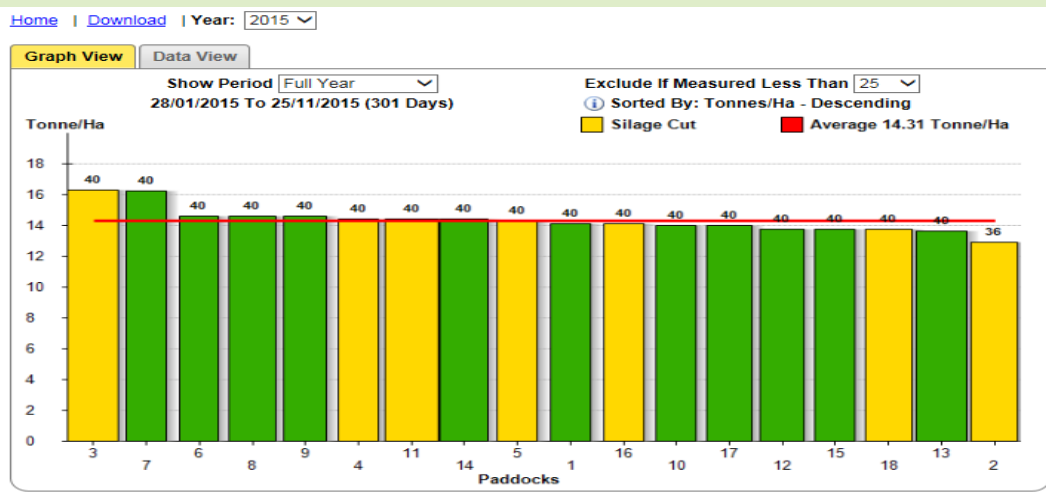
Relationship is the basis of a biologically balanced system - profit driven

New terminology needed to create more awareness

So..we must not forget about Grass Growth

Effected by:

- **Weather** – *volatile*
- **Soil Fertility** – *controlled*
- **Management** – *controlled*
- **Species** – *controlled*



YEAR	DATE	EVENT
2013/14	Winter	Winter Storms
2011	24 October	Heavy Rainfall in the greater Dublin Area
2010	Nov/Dec	Severe Cold Spell
2009/10	Winter	Coldest winter for almost 50 years
2009	November	Severe flooding in many parts of the country.
2008	Summer	Heavy rain and flooding
2006	Summer	Warmest summer since record breaking year of 1995
2003	19 September	Flooding/Landslide at Pollatomish
2002	14 November	Severe flooding in eastern areas
2002	1 February	Coastal flooding along the eastern and southern coasts
2000	5 November	Severe flooding in east and southeast
1998	26 December	Hurricane force winds over north and northwest
1998	December	Flooding along Blackwater
1997	24 December	Windstorm
1997	3-6 August	Extensive flooding in southeast and south
1995	Summer	Warmest Summer on record
1995	17 March	A tornado in the Summerhill area of Co Meath

THE PESSIMIST
COMPLAINS ABOUT
THE WIND

THE OPTIMIST
EXPECTS IT TO
CHANGE

THE REALIST
ADJUSTS THE
SAIL

- William A Ward

Thank You!

