

Kim Petty, Managing Director of KiwiKit Ltd outlines his thoughts on today's dairy industry and how his farm is adapting to lower milk prices.



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**What an extraordinary year 2014 is proving to be. The weather has been kind with wonderful grass growing conditions throughout the UK. Livestock have been basking in sunshine all summer and look great as a result.**

Suddenly into this utopia has come an unprecedented drop in commodity prices which has caused serious falls in beef, sheep and crop prices. It would seem that milk prices are following this autumn, taking us from all time high of 34/35p a litre to mid twenties once more.

This news has left the Dairy Industry reeling and has been greeted by some farmers philosophically and by some with despair. I think the fundamentals for the future are still strong and when supply falls in line with demand again prices will rise. As long as these low prices do not remain too long we may look back at this period where a sense of reality is restored to the industry. Undertaking expansion without a contract guaranteeing to take the extra milk will be a mistake in future and unlikely to be supported by banks. This may slow down the growth in production worldwide but the lesson we have learnt is that the moment prices rise production will increase massively worldwide to exploit this. With this in mind farmers prices will always come under pressure and as usual farmers must look to their own businesses to retain profit and business growth.

Here on my farm we have seen our cost of production rise by over 5p/litre in the last 3 years as milk prices have risen. An old Yorkshire farmer once told me that "it's amazing how much money you can lose when the money is good". There is a lot of truth in this. We have sat down and looked at every cost we have in our farm business and drawn a great deal of comfort as we realise that there are areas which we can tighten up on and the fall in feed, fertiliser and fuel costs will help claw back some of the 5p cost rise.

KiwiKit supplies many farming businesses throughout the country. Most of these are

really good businesses which will easily survive this temporary setback. The one thing they have in common is great management

whatever system is in place. There has never been a more important time for great management and for what it's worth here are my experiences on which areas this should be focused to keep businesses profitable whatever the farming system employed.

**Financial:** Don't panic! You may have made a major investment in developing your farm and now wonder if it is a good idea. Don't forget that banks will not lend money to people they see as imprudent, bad managers. They are in it for the long term and the last thing they want is to force a business to close. Your investment will put you in a much better place to exploit the upturn in market conditions when it comes. Structure loans to suit the lifetime of the purchase, don't put the business under too much pressure. Remember "cash is king". Suppliers will always look at better deals if you are a good payer. Always know your costs in pence per litre. Most importantly make major investments only in areas where you can see a return of at least 10%.

**Staff:** Good staff are like gold on a dairy farm. Look after them as there are very few replacements out there. If someone is helping you make money share a little of it, a bonus often goes down well or at least buy them good gear to work in. Losing a good member of staff and replacing them with a poor performer is the road to ruin on a dairy farm.

**Maximise Dry Matter Output:** Grow the maximum grass you can on your land to maximise stocking rate. You've paid for the land. Make the most of it. The best operators are growing 2 to 3 tonnes of dry matter per ha more than the average farmer at similar cost. This is enough to feed an extra half a cow per ha whether it is fed as grazed grass or silage. That's a big leap in milk output. The results of the Dairy Development Centre grass value project in Wales showed "Project farms that utilised more grass per hectare, produced more milk from forage per hectare and tended to have a higher net margin."

Good grass swards, lime, P and K indexes and efficient harvesting with cows or silage is key. Don't forget grazed grass is still the cheapest feed and we have the expertise and electric fencing systems at KiwiKit to help you exploit it.

**Fertility:** Cow fertility is one of the biggest drivers of profit on a dairy farm. Only breed from bulls that throw fertile cows or crossbreed. Target a cow to produce 1 kg of milk solids per kg of liveweight whilst maintaining body condition and most importantly getting back in calf. Use heat detection. KiwiKit's detail tail paint is one of the cheapest aids to spot cows bulling. Scratch cards like Detectabull are another alternative. Don't forget if your submission rate is low your herds in calf rate will be a disaster.

**Herd health:** Efficient milk harvesting is vital and sometimes forgotten in large herds. Today's large modern parlours often lead to over milking and damage to cows teats. Always use a high bacteria kill teat spray with very high emollient content. Remember 50% of mastitis bugs are killed by teat spraying alone. In conjunction with New Zealand mastitis specialist Adrian Joe we have developed the top of the range KiwiDip Teat spray to help improve udder health.

**Replacement Heifers:** Along with labour and feed one of the biggest costs in a business. Target calving at 2 years old. Monitor weights especially in the first year to make sure young stock hit targets. Underweight heifers at calving will have a lower lifetime yield. Supplement underweight calves to catch up with main group. We now supply weigh systems by TruTest to make weighing and recording easier.

Remember it is the small things that add up and simple improvements can have a big impact. I am confident of the long term future of milk production. Focus on your own bottom line not what your neighbour is doing. We feel that we have the products to add value help you to make your businesses more profitable. Like you we are in it for the long haul.

**KIWIKIT -- LOOKING AFTER YOUR BOTTOM LINE**

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Are you using the correct procedure of teat disinfection prior to inserting dry cow antibiotic tubes and teat sealant?

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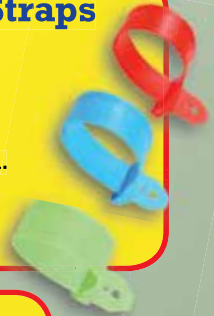
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KiwiKit Ltd



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