

Teagasc DairyBeef500 demonstration farm profitability performance

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Summary

- Profitability of DairyBeef500 farms decreased from €650/ha to €516/ha from 2021 to 2022.
- Beef prices rose by 18% but feed and fertilizer costs increased by 36% and 64%, respectively.
- Farms with high levels of output from a diet based primarily on grazed grass maintained or increased profits.
- Fixed costs have begun to increase on farms and will need to be monitored.

Introduction

The Teagasc DairyBeef500 campaign was launched in 2022 and consists of a series of 15 demonstration farms located nationwide, a knowledge transfer programme, a standalone calf-to-beef demonstration farm, a new entrant calf-to-beef course and a dairy calf-to-beef manual. The majority of the demonstration farms have been involved in Teagasc programmes since the Teagasc Green Acres programme. The demonstration farms receive intensive one-to-one advice from dedicated programme advisors on grassland management, financial management and herd health. The target net profit for the farms is €500/ha excluding all subsidies. The demonstration farmers in the programme range in size from 24 hectares to 92 hectares and are made up of part-time and full-time farmers. All demonstration farms run a calf-to-beef system as their main enterprise with some farms running additional enterprises on a smaller scale such as store-to-beef, sheep or tillage.

Cost increases in 2022

Fertilizer prices increased by 2.5-3 times the price paid in 2021 for products such as 18-6-12, protected urea and 10-10-20. Concentrate feed prices from the middle of the year onwards increased by 30% and remained very high into 2023. Other inputs such as diesel, polythene, sprays and contractor costs also markedly increased, but the concentrate feed and fertilizer costs experienced the greatest increases.

Earlier age of slaughter

Many of the monitor farms have moved to a more efficient early slaughter system. Slaughter age has reduced by 76 days relative to the previous three years, and hence a large proportion of cattle on these farms were slaughtered between October 2021 and early February 2022. The slaughter of these animals preceded the beef price increase that occurred in late spring 2022.

Physical and financial performance of DairyBeef500 farms in 2021-2022

Profitability of DairyBeef500 farms reduced from €650/ha net profit excluding all subsidies in 2021 to €516/ha in 2022 (Table 1). Some farmers experienced very large increases in concentrate costs, with a large proportion of this increase occurring in the August to December period when weanlings entered sheds and cattle were fed to target a 21-22 month age at slaughter. The 21% reduction in profitability could have been much greater had beef prices not increased to the level they did in 2022. Data from Bord Bia indicates that average beef prices increased 18% from €4.05/kg in 2021 to €4.78/kg in 2022. The

DairyBeef500 demonstration farmers have a key issue to manage for 2023: while beef prices are currently strong, inputs costs have markedly increased. For example, relative to the same period last year, concentrate costs have increased over €100/tonne, milk replacer increased by €5-10 per bag (to €55-60) while fertilizer started at higher prices than last year but appear to have eased again. A notable increase occurred in fixed costs in 2022. This occurred in part, because farmers invested extra cash in areas that had been neglected over the previous years with low beef prices, such as fencing, roadways, machinery repairs and labour saving equipment such as handling units and calf feeders. A number of the farms had fixed costs close to or in excess of €1,000/ha, meaning they need a gross margin of close to €2,000/ha to achieve an industrial wage of €40,000 from 40 hectares.

Table 1. Physical and financial performance of DairyBeef500 farms in 2021-2022

	2021	2022	Change %
Grassland stocking rate	2.31	2.30	0
Grassland organic N kg/ha	183	183	0
Gross output kg/ha	1,427	1,358	-5%
Gross output kg/LU	606	583	-4%
Gross output €/ha	2,882	3,236	+12%
Gross output €/kg LW	2.02	2.35	+16%
Variable costs €/ha	1,541	1,953	+27%
Gross margin €/ha	1,341	1,284	-5%
Fixed costs €/ha	692	768	+11%
Net margin €/ha	650	516	-21%
Average Irish beef price €/kg	4.05	4.78	+18%

Average stocking rates on the DairyBeef500 farms are high at 2.3 LU/ha (Table 1). In any beef system, a high level of beef output is required to leave a large enough gross margin to cover fixed costs and leave a substantial net margin for farmers before subsidies. The demonstration farms in this programme are consistently achieving 1,300-1,400 kg of live weight per ha, which can deliver net margins of at least €500/ha. Efficient farms that are stocked at 1-1.3 LU/ha typically generate enough of a gross margin to cover fixed costs only, meaning that the only revenue that the farmer keeps is from direct payments.

Conclusions

The DairyBeef500 farmers that generated profits of at least €500/ha provided the animals with a diet consisting primarily of grazed grass and grass silage, had good herd health plans including vaccination policies against pneumonia, and placed attention to detail in the rearing phase, which included the transition phase from milk to grass.