



**AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY**

The Irish Agriculture and Food Development Authority

# Business Planning for Winter Milk Herds

– *advisory perspective*

Patrick Gowing  
*Teagasc Dairy Expansion Service*

# Presentation outline

- Business Planning
- Cash cost of heifers
- Grazing infrastructure
- Borrowings per cow

# Business Planning for Winter Milk Herds

- Tool used to assess business decisions
  - Why expand??
  - Plan needs to be viable and sustainable
  - Accurate?

## Assumptions:

- Milk Price – value of your contract
- Current Efficiencies – what will change?
- Cash is king

## Winter milk value

- Average liquid milk herd ~ 40% of the supply contracted
- 900l per day @ 7c/l for 6 mths & .66c/l for 6 mths
  - Average price: 3.83c/l over 12 months
  - Annual income:  $900 \times 0.0383 \times 365$
  - =€12,581 additional income
  - If supplying 860,000l
  - Average price of liquid contract : 1.46c/l

## Assumptions:

- Milk Price – value of your contract
- Current Efficiencies – what will change?
- Cash is king

## Heifer costs

- Profit monitor of 600 farmers:
  - Meal                      €84/LU                      380 kg of meal
  - Fertilizer                €132
  - Vet                        €53
  - AI                         €16
  - Contractor            €94
- 45 Heifer -24% of total LU
- 0.5 est labour units
- 30% on leased land



# 24 month heifer rearing costs

<b>Variable costs</b>	<b>€415</b>
<b>Fixed costs</b>	<b>€678</b>
<b>Total costs</b>	<b>€1,093</b>

## Included

- Labour - €149 / head
- Land - €182 / head



## Impact on your Plan

Replacement Rate (%)	20	25	30
Cost	€/cow	€/cow	€/cow
2 year old @ €1,000/head	€200	€250	€300
2.5 year old @ €1,400/head	€280	€350	€420
Difference	€80	€100	€120
Change to Net Profit/cow	-14%	-18%	-22%

# Grazing Infrastructure

- Large ticket items normally budgeted for
- Grazing infrastructure often forgotten
- Leaves the farm with:
  - No grass as no investment or
  - No cash as financed from cash flow
  - Capital budget should start here!

## Grazing Infrastructure Capital Costs

Item	Quantity/Ha	Unit Cost (€)	Total (€)
Lime	5	25	125
P&K Build up	5	20	100
Reseeding	2.47	270	667
New Roads	25	20	500
Fencing	212	1.1	233
Water	2.5	100	250
Drainage	??		
<b>Total (Ha)</b>			<b>1875</b>

**Per Acre** **759**

**Per Cow @ 3cows/ Ha** **625**

# Borrowings per cow?

## HOW MUCH CAN I BORROW????

## Too short a term?

Debt Per Cow	€3,000	€3,000	€3,000
Term	5	10	15
€/cow/year @ 5%	679	382	285
Litres/cow	c/l		
5000	13.58	7.64	5.7
6000	11.32	6.37	4.75
7000	9.7	5.45	4.07

## Debt per cow

Debt Per Cow	€1,500	€3,000	€4,500
Annual Repayment	€191	€382	€573
Milk Yield (l/cow)	c/l		
5000	3.82	7.64	11.46
6000	3.18	6.36	9.55
7000	2.72	5.45	8.18

## Other Considerations

- Average total milk delivered in 2016: 860,000l
  - Drawings @ €50,000 equals 5.8c/l
  - Drawings @ €80,000 equals 9.3c/l
- Average net Profit in 2016: €76,400
  - Tax @ 35% equals €26,740 (3.1c/l)
  - Tax @ 20% equals €15,280 (1.7c/l)