Potential for Increased Profitability on Irish Cattle Farms - Lessons from the Teagasc/Farmers Journal Better Farm Programme

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Summary

- Insufficient output is one of the main reasons for poor profitability on suckler farms. Although price is often blamed, farmers need to target areas in which they have control, within the farm gate. Areas such as increased stocking rate, better breeding, animal performance and better grass utilisation, as targeted in the Teagasc/Farmers Journal BETTER Farm Beef programme. It has been clearly shown that there is potential for significant gains.

- The use of accurate information in terms of financial and physical data are crucial not only in highlighting the strengths and weaknesses of a farming system and monitoring progress but in laying down targets and keeping us all focussed, advisers and farmers alike.

- The full potential of grazed grass on many cattle farms is not being exploited. The programme has confirmed that with a targeted approach, the value of good grassland management can be clearly demonstrated, as well as the cost savings it can deliver.

- The programme has also highlighted a number of areas that need further research. A maternal index for sires to breed replacements for the suckler herd needs to be validated.
- An approach that encourages a more proactive health planning element needs to be urgently examined.

- The clearest message from the programme has to be to simplify the farming system and to remain focussed.

The Teagasc/Farmers Journal BETTER Farm Beef Programme was launched in September 2008. The word BETTER is an acronym for **B**usiness, **E**nvironment and **T**echnology through **T**raining, **E**xtension and **R**esearch.

The aim of the programme is to develop a road map for profitable beef production through focussing on improving technical efficiency at farm level. In order to increase profitability the programme has focused on:

- Increasing farm output
- Controlling production costs

Farm Selection

The 16 farms on the programme are suckler cow based enterprises. They represent a range of systems from suckler to weanling/store to suckler to beef. The herds are predominantly spring calving although some of the herds have a sizeable autumn calving component. Herd sizes range from 32 – 125 cows. One of the key criteria in farmer selection was farmer attitude and enthusiasm. The farmers in the programme are dedicated and see the value of adopting new technologies and are always seeking to improve. This is an aspect that cannot be overlooked in promoting any development programme.

Importance of Baseline Information

The importance of having accurate baseline information at the beginning of the programme or change process can not be understated. All farmers in the programme were required to complete a 2008 profit monitor and sign up to ICBF Herdplus by January 2009.

The purpose of collecting this information was to identify a number of Key Production Indicators (KPI's) and to assess the starting position of each farm. It will also allow progress over the course of the 3 years to be monitored.

The information collected afforded the management team an insight into to the strengths and weaknesses of each unit before the team actually visited the farm to discuss the possible options and to draw up a farm plan.

It was decided early on in the programme to focus at improving gross margin per hectare (ha). A target of €1000 / ha was set. Gross margin was selected as that it is a good indicator of the level of technical efficiency being achieved on farm. It can only improve by driving farm output and controlling costs.

There was a conscious decision taken by the management team that farmers would not incur large capital expenditure so the team had to work within the confines of the existing animal housing and infrastructure on the farms. Although net margins being achieved are not reported, both fixed costs and net margin are monitored.

The Farm Plan

The farm plan was agreed for each farm. The first page of the farmplan summarises the starting position of each farm in terms of key physical and financial indicators. It also sets out the targets to be achieved by the end of the 2011.

The subsequent pages of the plan identifies a number of keys areas such as:

- Financial performance
- Physical performance
- Grassland management
- Breeding performance
- Winter feeding
- Animal health

Within each of these areas the starting position is outlined and then Target/Actions needed outlined. The purpose of the farm plan is to clearly and simply state the farm targets and to maintain the focus of the team.

The plans are reviewed annually, and, if necessary, amendments made to reflect changes in the market or if it was found that something was not working on the farm.

Focus on Output

If gross margin per hectare is to be improved, the starting point is to examine the level of output. Even with average or modest variable costs, gross margin will be poor if output is poor. This is a major issue on many Irish cattle farms and it needs to be targeted if profitability is to be improved.

In examining the 2008 Profit Monitor Results (n=252) the average suckler farm was stocked at 1.71 LU / ha. Output was 505kg liveweight / ha or 296kg / LU. This translated into a gross output value of €926 / ha. With variable costs of €531 / ha, the average gross margin was €395 / ha.

Table 1. Profit Monitor Result 2008 and Better Farm Results 2008

	2008 ePM Results	**2008 BETTER Farms**
Stocking Rate LU / ha	1.71	1.85
kg liveweight / ha	505	536
kg liveweight / LU	296	292
Gross output Value €/ha	926	1016
Variable costs €/ha	531	630
Gross Margin €/ha	**395**	**386**

The trend was similar on the BETTER farms. With a marginally higher stocking rate, the BETTER farms generated a gross output of €1016 / ha. The extra output value however was eroded due to higher variable costs, leaving a gross margin of €386 / ha. This was lower than that of average all the profit monitor group.

Increasing Output

The programme has targeted an increase in output on the farms both in terms of kilograms of liveweight produced and increased output value. This increase in output has been targeted through:

- Increasing stocking rate
- Improving breeding performance
- Improving individual animal performance
- More astute marketing

Stocking Rate

At the start of the programme the average stocking rate on the BETTER farms was 1.85 LU / ha. The target was a stocking rate of 2-2.2LU/Ha by 2011. The stocking rate has increased to 1.93 and 2.02 LU / ha in 2009 and 2010, respectively. A number of the farms have brought about this increase in stocking rate by increasing stock/cow numbers.

Breeding Performance

With margins from suckling low, and suckler cows an expensive animal to maintain it is important that cows in our herds are *fit for purpose*. In other words, they need to be productive, producing a live calf every year, of good quality that achieves a good weight for age in a grass based production system.

ICBF have highlighted astonishingly poor productivity in our suckler herds. Typically, the output is 0.80 calves per cow per year.

The BETTER farm programme has targeted culling poor performing cows. Using the ICBF Herdplus, individual cow breeding performance is recorded and combined with strategic weighing of their progeny, poor performers are quickly identified and culled.

Calving spread was very protracted on many the farms. This leads to increased labour, more stock groupings, potentially more disease problems and lack of focus. The programme has been working towards confining the calving spread to a 12 week period for both spring and autumn herds. Defined breeding dates, pulling back of late calvers and breeding heifers 2 weeks before the main herd are all central to achieving this target. A number of herds moved the start of their calving to coincide with grass growth in their area to reduce feed costs, improve performance and consequently profitability.

Selecting sires to suit cow type, ease of calving for heifers and manipulating cow condition have all helped reduce mortality at calving on the farms.

The progress made as a result of the focus on breeding performance is evident from Figure 1 below. Calves per cow per year has increased from 0.87 in 2007/08 to 0.90 in 2009/10.

Females not calved in the herd is down by 2%. Mortality at birth has dropped from 4.5% at the start of the programme to 2.8% last year. Mortality at 28 days is down only marginally to 5.1%, despite better hygiene and management around calving.

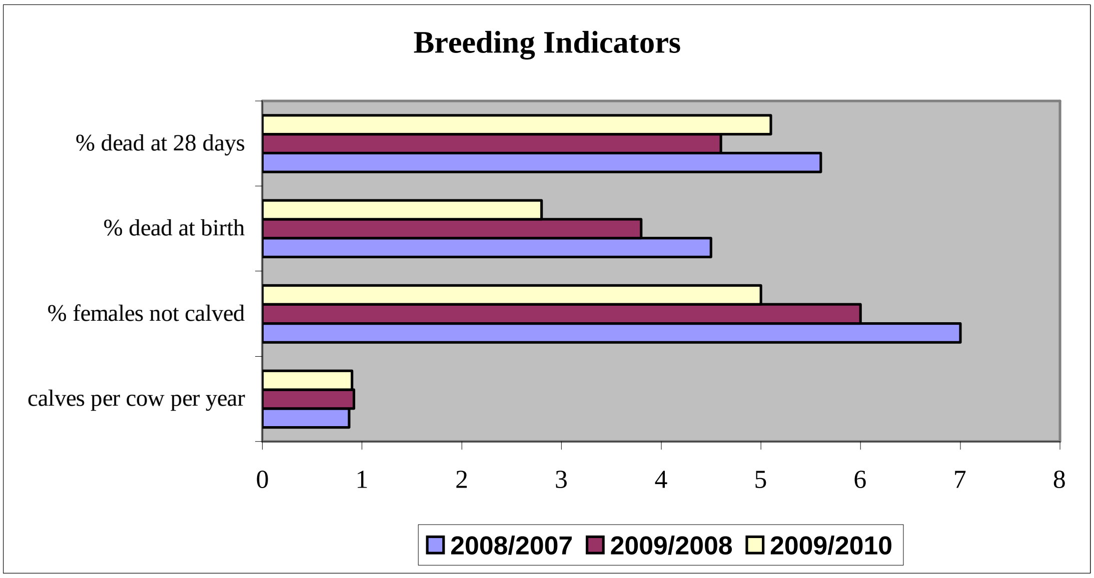

Figure 1. Breeding Indicators on BETTER Beef Farms 2008-2010

Animal Performance

With improved breeding, more calves on the ground and potentially better quality calves can be expected. To capitalise on this, the programme has targeted achieving good weight for age in stock as a means having more kilograms of liveweight to sell off the farms each year. This gain has to be achieved efficiently and costs controlled.

Grassland

Grassland management on the farms is a key focus area of the programme. A lot of time and effort was put into grassland management in the first year of the programme to show the benefits of what could be achieved from grass and to give the farmers the skills and confidence to become competent grassland managers.

All the farmers now:

- Walk their farms weekly to assess grass covers,
- Close up in rotation each autumn,
- Target early turnout of priority stock,
- Maximise the length of the grazing season,
- Identify their poorer performing grass fields and target reseeding,
- Have more paddock divisions in place,
- Work to a fertiliser plan based on soil test result,
- Use slurry more effectively.

All these improvements, reseeding, setting up paddocks, addressing low phosphate and potassium problems on farms have come as an immediate cost. However, over the medium to longer term, the farms will be better placed to exploit the potential of grazed grass.

Weight Recording

Various categories of animals are weighed in the programme to monitor performance. Animals are generally weighed at housing, at turnout and mid season. This has allowed animals to be assessed in terms of weight for age and in a number of cases signalled that performance has been below what we expected for whatever reason.

Animal Health

Unexpectedly, animal health issues have commanded considerable attention on a number of farms. The impact of an underlying health issue on some of the farms not only affected animal thrive and, therefore, output but added significantly to costs.

Health screening of the herds prompted increased vaccination in some cases. In the case of BVD further screening and removal of Persistently Infected (PI) animals. From the 14 herds that used the ear notch test to detect PI's, 32 PI animals were found, with up to 10 PI animals in the more severely affected herds.

Involvement of the local vet and regional veterinary laboratories and Animal Health Ireland has led to a more proactive approach in dealing with animal health issues on the farms. Later on this year, all the farms will have an animal health protocol in place based on their own animal health plan.

The measures already mentioned have clearly had an impact on the output on the farms as can be seen in Figure 2 below. The kilograms of liveweight per hectare have increased by 155kg to 691 kg / ha an increase of 29% since 2008. Likewise output per livestock unit is also up by 49 kg / LU over the same period.

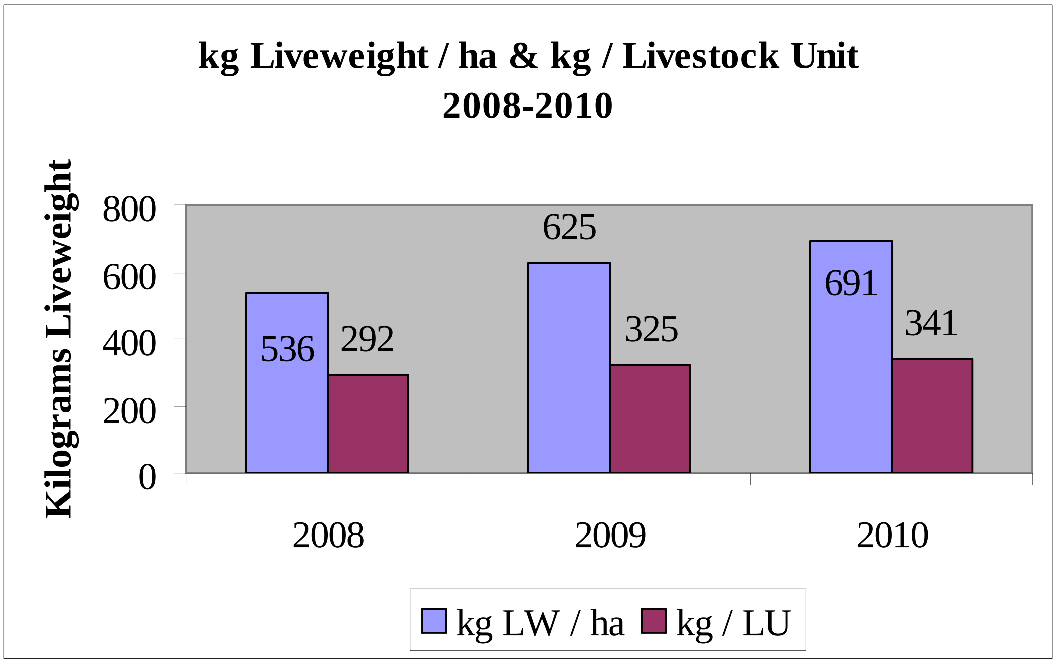

Figure 2. Kilograms of liveweight produced per hectare and per livestock unit on the farms

The magnitude of this increase is best illustrated in Figure 3 below which shows that on average the total kilograms of liveweight produced per farm has increased by 11,261kg since 2008. This is an increase of 32.8%.

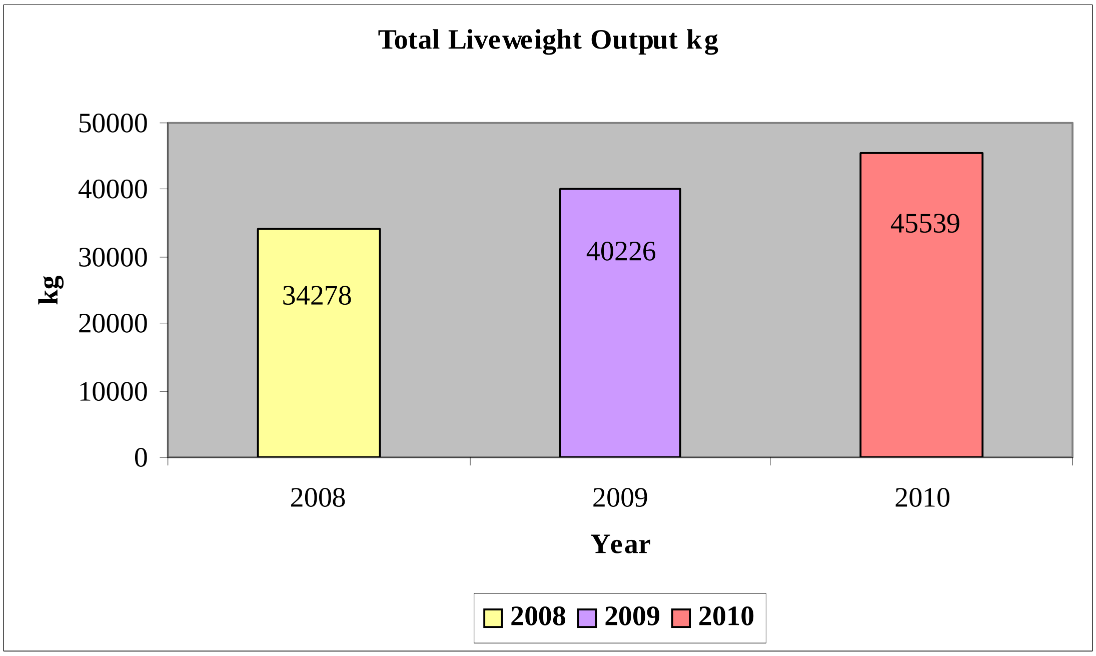

Figure 3. Total kilograms of liveweight produced per farm 2008-2010

Marketing of Stock

Having extra kilograms to sell is progress but the value achieved per kilogram for animals sold as weanlings, stores or finished will impact on gross output value.

Assuming that the old adage of *'you only sell once'* is true then the farmer needs to know the market and costs, if the value of stock is to be optimised.

In 2009 a number of the BETTER farms sold stock at high prices and this is evident from the extra output value achieved, despite beef and store price being poor, relative to 2008 figures. After completing budgets, a number of the farms chose to sell stores rather than finish cattle. Again in 2010, faced with increasing concentrate, the budgeting exercise pointed towards selling stock earlier.

Completing budgets at various stages of production gives clearer direction in terms of deciding the optimum time to market stock. This is continuously changing as beef/store prices and input prices fluctuate.

Gross Output Value Improves

Increasing stocking rate, improved animal performance and improved management have all contributed to delivering more kilograms of liveweight on the farms. Combine this with more targeted selling and higher gross output values on the farms is evident.

Figure 4 below shows how gross output on the farms has increased from €1016 / ha in 2008 to €1276 / ha in 2010. This is an increase of 25.6% in gross output value.

Variable Costs

The graph also plots the movement in variable costs associated with achieving this extra output from 2008 to 2010. Variable costs have increased by 13% from 2008 to 2010. As a proportion of gross output, variable costs in 2008 accounted for 62% of output. This dropped to 60.8% and 55.8% of output for 2009 and 2010, respectively.

While the trend towards lower variable costs as a % of output is positive, variable costs are still high. The target is variable costs at 45% of gross output.

The farms have incurred higher variable costs than would be the norm on foot of increased reseeding costs. Fertiliser costs have increased due to extra P&K being applied to address soil imbalances. These costs will have lead to better cost savings in the future as the farms make better use of grass.

With increased fuel (contractor), feed and fertiliser costs in 2011, it will be difficult to make any substantial reduction in variable costs.

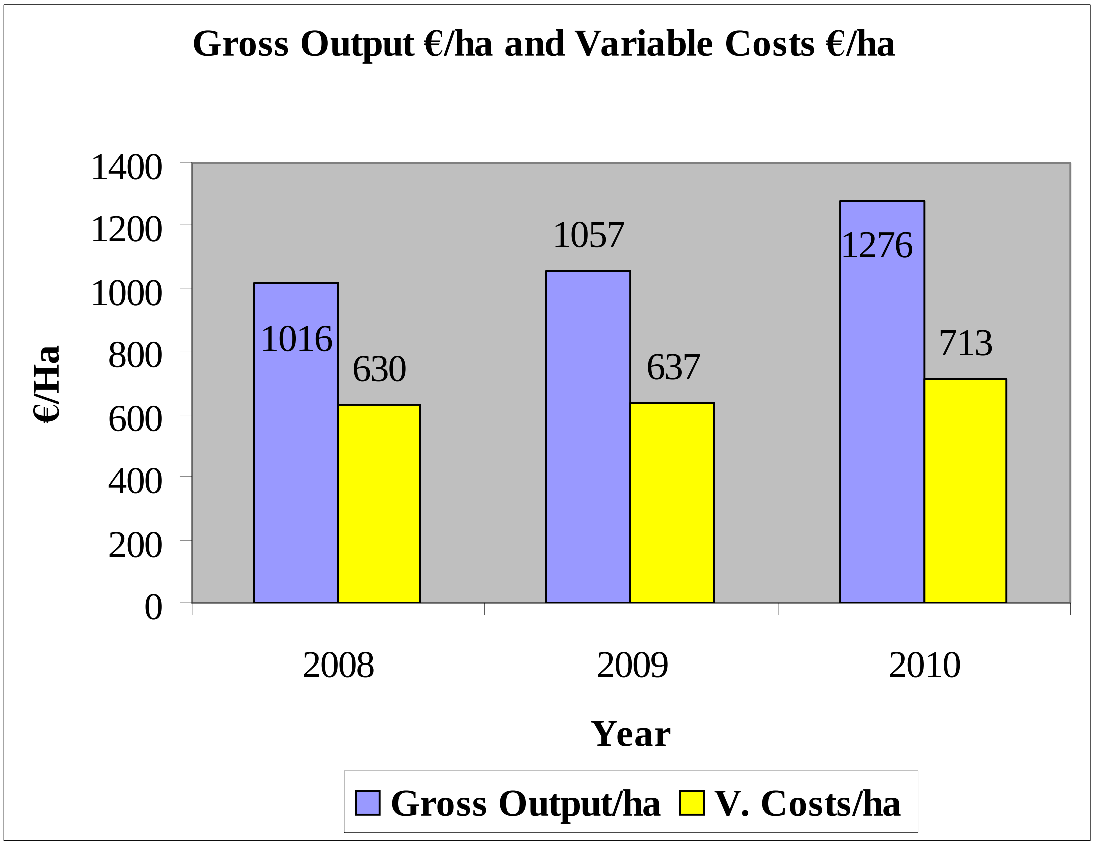

Figure 4. Gross Output € / hectare and Variable costs € / ha 2008-2010

Gross Margin

Although the target of a gross margin of €1000 / ha has not been achieved, the farms on the programme have made steady progress when compared with the average suckler farm completing the profit monitor.

In 2008 the BETTER farms had a gross margin of €386 / ha compared to €395 / ha for average farm in the profit monitor. In 2009 the BETTER farms increased gross margin to €419 / ha while the other group fell to €313 / ha. In 2010 the BETTER Farms showed a further increase to €563/Ha and the Profit monitor group moved to €367/Ha. Over the 3 years, an improvement of 45.8% in gross margin has been achieved, while the average suckler farm in the profit monitor has seen gross margin decrease by 7%.

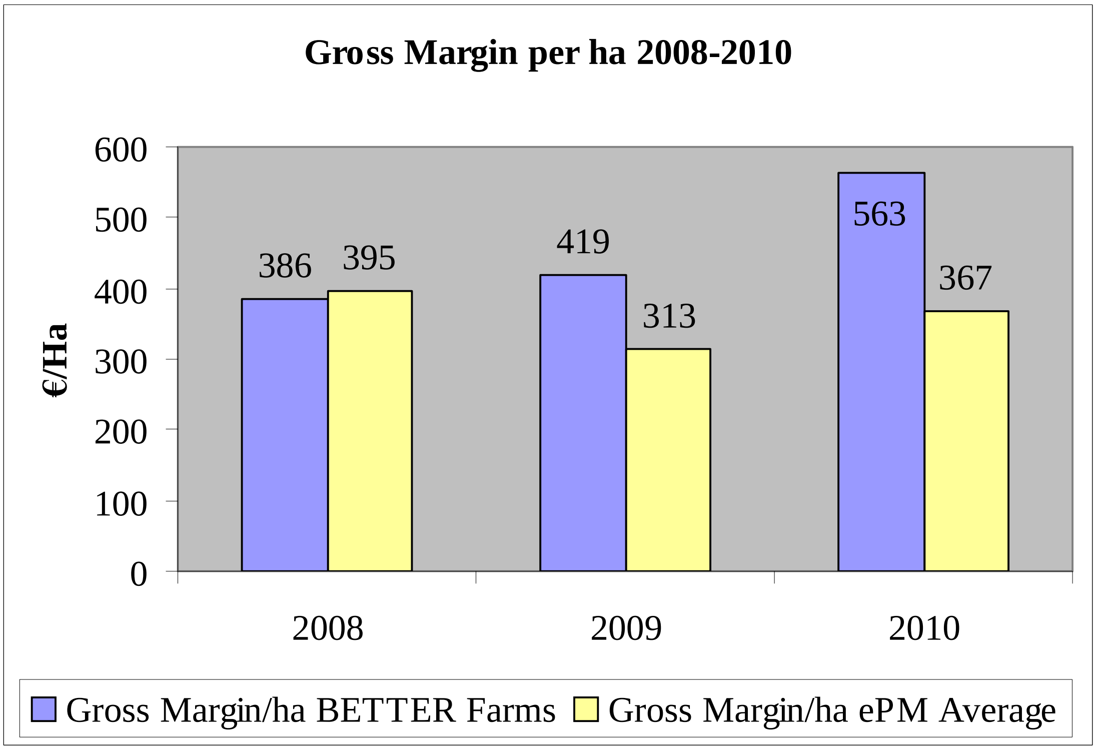

Figure 5. Gross Margin / ha on the BETTER Farms, compared with the average suckler farm completing the Profit Monitor 2008-2010.

Realistically, it would be expected that the average gross margin on the BETTER farms will be €700-800 / ha in 2011. Most of this will come from further improvements in output both in terms of kilograms produced and improved store and beef price. However, with fertiliser costs up more than €100 / t, increased fuel costs and high concentrate prices, it is unlikely that substantial savings can be made in this area.