Table 3: The data shows a Profile of Monitor Farms (2005 - 2008)

Table 3	2005	2006	2007	2008
Total Farm Ares (Ha)	46.8	46.7	48.9	51.6
Total Dairy Area (Ha)	32.83	32.36	33	32.5
Average Cow Numbers	65	66	70	76
Stocking Rate (Lu/Ha)	2.05	2.10	2.14	2.21
Milk Produced (Litres)	333,680	360,858	384,477	399,571
Net Price (C/Litre)	28.0	27.2	34.8	34.6
Replacement Rate %	25	23	24	27
Litres/Cow Produced	5071	5403	5492	5213
Milk Fat %	3.87	3.87	3.84	3.87
Milk Protein %	3.40	3.44	3.45	3.43
Fat & Protein Kgs/Cow	379	406	407	392
Fat & Protein Kgs/Farm	24,635	26,796	28,490	29,790
Fat & Protein Kgs/Ha (Dairy Area)	750	828	863	917
Cash Flow Ratio (Whole Farm) %	45	48	41	48

Costs of production averaged 20c/litre on monitor farms (over €1000/cow) in 2008. Individual farms had total costs exceeding 25 c/litre. Lower feed, fertilizer and energy prices will have a positive impact on 2009 margins. However, reduced dairy output per litre means that cost effective production of milk solids per cow and per hectare will be vital to dairy margins in 2009.

All input expenditure must be carefully examined and justified in terms of its benefits to production. Production also needs to be monitored carefully so that optimum use is made of a limited land base in often difficult grazing conditions. Timely decisions relating to grass demand and supply remain crucial to milk solids production on a weekly basis.

KEY MESSAGES

- Total milk solids per dairy hectare is averaging 916kgs with an immediate target of 1000 kg milk solids /ha (+9%)planned for the coming year.
- An average reduction of 2c/litre in costs of production is targeted for 2009.
- Calving pattern, especially six week calving rate - (80 % + target), and breeding policy need close attention.
- Dairy AI sires used should have fertility values of at least €70 to accelerate progress in herd fertility with herd EBI increasing by €5/annum.
- Farmers need to use 1.7 dairy AI straws per cow in the herd to ensure adequate replacements.
- Increasing the use of grazed grass remains our main competitive advantage. Dairy farms must continue to target 10% of the farm for reseeding each year. Research shows yield increases of 20%+ from reseeded ground, this is crucial to lifting stock carrying capacity.
- You should continue to identify the strengths and weaknesses of your farm business.

The challenges facing dairy farms are great & the best up- to-date & proven technology must be used to counteract potential falls in dairy profitability. Each component of output & cost needs to be analyzed to identify where progress can be made in 2009.

Mission Statement

THE JOINT **"FOCUS ON PROFIT"** PROGRAMME:

Will empower our clients farmers with:

- The most up-to-date technical advice.
- The financial expertise to set and achieve financial goals.
- Promote profitable and environmentally sustainable farming.
- Enhance the quality of life of all participants.

FOCUS ON PROFIT

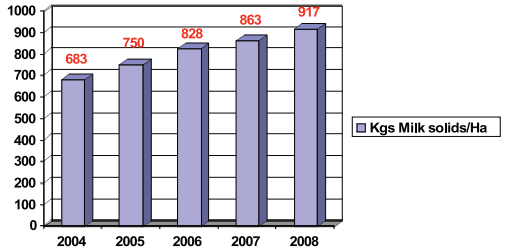
Kerry Agribusiness/ Teagasc

JOINT PROGRAMME

Profit Monitor Results from Monitor Farms

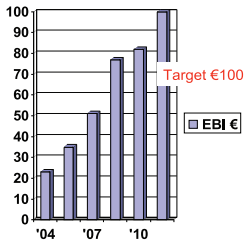
2005 - 2008

Supply of Milk Solids per Hectare.



Breeding Progress

- Herd EBI = €77
- Milk sub-index = €31
- Fertility sub-index €40
- Repl. Rate = 27%
- Days in milk =271
- 6 week calving = 71%
- Median calving = 22 days
- Calving interval = 374 days



Teagasc/ Kerry Agribusiness "Focus on Profit" 2008

The Joint Kerry Agribusiness/Teagasc Programme "Focus on Profit" has concentrated on improving the technical and financial performance of both monitor and supplier farms.

The key elements of the programme are:

- A monitor farm programme comprising 26 monitor/support farms.
- A discussion group programme with 35 dairy discussion groups.
- A grass budgeting programme with farmers meeting regularly to discuss issues relating to grass measurement & budgeting.

All suppliers are invited to participate in a range of meetings/ farm walks throughout the year.

Table 1: The data shows the profit monitor analysis of dairy output and costs on monitor farms (2005 -2008). The data also shows the range for 2008* Profit Monitor Results (excluding direct payments (DPs)):

Table 1	2005	2006	2007	2008	2008 (Range within each category)
Dairy Output c/litre	28.23	27.74	35.12	34.41	36.2 - 32.4
Total Variable Costs c/litre	8.16	9.05	8.86	10.95	15.6 - 7.9
Total Fixed Costs c/litre	7.89	7.83	8.80	9.02	12.5 - 6.5
Total Costs c/litre	16.05	16.88	17.66	19.97	25.3 - 16.2
Net Profit (excl DPs) c/litre	**12.18**	**10.87**	**17.46**	**14.44**	**19.6 - 9.6**

* data compiled from 15 spring calving monitor farms (matched sample)

Net Profit/Litre

Dairy output (34.41 c/l) decreased by 0.71c/litre compared to 2007. Lower calf /cow price and higher replacement rates (27%) contributed to the lower dairy output. Net milk price averaged 34.6 c/litre compared to 34.8 c/litre in 2007. Each 1 cent/litre is the equivalent of €4000 per farm for this group of farmers.

The increase in total costs (+2.31 c/litre) to 19.97 c/l is equivalent to €9240/farm and was largely due to increased feed & fertilizer costs (+1.79 c/litre). Meal feeding was up 24%: 766 kgs/cow compared to 615 kgs/cow in 2007 costing an additional €3000 per farm.

Net profit/litre from farming decreased by 3.02 c/litre (€12,067 per farm) to **14.44 c/litre.** While dairy output decreased only marginally, the poor grass growth and difficult grazing conditions throughout the summer/autumn led to reduced milk production and higher input costs. Fertiliser prices increased steadily during the year and usage decreased due to cost and poor weather conditions.

Total costs averaged **€1041/cow** in 2008 with some individual farms exceeding €1200 in total costs per cow. The analysis shows a significant range in net profit associated with land type and cost/output structure on their farms.

Total Farm Profit

Excluding direct payments (DPs) and not allowing for family labour profit declined by 20% to €1235/ha from the peak 2007 levels. However, the profit for 2008 was €269 per hectare (28%) greater than that recorded for 2005 and 2006 on these farms. This reflects the increased emphasis on dairying and the higher stocking rate and milk production. Overall, direct payments contributed 30% of net profit on monitor farms in 2008 compared to 26% in 2007.

Table 2: The data shows the Farm Profit per Hectare (2005 - 2008)

Table 2	2005	2006	2007	2008	% Change v07	2008 Range
Farm Profit/ha (excl DPs) €	967	966	1542	1235	-20%	2023 - 735
Farm Profit/ha (incl DPs) €	1363	1488	2044	1758	-14%	2429 - 1270

Key factors associated with the reduced profitability per hectare in 2008 compared to 2007 included:

- Higher feed and energy costs
- Higher replacement rate
- Higher depreciation/ bank interest associated with capital expenditure to meet cross compliance & expansion requirements.

A 13% increase in farm costs was the key factor associated with the decreased profit. Individual farms showed cost increases of up to 30% depending on the weather impact. Though milk prices fell by 10 c/litre during the year, average milk price was only marginally down compared to 2007.

Monitor farms calved on average 70% of their herd in the first six week of the calving season. The group target is 80% calved in six weeks. The fertility sub-index is now at €40 making up over half the total EBI figure of €77 on these farms.

Milk protein at 3.34% was running .06% higher in May 2008 compared to May 2007. Pastures had been well grazed out in April and grazing conditions and grass quality in May were excellent. However, from June onwards production slipped on a monthly basis compared to previous years.

Overall, milk solids production/farm increased by 4.6% due to the increased stocking rate associated with extra cows milked. Milk production per cow was down to 392 kgs milk solids/cow from 407 kgs/cow in 2007 due to poor growth and grazing conditions leading to reduced autumn production. The higher replacement rate associated with herd expansion was also a factor. Since 2005 milk solids production per farm has increased 21% (7% pa) to just under 30,000kgs milk solids/farm in 2008.

Cash Flow

In 2008 monitor farms spent close on €48 per €100 of cash receipts on farm running costs compared to €41 in 2007. Cash receipts include income from milk, livestock sales, direct payments and REPS. These figures exclude the net capital expenditure that occurred on many farms during the year. (recorded in profit & loss a/c). If total cash receipts amounted to €100,000 on an individual farm then €52,000 was retained to meet personal drawings, taxation, bank repayments and pension commitments.

It is vital that budgets are planned to ensure that these areas are adequately funded in the coming year. The Teagasc 'cost control planner' is an easy to use programme to track cash receipts and payments in 2009.