

Teagasc National Farm Survey Results 2012

Dairy Enterprise



The 2012 Teagasc National Farm Survey (NFS) recorded data on 922 farms. The full financial results for these farms are available in the National Farm Survey and to download at www.teagasc.ie/nfs. Here the results for the dairy enterprise are summarised. Farms producing mostly liquid milk are excluded from the sample, as are herds of 10 cows or less.

1. Analysis of Financial Performance

Milk price declined by 9% from 2011 to 2012. Inclement weather conditions coupled with high feed prices led to increased feed expenditure and total production costs increased by 13%. Average net margin per litre was down 41% in 2012. The profit figures reported here do not include decoupled payments or a cost for family labour.

Table 1: Average gross and net margin cent per litre

	2011	2012	Change (%) '11 to '12
Milk Price	35.3	32.3	-9
Total Gross Output	35.6	33.3	-6
Concentrate Costs	4.5	6.0	+35
Pasture and Forage Costs	4.2	4.8	+14
Other Direct Costs	3.7	4.3	+16
Total Direct Costs	12.4	15	+21
Gross Margin	23.2	18.3	-21
Energy and Fuel	2.3	2.3	0
Hired Labour	0.5	0.5	0
Other Fixed Costs	7.5	7.8	+4
Total Fixed Costs	10.3	10.6	+3
Total Costs	22.7	25.6	+13
Net Margin	12.9	7.7	-41

Milk produced per hectare declined by 4% and net margin per hectare was down 40%. The majority of dairy farmers operate on very good soils. Average output and net margin per hectare are lower on the poorer soil types.

Table 2: Average net margin euro per hectare

	All 2011	All 2012	% change	Very Good Soils	Good Soils	Poor Soils
Share of Farm Population	100	100		59	34	6
Milk Produced (litres / hectare)	9,897	9,496	-4	10,201	8,712	7,019
Total Costs (€/hectare)	2,218	2,399	+8	2,563	2,231	1,744
Net Margin (€ per hectare)	1,310	783	-40	856	681	633

2. Variation in Financial Performance

Table 3 summarises results for farms classified on the basis of gross margin per hectare; the best performing one-third of farms (Top), the middle one-third (Middle) and the poorest performing one-third (Bottom). On a per litre basis, production costs for the Bottom group are 25% higher than for the Top group and the net margins are more than three times lower.

Table 3: Costs and profit cent per litre for Top, Middle and Bottom one-third of farms: 2012

	<i>Top</i>	<i>Middle</i>	<i>Bottom</i>
Concentrate Feeds	5.4	5.5	7.1
Pasture & Forage	4.0	4.6	5.7
Other Direct Costs	4.1	4.2	4.6
Energy & Fuel	2.0	2.3	2.7
Labour	0.7	0.4	0.4
Other Fixed Costs	7.0	8.0	8.4
Total Costs	23.1	24.8	28.9
Net Margin	11.6	8.4	3.0

Table 4 presents the variation in output and profit per hectare for the Top, Middle and Bottom groups. Gross margin per hectare is over two and a half times higher for the Top group than the bottom. These greater rates of profitability are driven by productivity (higher output per hectare) and efficiency (more efficient use of concentrate feed and other direct costs).

Table 4: Output and profit per hectare for Top, Middle and Bottom one third of farms: 2012

	<i>Top</i>	<i>Middle</i>	<i>Bottom</i>
Stocking rate (Cows/Hectare)	2.24	1.85	1.59
Milk Sold per hectare (litres)	12,571	9,200	6,759
Concentrates fed per cow (kg)	1,049	959	1,026
Concentrates fed per litre produced (kg)	0.18	0.19	0.24
Gross output per hectare (€)	4,356	3,055	2,151
Direct Costs per hectare (€)	1,722	1,335	1,189
Gross Margin	2,634	1,720	962

Table 5: Distribution of net margin

In 2012 9% of farms earned a net margin less than €250 per hectare compared to just 1% in 2011. At the other end of the distribution, 32% of dairy farms in 2012 had a net margin of €1,500 per hectare or more compared to 54% in 2011.

Net Margin €/hectare	% of farms 2011	% of farms 2012
<250	1	9
250-500	5	9
500-1000	14	23
1,000-1,500	25	28
>1,500	54	32

3. Variation in Technical Performance

Table 6 presents a selection of technical performance indicators for dairy farms. Given the inclement weather conditions in 2012, output per cow decreased while concentrate feed usage increased. As a result, technical performance deteriorated across all of the indicators with the exception of somatic cell count, which declined by 7 percent from 2011 to 2012.

Table 6: Technical Performance Indicators

	Average 2011	Average 2012	% Change
Production (litres per cow)	5,166	4,968	-4
Milk sales (litres per hectare)	9,897	9,496	-4
Milk solids (kgs per cow)	367	355	-3
Somatic Cell Count ('ooo cells/ml)	246	228	-7
Concentrate feed usage (kgs per cow)	862	1,011	+17
Use of grass (number of days in the grazing season)	240	237	-1
Artificial Insemination (% of farms using AI)	84	83	-1

The Teagasc Road Map for dairy production has set performance indicators for farms for 2018. Table 7 shows the percentage of farms that achieved a selection of these targets in 2011 and 2012. Again due to external factors, farm performance deteriorated along many indicators. Consistent with national trends for 2012 the fat content of milk improved as did somatic cell count.

Table 7: Percentage of farms achieving selected Teagasc dairy road map targets

	Percentage 2011	Percentage 2012
Milk yield per cow: $\geq 5,200$ litres	47	36
Milk solids per cow: ≥ 378 kg	43	37
Protein Content: $\geq 3.4\%$	43	42
Fat Content: $\geq 3.95\%$	33	46
Somatic Cell Count: $\leq 200,000$ cells/ml	37	47
Concentrate feed per cow: ≤ 750 kg per cow	46	27

Table 8: Distribution of net margin € per hectare: 2011 and 2012

The average herd size in 2012 was 65 cows and just 13% of farms had a herd size of 100 cows or more. Despite representing just 13% of the population, these farms accounted for 28% of national milk production.

Herd Size	% of farms 2012	% of milk 2012
<40	22	9
40-60	30	23
60-100	35	41
>100	13	28