

Donie Cashman -Who Am I?

1. Active Dairy Farmer
2. IFAC Accountants Founder & Former Chairman
3. Former IFA President

For Discussion Today

- My experiences being involved and representing the farming industry for almost 50 years
- My personal experiences with expanding on my own dairy farm pre quota 1983
- The lessons I have learned

Where Am I From



The Farm Today 2014

- 100 Hectares
 - Based on one land block
 - All dry land
- 132 Milking Cows – Average 9,000 litres
 - Dairygold
 - Liquid milk quota
 - 1.1 Million Litres
- 2.5 Labour Units
 - Teddy Cashman (Son)
 - 1 fulltime employee
 - Donie calf rear, and some relief milking

Where I Started In Farming - 1957

- 1957 started farming with my father
- Mixed Farm – 100 ha (one block)
 - 1/3 land ploughed per year
 - Grew and processed majority animal feed on farm.
- Dairy Enterprise
 - Milked 38 cows
 - Installed first parlour (3 units)
 - Self feed silage

Very Typical Irish Farm For The Time



The Expansion Phase 1957 - 1972

1957 -1964

- Expanded Dairy Herd to 120 cows
- Installed 6 unit herring bow
- Mixed farming – 100 ha

1964 -1972

- Increased Dairy Herd to 150 cows
- Moved to grassland Dairy Herd only

Why Did I Expand?

- Ireland joined ECC 1973
 - Bigger markets
 - Increased opportunity's - Profits
 - Rapidly changing dairy industry
- Went on a study tour to New Zealand 1972
 - Saw first rotary parlour
 - Contract rearing



The Vision Was Started!

Expansion Phase 1972 -1976

- Expanded Dairy Herd to 230 cows
- Built Irelands first rotary parlour 1973
- Started contract rearing heifer replacements in 1976
 - All land being used for cows (100 ha)

Expansion Phase 1978 -1983

- Purchased additional 73 Ha in late 1979
 - Outside farm, 11 miles
 - Un reclaimed mountain land
 - Low cost (purchase)
 - High cost reclamation and buildings
 - Total Cost €1,000 per Ha
- Purchased 25 ha neighbour land 1980
 - Unexpected opportunity
 - High cost land for time
 - High interest rate (high inflation)

All borrowed Money!

Expansion Phase 1978 -1983

- Farming 125 Ha in total on Home Farm
 - Allowed expansion to 250 cows by 1979
 - And 319 cows by 1983
- Outside Farm 73 ha
 - Milked first cows Spring 1982
 - 80 cows 1982
 - 140 cows 1983

Total Dairy Cows 1983 – 459



Planned Future Expansion 1983 Onwards?

- Pay down high borrowings on land purchases and capital investments. (5-8 years)
- Increase cash flow and profit with further increase in cow numbers to 500+
- Increase productivity on herd to further drive cash flow and profit

What Stopped this Plan?

- Unexpected items –
 - Extra land on boundary purchased in 1979
 - Financial pressures (High interest rates – 18% 1982)
- Animal Health Issues
 - Brucellosis Eradication Scheme– 154 cows culled 1980
 - Purchased 109 cows in 1981 to replace
 - Cash flow issues (Net cost €300,000 of a loss)
- Quota
 - Stopped all expansion
 - Stopped required increased cashflow / profit needed to service borrowings.

The Implications

- Detailed financial projections on 1983 quota showed farm plan was unviable.
- Restricted Milk Quota to 1983 production was not going to be able service borrowings
- Sought professional help to assess farm financial position
 - Accountant
 - Advisor
- Negotiated with bank in scaling back expansion to more financially secure / viable position

Post Quota- The Story 1984 to 2013

- Total Farm back to 100 ha in 1984
- Milking 286 cows in 1984 on home farm only.
- Teddy started farming in 1985 (19 years of age)
- Contract rearing until 1986

Post Quota- The Story 1984 to 2013

- Decision made to focus on efficiencies with-in the quota structure
 - Cow breeding (vastly improved genetics)
 - Doubled cow production over 20 years
 - Pedigree registered Holstein Herd
 - Reduced cow numbers and maintained quota
 - 1984, 286 cows
 - 1993, 185 cows
 - 2003 143 cows
 - Reared all female stock (40/50 sales per year)
 - Grassland
 - Implemented active re-seeding policy to maintain core milk production from grass

Where to Now - 2014?

- Opportunity to expand post quota
- No major capital investments needed.
- Milk production more profitable than rearing heifers
 - Use heifers for milk, increase cow numbers to 180
 - Rear required female replacements only
 - All other females to be sold as calves
 - Stocking rate to remain the same 2.5 LSU/ Ha

The lessons I learned

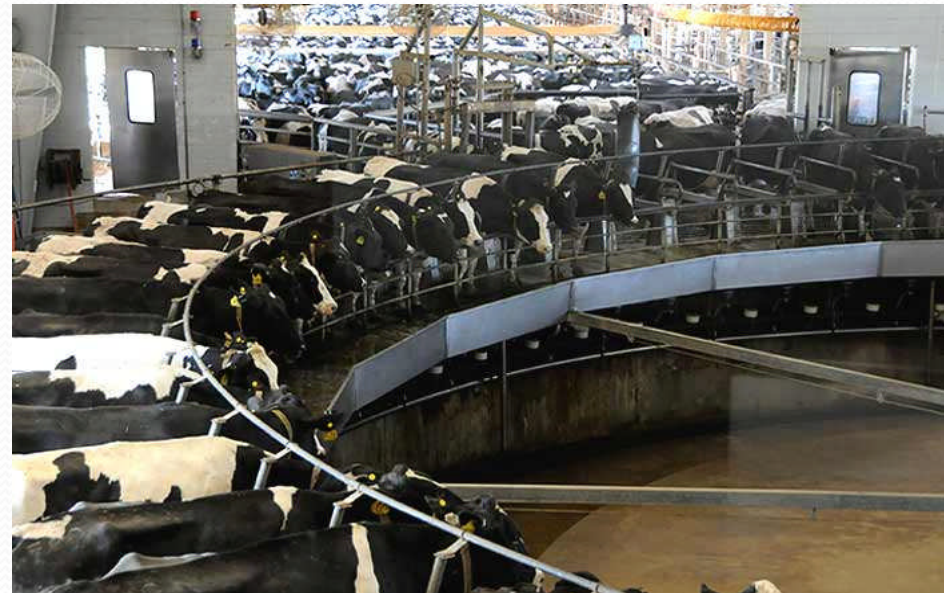


Lessons
Learned

- Milk price is vital
 - Quota stopped me, will milk price stop you?
- Risk analysis
 - Interest rates, all time low? (how long?)
- Incremental expansion
 - Cashflow management essential
- Keep up-to date on technical issues
 - Discussion groups
- Budgeting / financial planning is essential
 - Make your mistakes on paper
 - If it does work on paper won't work in reality

Take Home Messages

- Financial Planning
- True and accurate management accounts
- Sound Professional Advice
 - Banking
 - Accountancy
 - Legal
 - Farm Management
- Bio security



“Better before Bigger, Skill before Scale”

The Most Important Question?



"There must always be a sound financial reason for expansion"