

# Setting new targets for a new era in dairying

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# WHY ARE NEW TARGETS NEEDED?

- **Confusion – what's included & what's not**
- **Need to understand your own figures**
- **Land limiting – not volume**
- **€2500 per hectare - what are the targets?**
- **Right KPIs = more progress**
- **Reverting to accounts to evaluate**

# Set Goals

1. Identify best farm financial KPIs
2. Set them as the gold standard
3. Present them to the whole industry
4. Get buy in from:
  1. Farmers
  2. Teagasc
  3. Banks/consultants/others
5. Keep it simple

# Deliberations

<b>Issues</b>	<b>Decision</b>
<b>Cash flow vs. net profit</b> ✓	<i>Both important – both in report</i>
<b>Inventory</b> ✓	<i>Remain the same</i>
<b>Depreciation</b>	<i>Needs to be consistent (5%/10%)</i>
<b>Labour</b>	<i>All labour – hired + owned</i>
<b>Contract rearing</b>	<i>Needs its own category</i>
<b>Land charge</b>	<i>Not included</i>
<b>Return on Asset</b>	<i>Needs to be generated</i>

# Summary Report

<b>Gross output</b>
<b>Total costs</b>
<b>Net profit</b>
<b>Cash flow</b>
<b>Return on Asset</b>

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# Summary Report

	Total	Per ha farmed
<b>Gross output</b>		
<b>Total costs</b>		
<b>Net profit</b>		
<b>Cash flow</b>		
<b>Return on Asset</b>		



# Summary Report

	Total	Per ha farmed	Moorepark targets
Gross output			
Total costs			
Net profit			
Cash flow			
Return on Asset			



## Driving profitability per hectare

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**Moorepark2017**



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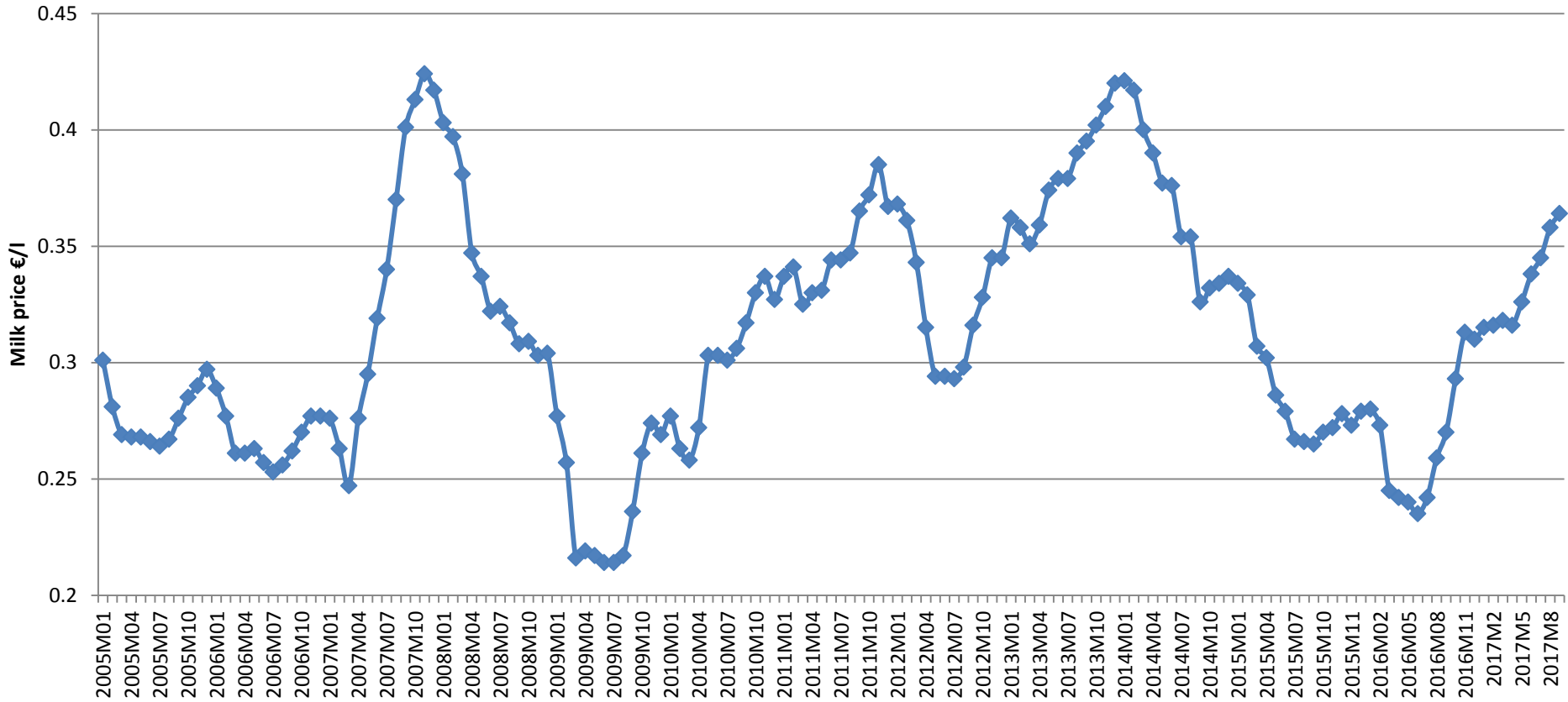


The Irish Agriculture and Food Development Authority

# Overview

- **Defining the System/targets**
- **Setting the targets**
- **Focus on Efficiency**
- **Leveraging Efficiency**

# Milk Price



# Defining the System

- Resilient
- Simple and enjoyable
- Labour efficient
- Highly profitable
- Grass based
  - Maximising the utilisation of low cost feed (grazed grass) in the production of high milk solids milk
  - Low maintenance, highly productive fertile cow
  - Environmentally sustainable

# Why set targets?

- **Fundamental policy Change**
- **Land limiting – not volume**
- **The farm needs to be benchmarked including all land in the business – Avoid the wrong conclusions**
- **Move away from enterprise analysis to whole business**
- **Perception that the optimum system operated might change**
  - **Need to be careful of partial analysis**
- **Ensure the appropriate Key Performance Indicators are used**
  - **Right KPIs = More success**
- **Everybody on the one page and focused in the one direction**

# Metrics

- Net Profit
  - Total Revenue – Total Expenses
- Cash Flow – Reflection of the liquidity of the business
  - All cash income – All cash expenses
- Return for Assets employed
  - Return on Assets – Reflection of profit relative to Assets

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# Financial - @€0.29/l

	National Average	
	€/Ha	€/kgMS
Gross Output	3,580	4.72
Total costs	3,107	4.09
Net Profit	473	0.62
ROA	2	

# Financial - @€0.29/l

	National Average		Target	
	€/Ha	€/kgMS	€/Ha	€/kgMS
Gross Output	3,580	4.72	6,531	4.76
Total costs	3,107	4.09	4,043	2.95
Net Profit	473	0.62	2,489	1.82
ROA	2		8	

SC

		National Average		Road-map Target	
		Per kg MS €	Per Ha €	Per kg MS €	Per Ha €
<b>Receipts</b>	Milk	4.21	3,197	4.28	5,873
	Livestock	0.50	383	0.48	659
<b>Gross Output</b>		<b>4.72</b>	<b>3,580</b>	<b>4.76</b>	<b>6,531</b>
<b>Costs</b>	Concentrate	0.65	493	0.21	294
	Fert/Reseeding	0.37	282	0.26	355
	Contract Heifer	-	-	0.44	606
	Contractor other	0.05	36	0.11	155
	Contractor Silage	0.23	174	0.11	150
	Vet/AI	0.30	225	0.25	346
	Hired Labour	1.00	762	0.50	682
	Loan Interest	0.26	200	0.16	224
	Depr Buildings	0.44	332	0.31	422
	Depr Machinery	0.16	124	0.12	162
	Total	<b>4.09</b>	<b>3,107</b>	<b>2.95</b>	<b>4,043</b>
<b>Profit</b>	Net	<b>0.62</b>	<b>473</b>	<b>1.82</b>	<b>2,489</b>

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**Focus On Efficiency**

SC

# Overview

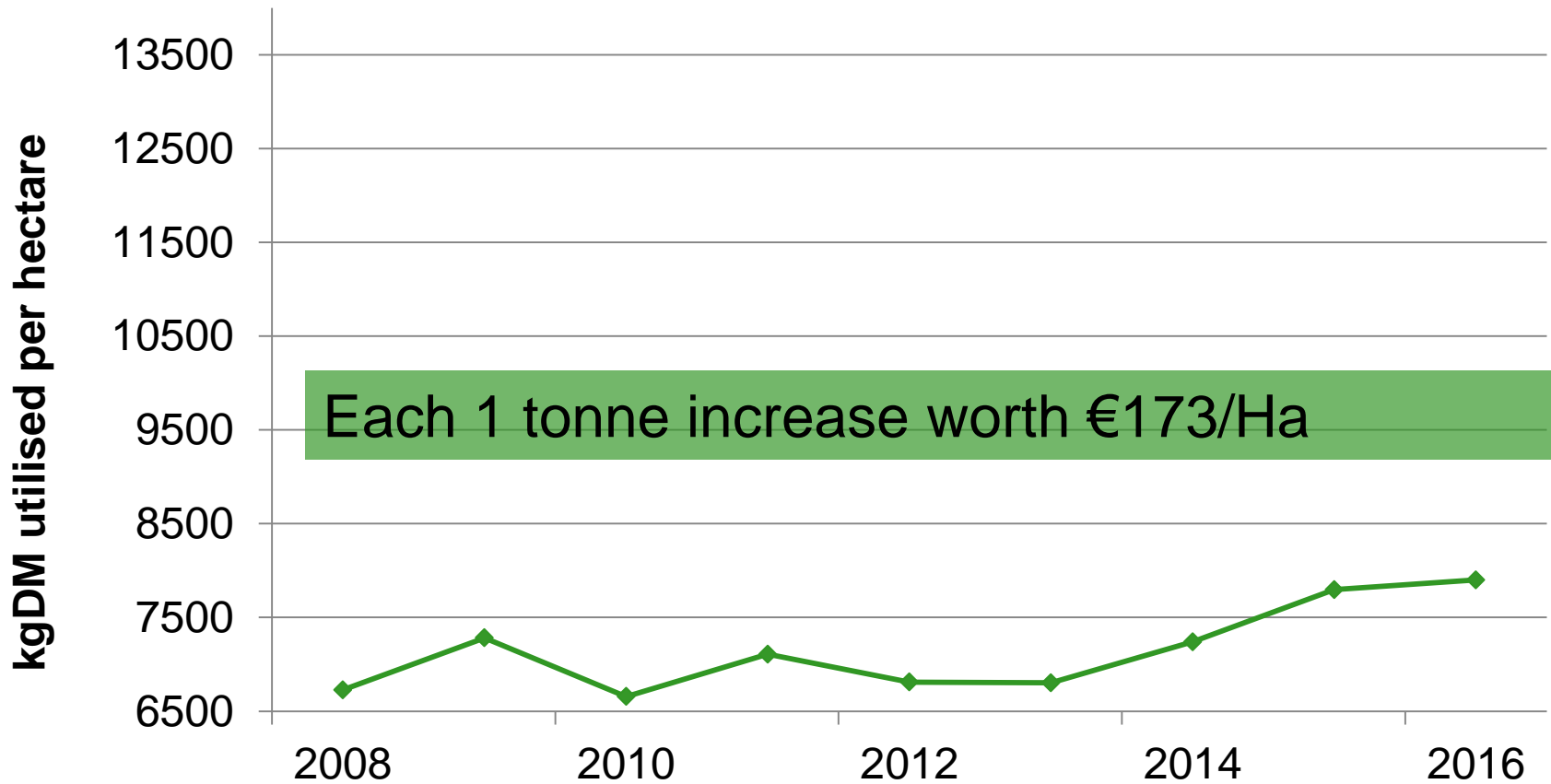
- **Defining the System/targets**
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# Physical

	National Average	Target
Herbage Utilised kg DM/Ha	7.8	13.1
SR LU/Ha	1.89	2.90
Milk protein %	3.45	3.70
Milk Fat %	4.00	4.50
Milk solids out	30	30
Six week c	90	90
Concentrate feeding kg/Cow	933	<450
Labour efficiency Hours/Cow	30	16

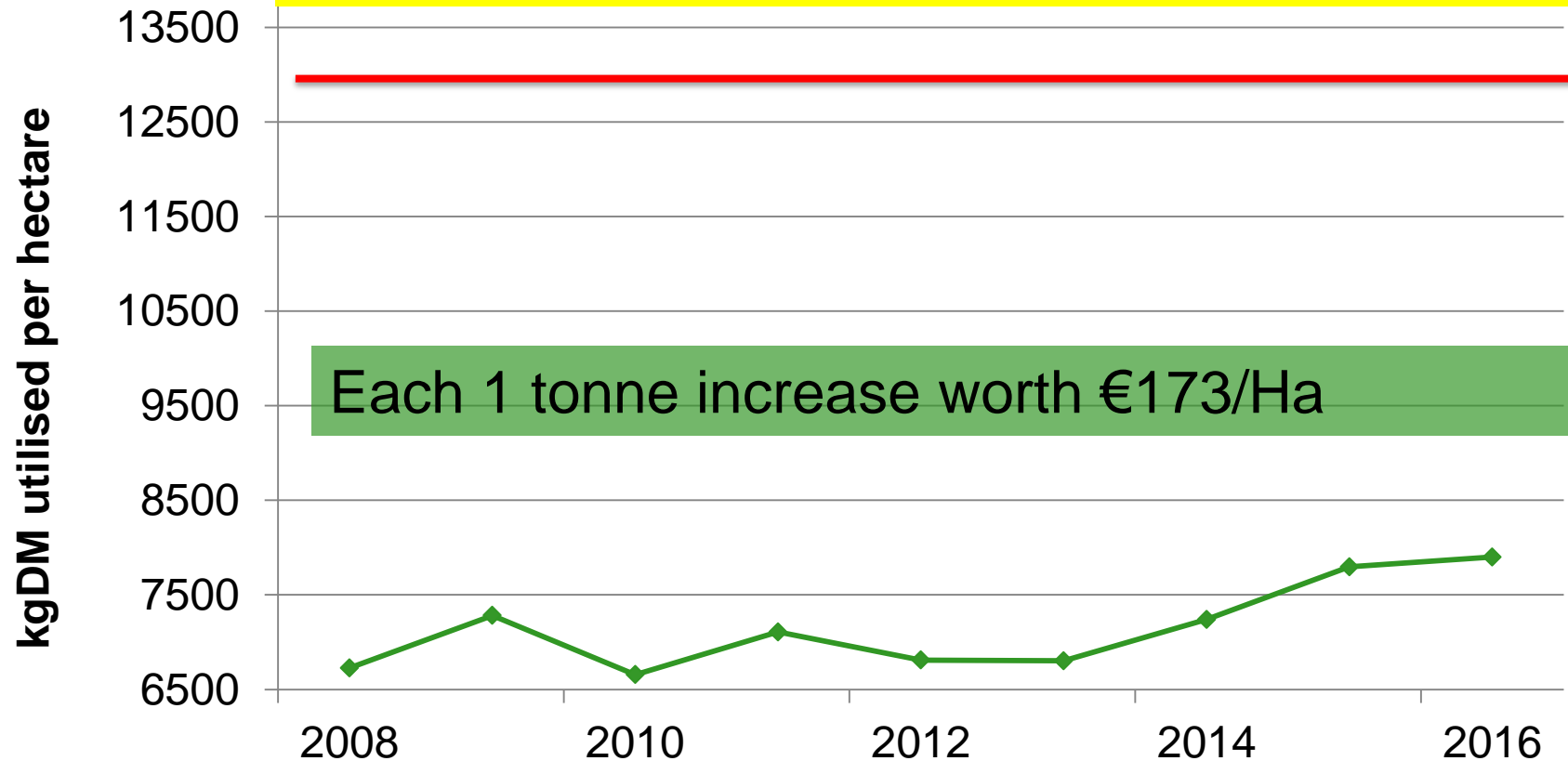


# Herbage utilised > 13tDM/Ha



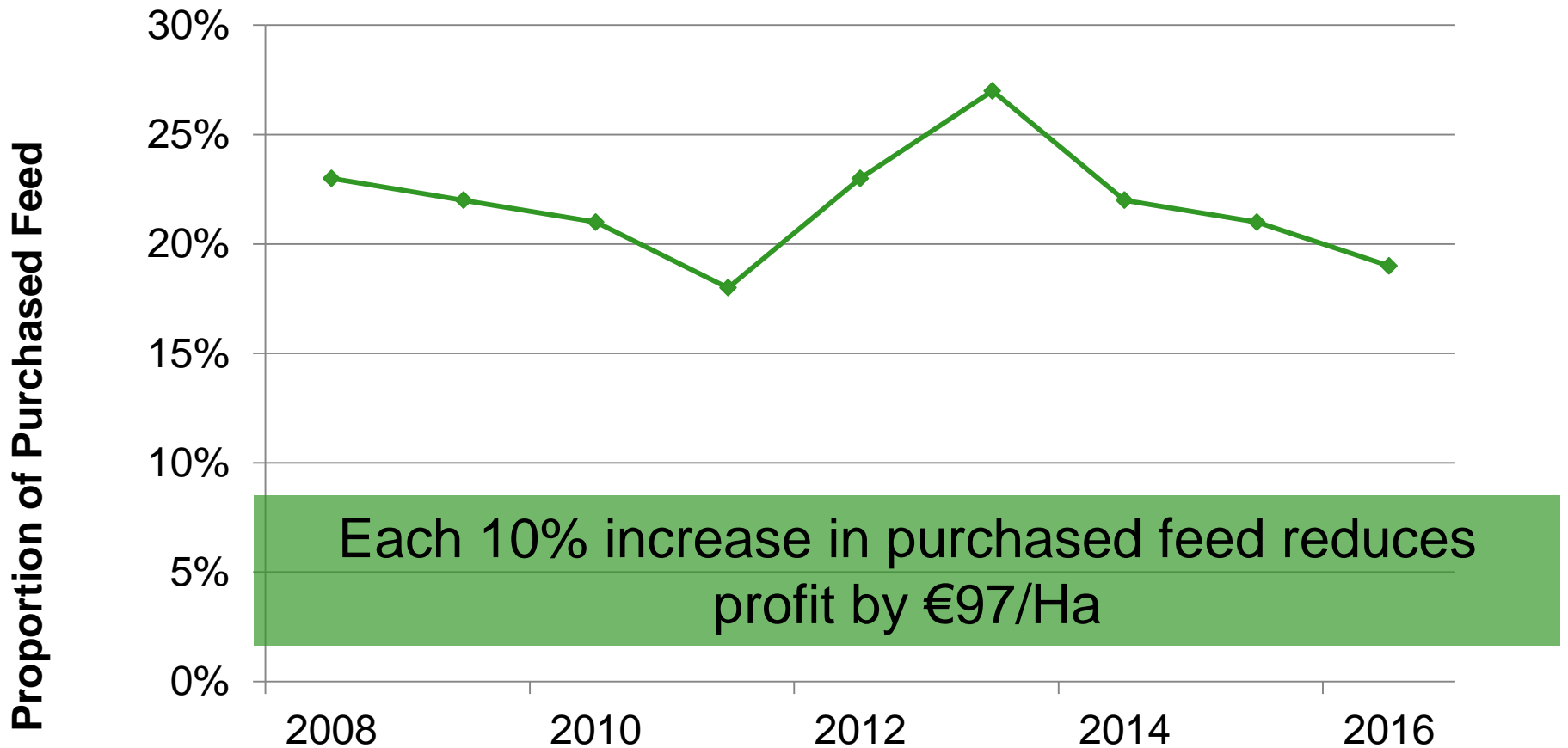
# Herbage utilised > 13tDM/Ha

- Herbage utilised >12.3t DM/Ha for top 5% of farmers
- 1% of farmers achieving the target

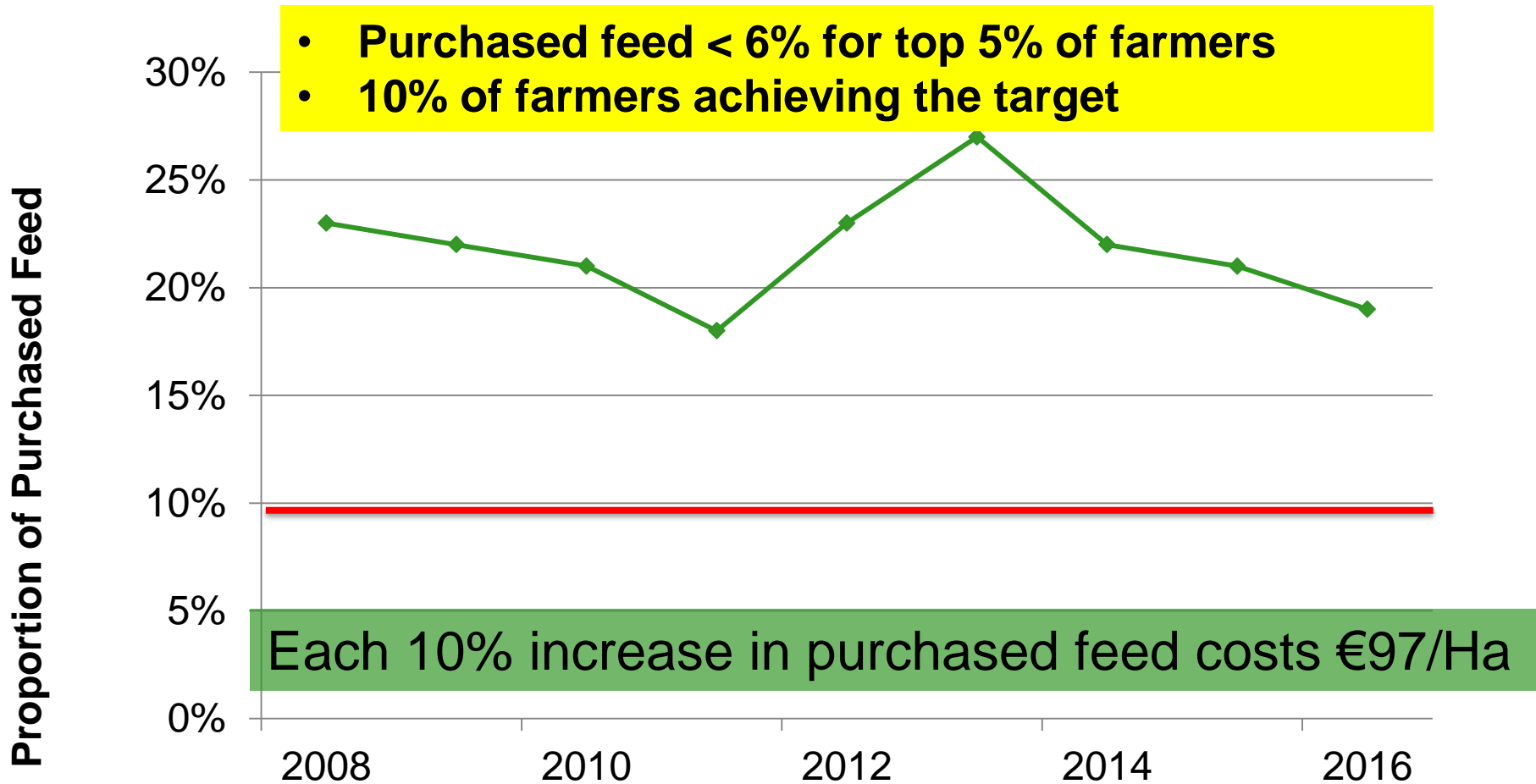




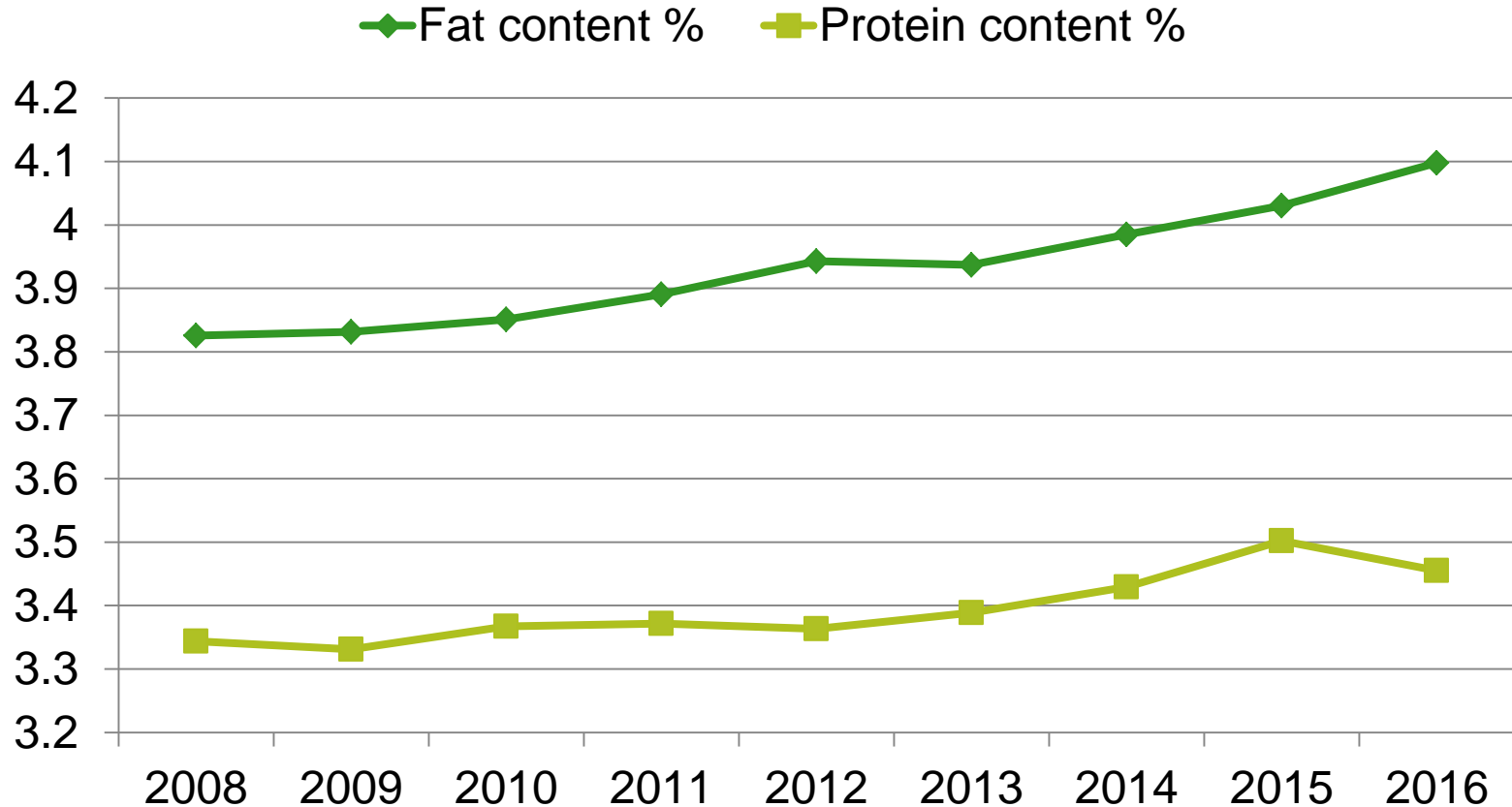
# Proportion of bought in Feed <10%



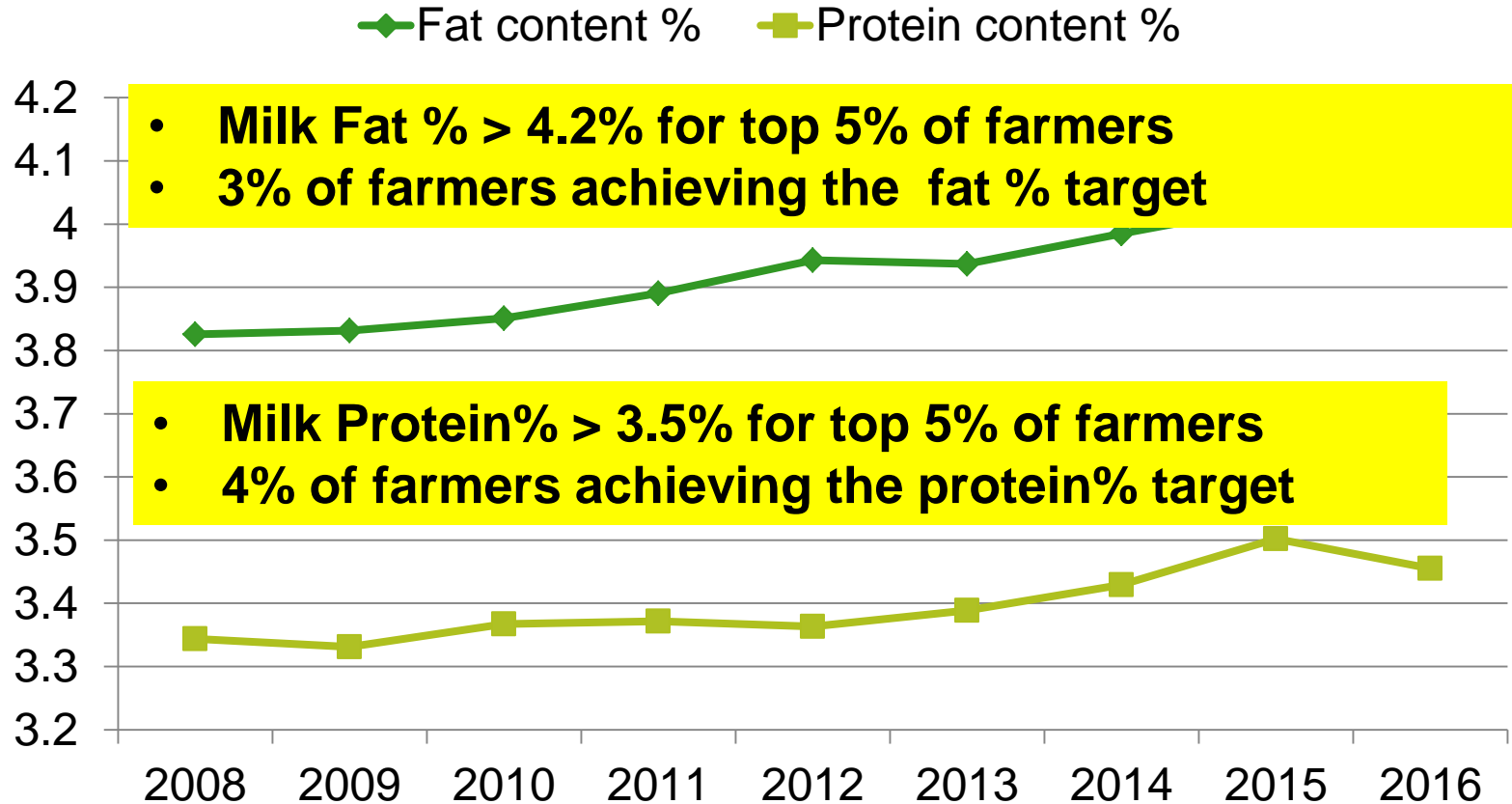
# Proportion of bought in Feed <10%



# Milk fat and protein concentration



# Milk fat and protein concentration

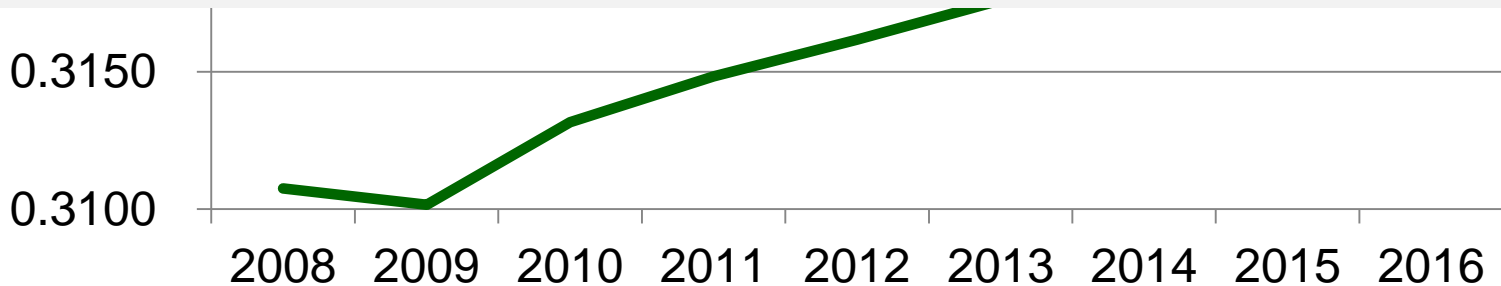


# Milk Solids – Value of Milk @ a base milk price of 29c/l

Milk Price €/l

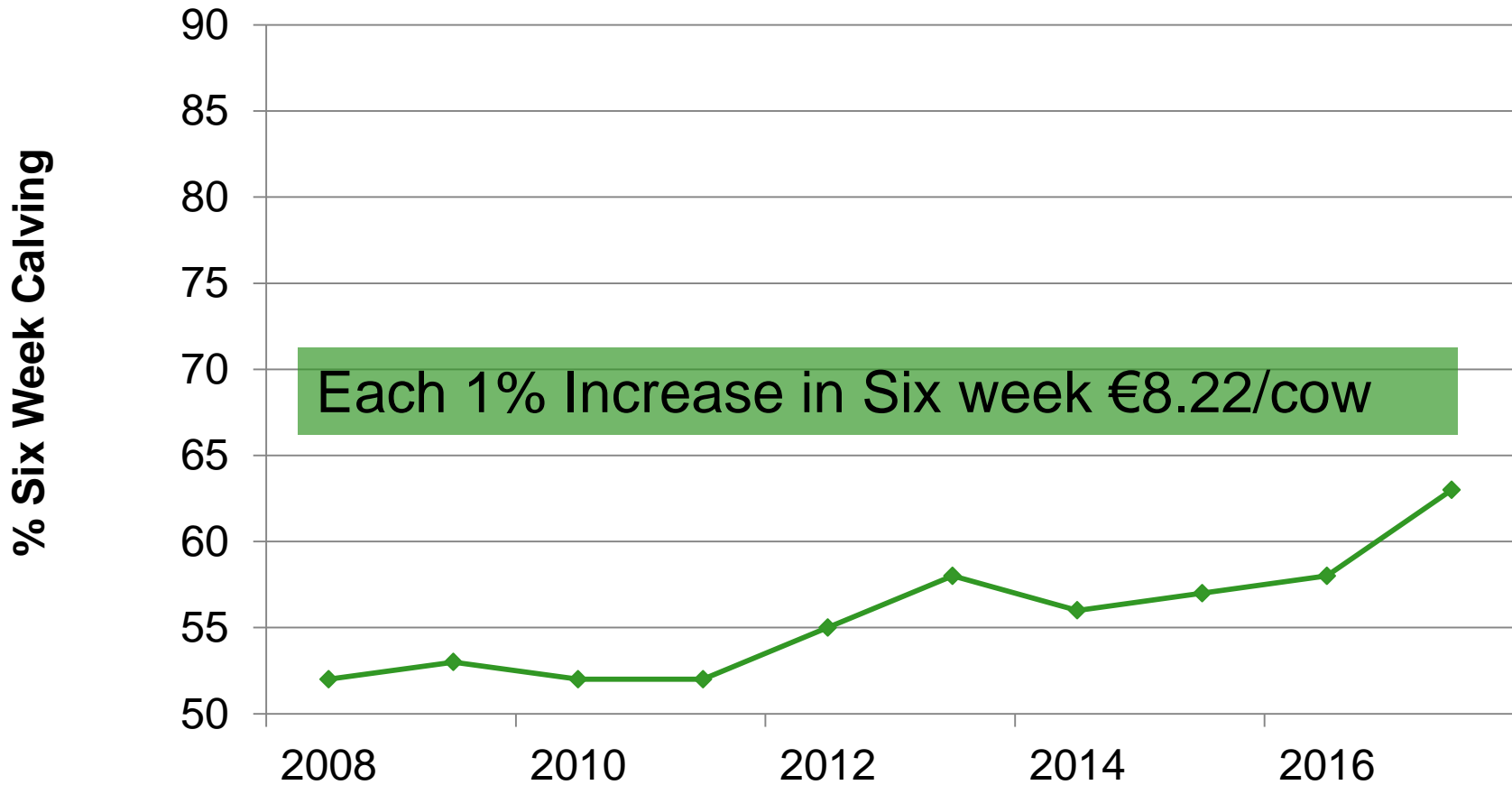


**Solids alone worth €121 million between 2008 and 2017**

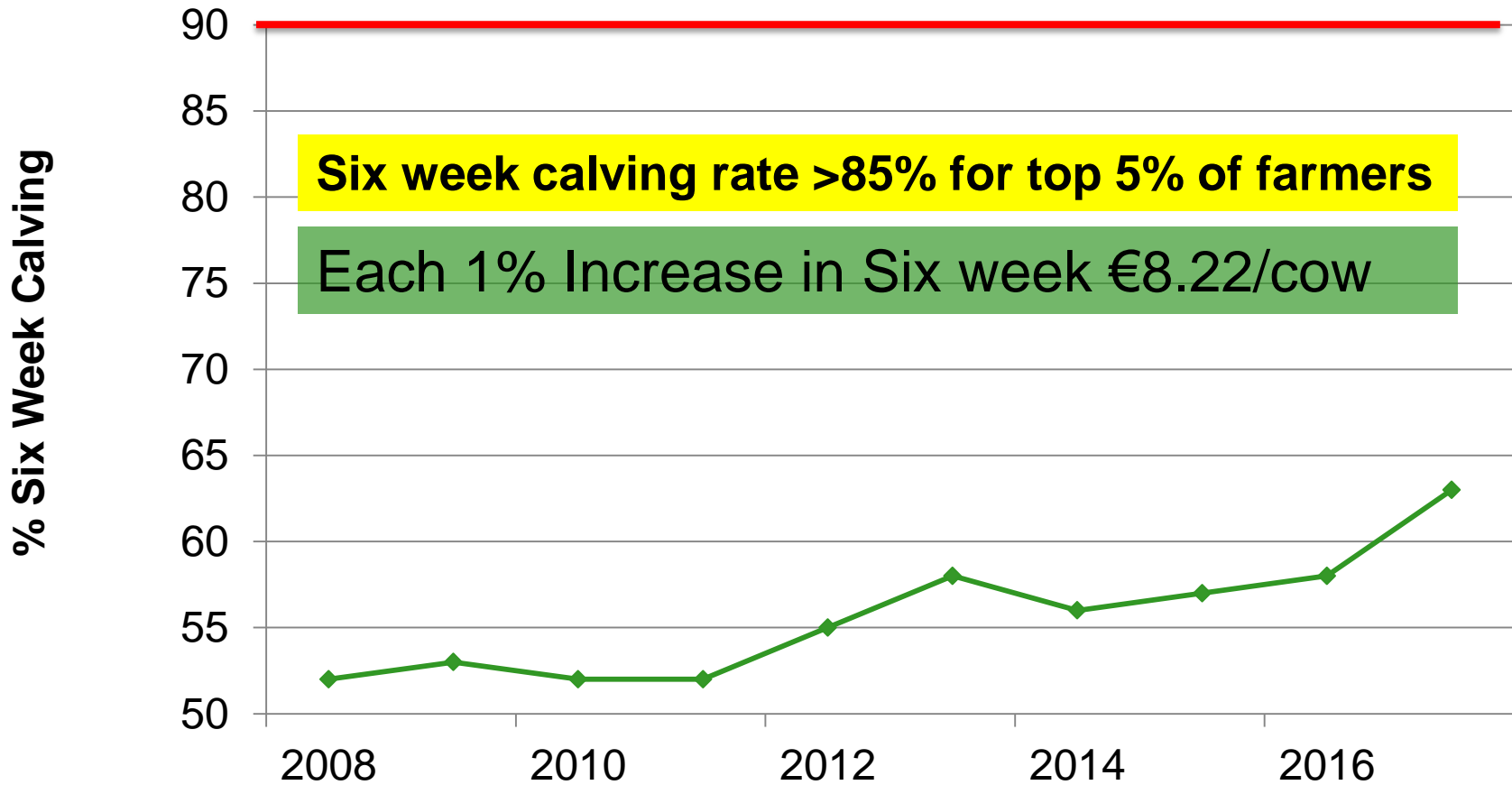


— Milk Price €/l

# Six Week Calving Rate > 90%



# Six Week Calving Rate > 90%



# Labour <16 Hrs/Cow

- This Mornings Session



# Setting targets – 50Ha farm Modelled

	Unit Change	Financial Benefit		
		Farm	€/Ha	€/kgMS
<b>Increasing Fat Concentration</b>	0.1	1,650	33	0.03
<b>Increasing Protein Concentration</b>	0.1	3,500	70	0.09
<b>Increasing grass utilisation</b>	1 t DM/ha	6,700	134	0.10
<b>Reducing Replacement Rate</b>	3%	5,100	102	0.105
<b>Reducing Calving Interval</b>	5 Day	1,700	34	0.045
		<b>18,650</b>	<b>373</b>	<b>0.43</b>

# Overview

- **Defining the System/targets**
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- **Leveraging Efficiency**

# Leveraging Efficiency

	National Average		Target	
	€/Ha	€/kgMS	€/Ha	€/kgMS
Gross Output	3,580	4.72	6,531	4.76
	<b>Focus On Efficiency</b>		<b>Replicate</b>	
Total costs	3,497	4.09	4,043	2.95
Net Profit	473	0.62	2,489	1.82
ROA	2		8	

SC

# Leveraging Efficiency - Replicate

	National Average		Target	
	Owned	Leased	Owned	Leased
Gross Output €/Ha	3,580	3,580	6,531	6,531
Total costs €/Ha	3,107	3,557	4,043	4,493
Net Profit €/Ha	473	23	2,489	2,043
Investment	1,156,000	266,000	1,268,000	378,000
ROA %	2	3	8	21

**Road to Disaster** (highlighted in red)

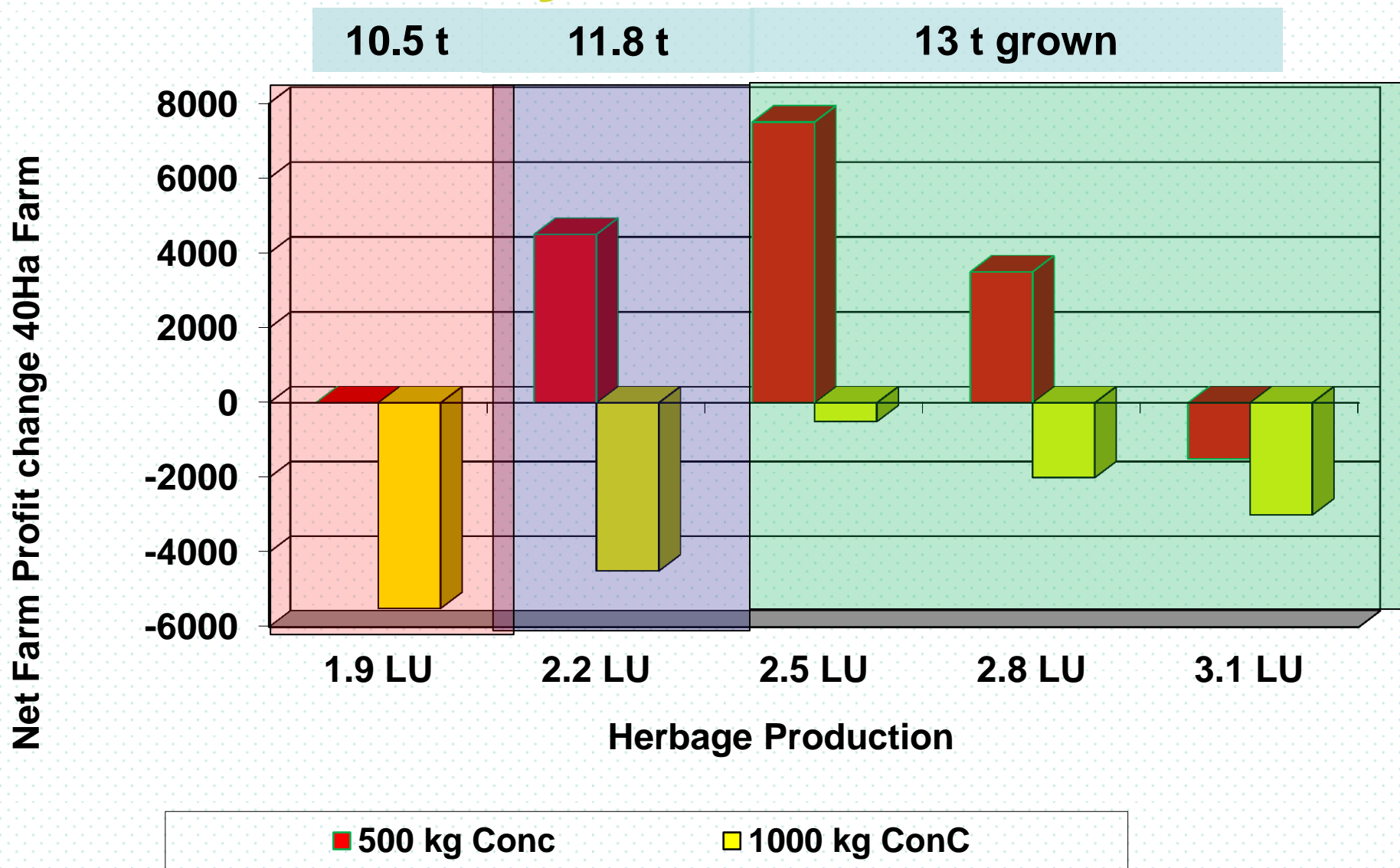
**Road to Very High RETURNS** (highlighted in green)

Hand-drawn green circles highlight the values 23, 3, and 21 in the Net Profit, Investment, and ROA rows respectively.

# Leveraging Efficiency

- **Replicate NOT System Change**
- **Know when to Stop growing**
- Never Compromise on System
- Match Grass Growth with feed demand
  - Stocking Rate
  - Supplementary feeding
- Don't over capitalise
- Keep simple and labour efficient

# Just because you can doesn't mean that you should



# Lessons learned from NZ

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



## Lessons

- Focus on advantages
  - Grass
- Avoid distractions

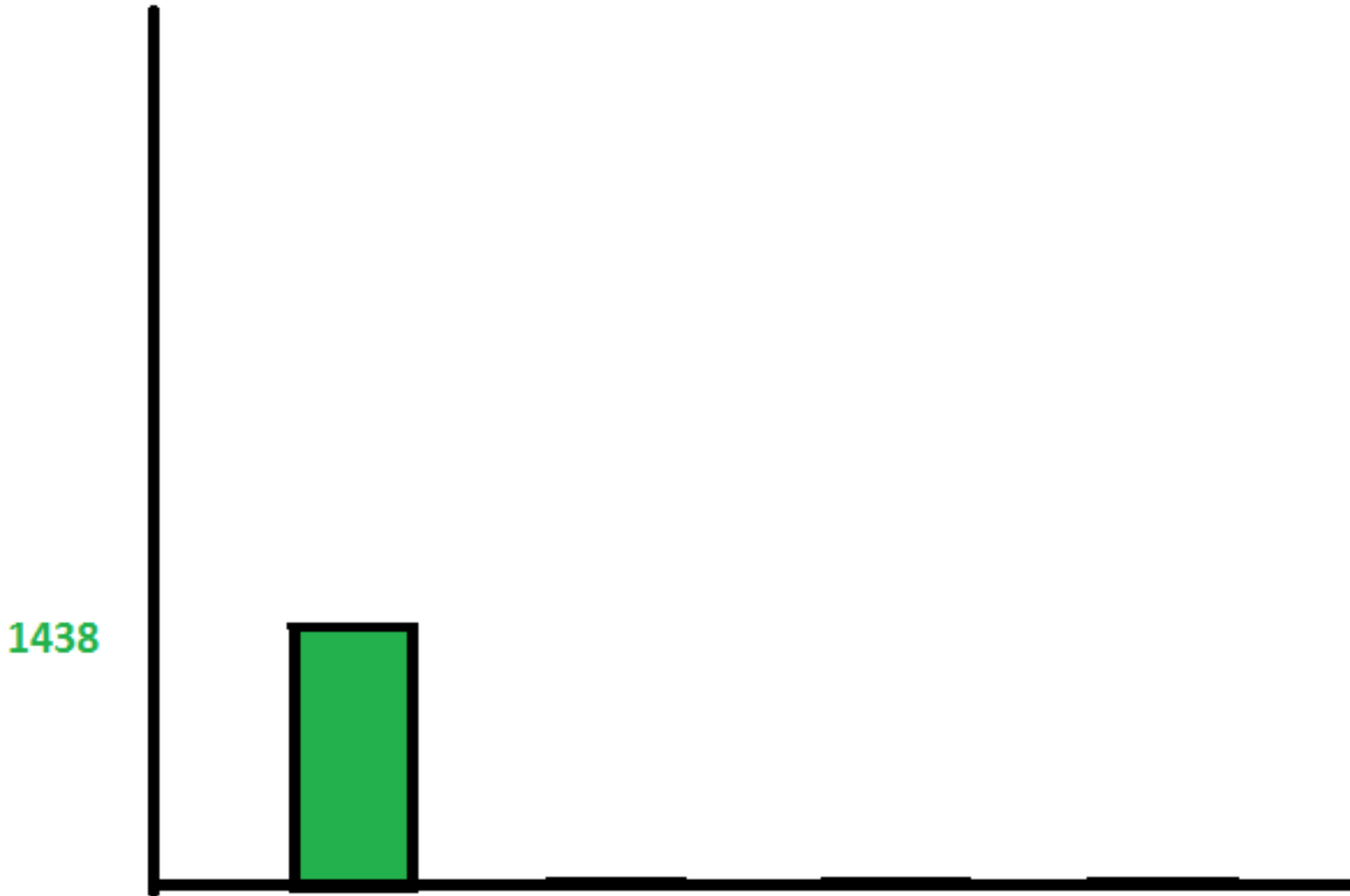
# Conclusion

- New Metrics and Benchmark criteria
- Significant scope to increase efficiency within the industry
  - Focus on efficiency will generate the highest returns for most
- Significant progress has been made at farm level
- Average farm should prioritise efficiency
- Efficient farm should focus on leveraging

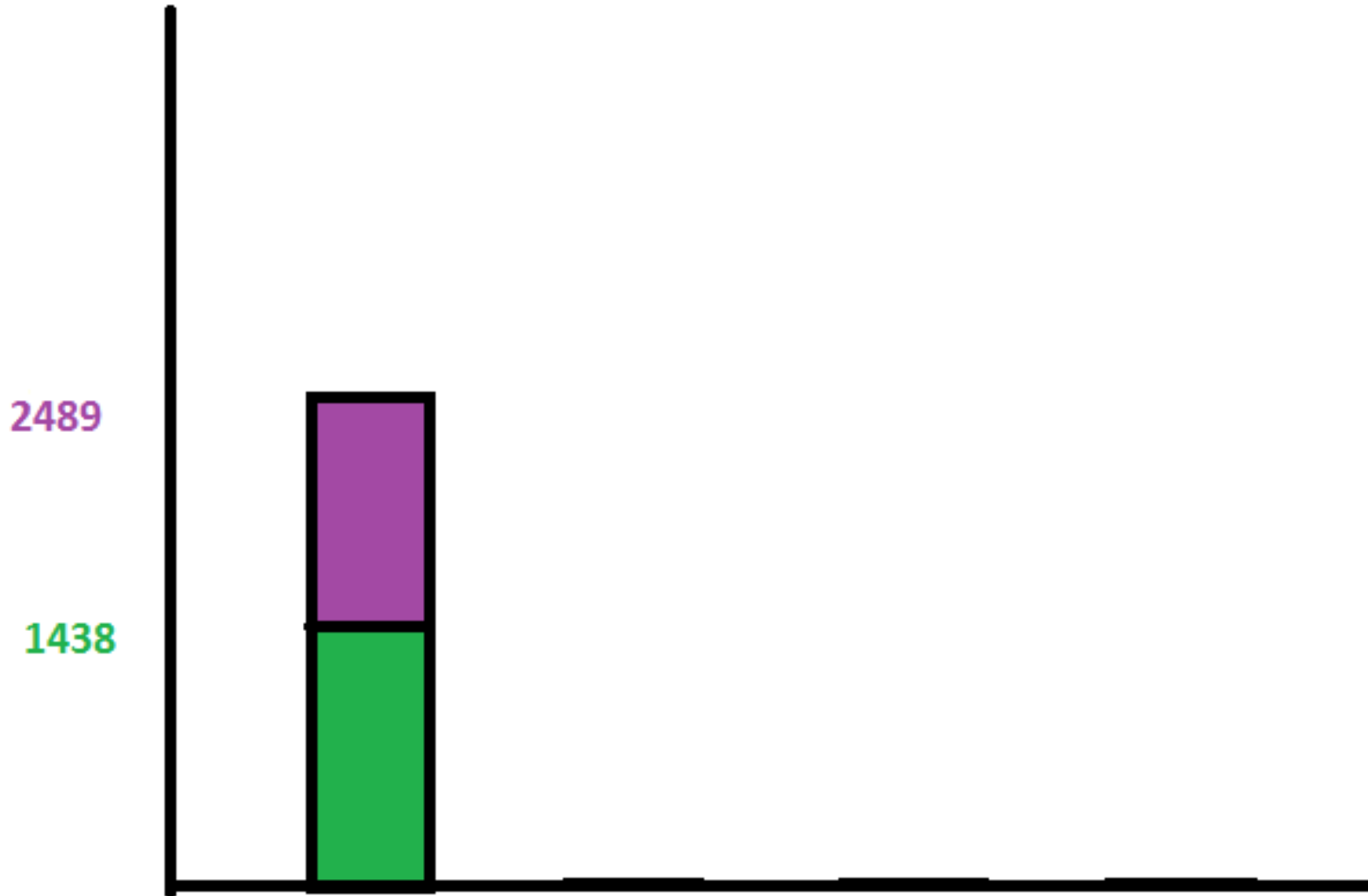


# Net profit per Ha 60 V MP Target

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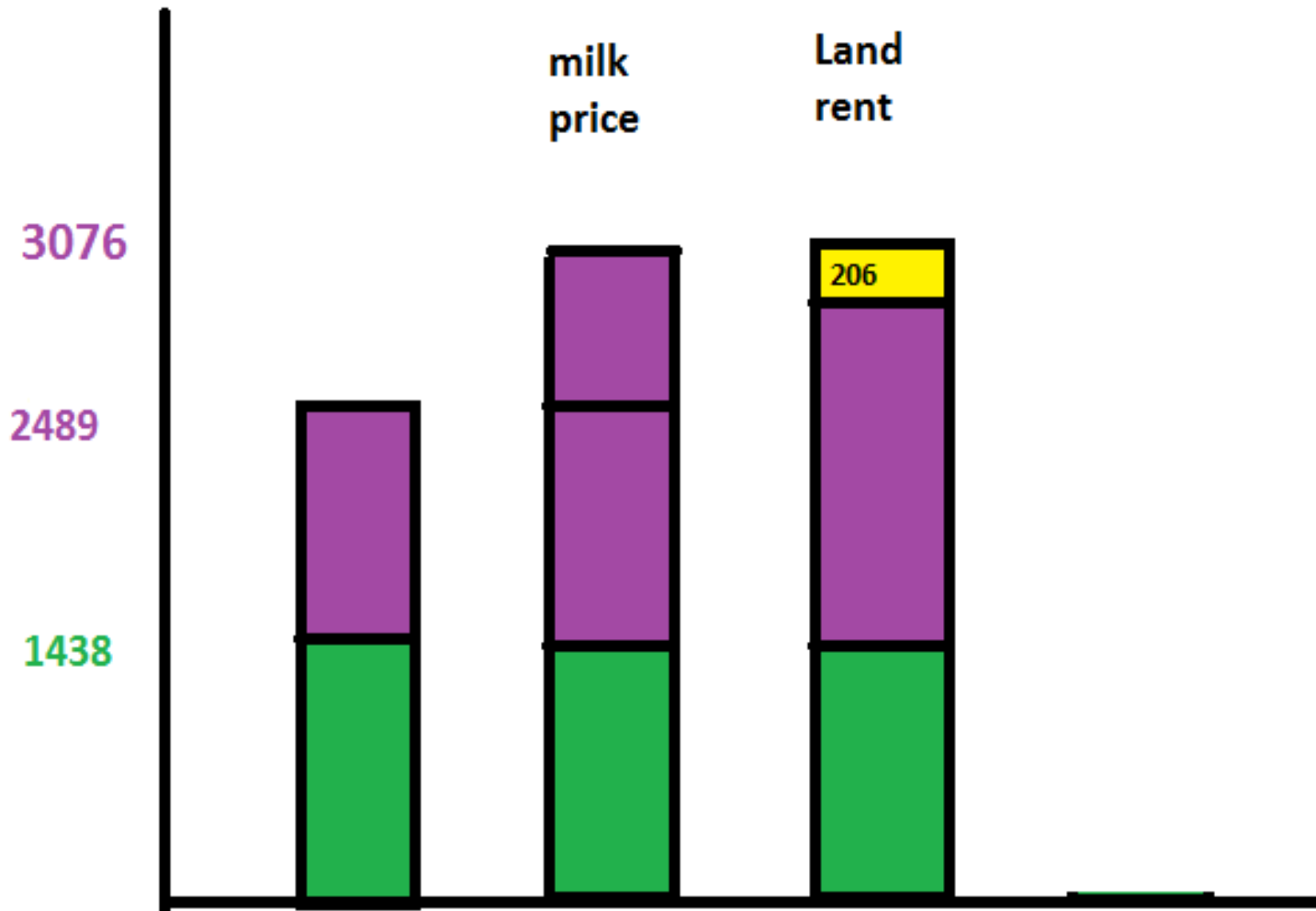
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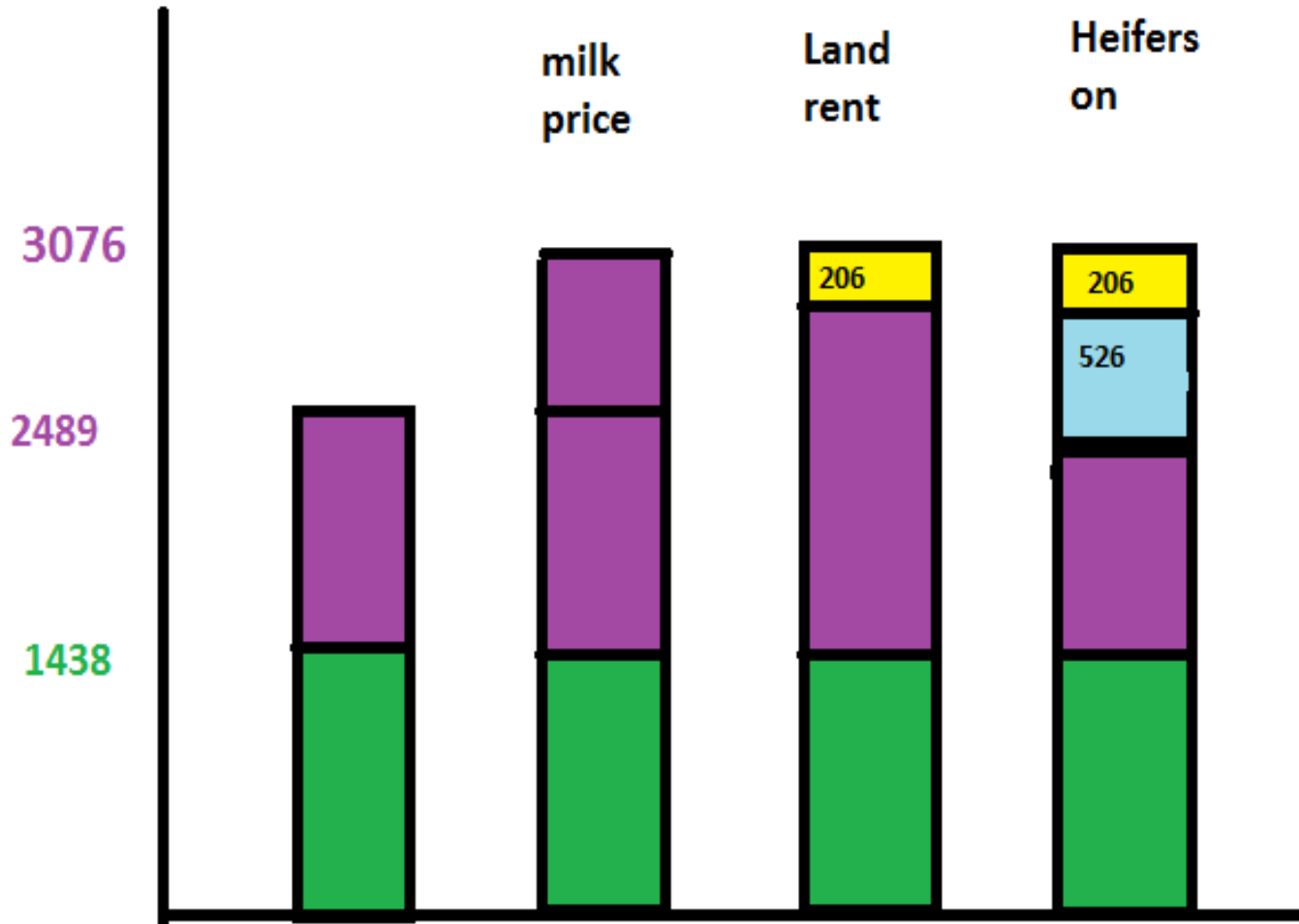
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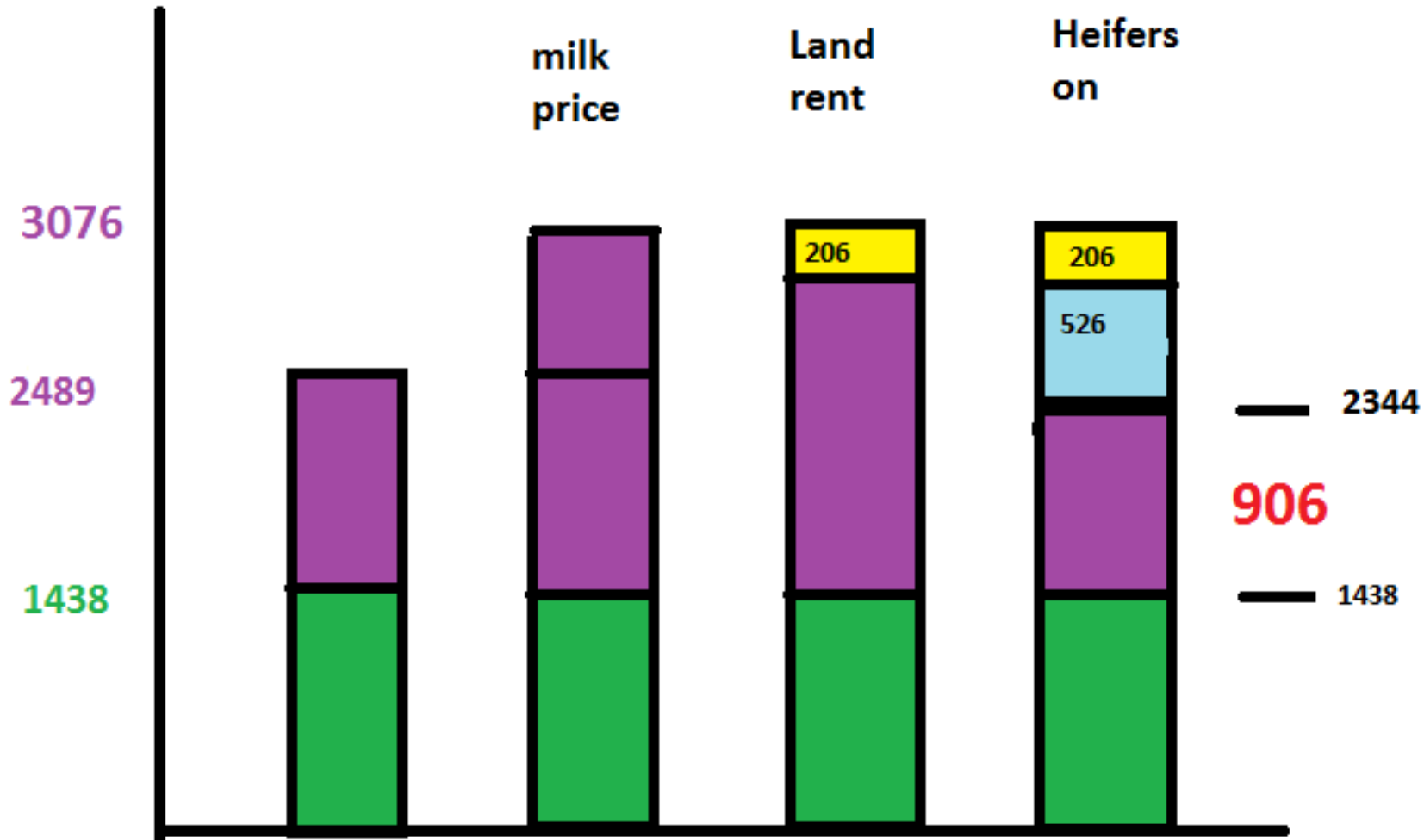
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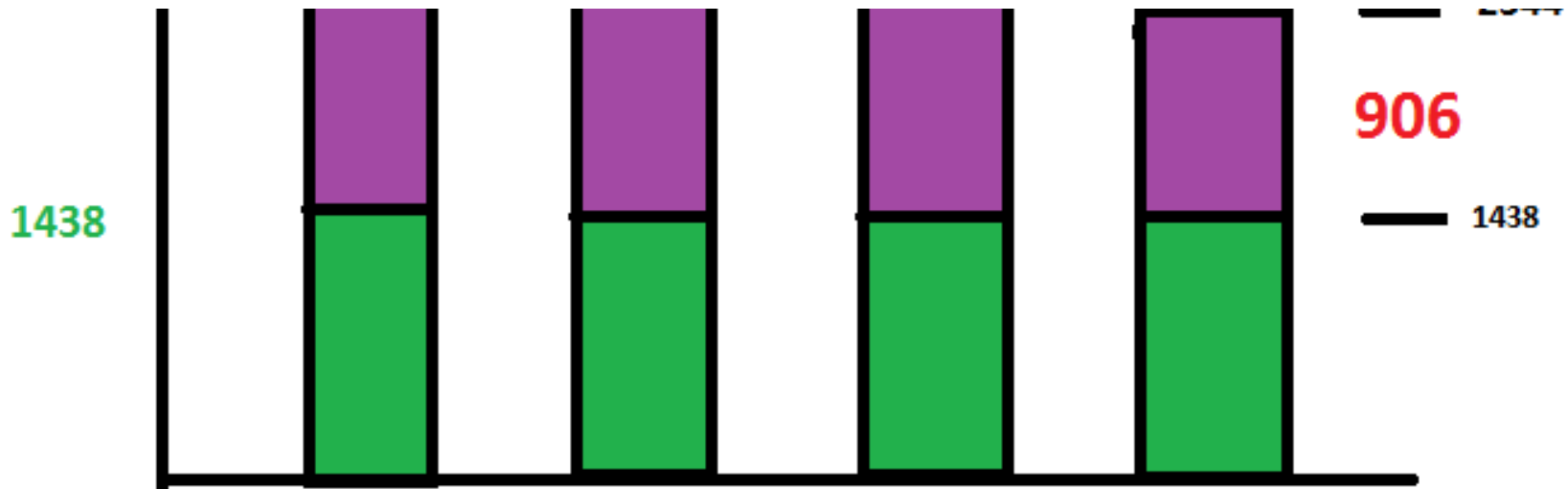


milk  
price

Land  
rent

Heifers  
on

## 36,240 Euro For a 40 HA farm

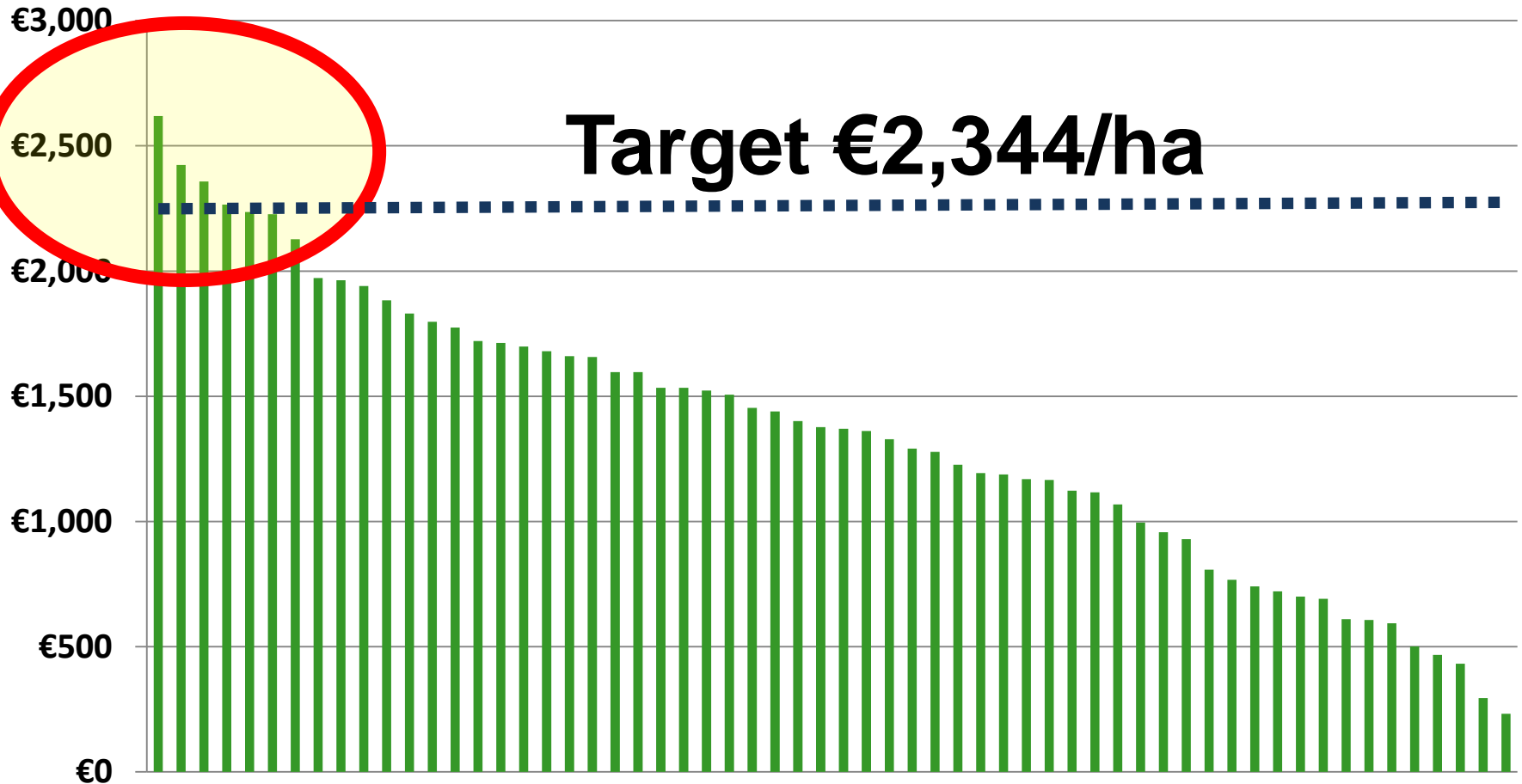




# Reasons for the profit gap

	<b>PM av.</b>	<b>Target</b>	<b>Cost/ha</b>
Milk Solids (kg/Ha)	<b>877</b>	<b>1,380</b>	<b>€???</b>
Herbage utilised (T DM/Ha)	<b>11.3</b>	<b>13.1</b>	<b>€311</b>
Meal feeding (kg/Cow)	<b>723</b>	<b>450</b>	<b>€185</b>

# Range in net profit/ha



# Challenges

- **How do your figures compare to the targets?**
- **Do you understand why you're not at the Moorepark targets?**
- **Advisors & consultants to take on and run with this.**