

How lessons learnt in 2016 could help Scottish dairy farmers be resilient in the face of Brexit



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Brexit could yet bring challenges for UK dairy farmers, not least in terms of the milk price they receive. Whilst Brexit is generally expected to grow UK self-sufficiency, we currently lack the required processing capacity to support this and it's not clear that farm prices could rise enough to encourage the required expansion. A no-deal Brexit would create particular problems in NI, with the potential for milk that currently goes to the Republic of Ireland being diverted to the UK for processing via Stranraer.

It is important that farmers are prepared for the possibility of a reduction in farm-gate prices. After the price crash of 2016, the resilient businesses that survived focussed heavily on cost control but there are other aspects to managing price volatility and some suggestions are given below:

- Can you maintain milk output with less cows? Think about stocking density in your milking shed and milk output. Would culling the bottom 5% of cows in facilities that are at, or over capacity for cubicles and feed space, notice a reduction in overall milk output? Often in this scenario milk output is maintained and if farms are producing milk at a cost of production above the milk price, then milking less cows and maintaining output will be financially beneficial.
- Cut back on feed costs by considering the use of expensive feed additives. Are they doing the job they claim and would removing them from the diet be cost-effective? Can you make better use of more available forage stocks this year? Scrutinise costs with your nutritionist to look at cheaper ways of feeding to maintain output.
- Know your cost of production and benchmark against other herds if possible to see where inefficiencies lie and savings can be made. Have discussions with suppliers for feed, fuel and fertiliser to calculate requirements, fix prices and buy in bulk to get the best possible price.
- Are you maximising the milk price you receive according to your milk contract? Achieving bonuses for cell counts and Bactoscan can amount to as much as 2ppl with some contracts. Focus on improving milk solids if you contract rewards for this. Nutrition and feeding management will play a role but longer-term breeding decisions will also have a positive influence.
- A more long-term option is to increase the use of sexed semen and use more beef semen to increase calf returns and reduce less valuable dairy bull calves.
- Cull any unproductive or non-pregnant animals whose keep is greater than what they are earning in milk sales. Surplus heifers can be sold.
- Delay or reduce investment in capital work (such as buildings/machinery/grass renewal) unless it will have a significant impact on return in a relatively short period.
- Having a good relationship with your bank is crucial. Banks will be more open to helping farmers fund the next downturn in milk price if they have repaid debts incurred from the previous downturn. If it has not been communicated what the bank will do in the next downturn in the market, ask the question! Will they be supportive? Discuss options!

Last year, the Anderson Centres & Associates presented a report to AHDB, looking at the characteristics of top performing dairy farms. There were several priority characteristics identified, with the top three being minimising overhead costs, setting goals and compiling budgets and benchmarking. Business with lower overhead costs and those that produced regular budgets tended to be more profitable. Involvement in benchmarking groups and use of key performance indicators to monitor success or identify areas for improvement resulted in farms making more money as they had more information to base changes on and improve efficiency. Lastly dairy farms that were specialised benefited from focussing time and resources on that one enterprise, as opposed to those that perhaps kept sheep or beef cattle or had a significant arable enterprise as well. More information on this report can be found at:

<https://ahdb.org.uk/knowledge-library/the-characteristics-of-high-performing-farms-in-the-uk>



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