A tale of two farms

Profit report

Ciarán Lenehan examines two very different 2017 profit monitors from the BETTER farm beef programme.

Garreth McCormack

Garreth McCormack runs 38 suckler cows across a single 34ha block on the outskirts of Bailieborough. On top of his farming, he works 48 hours per week in a local co-op. After spending time abroad, Garreth returned home to take the reins of the family farm in 2013. He has a penchant for breeding and has built an enviable herd of predominantly Salers cows with fusions of continental genetics throughout. The breeding herd has a lofty replacement index of €120 – genetically, they're the top in the BETTER farm programme and on the cusp of the country's top 10%.

He achieved a 367-day calving interval, 0% mortality at birth, 0.94 calves per cow and a 67% six-week calving rate in 2017. The 2017 calf crop averaged 1.17kg of daily weight gain from birth to weaning.

Comparing 2017 with 2016, Garreth’s sales were €8,593 less last year than in 2016, while his animal purchases figure rose by €4,856. Although his inventory change figure is +€21,194 (from €-6 at the end of 2016), and this does not take into account the market prices, this inventory change figure is +€21,194 (from €-6 at the end of 2016), and this does not take into account the market prices, this inventory change figure would be closer to €28,000. This in turn would boost his output figure by over €200/ha.

His output is in fact up from €767 to €1,016 in 2017. However, his variable costs have risen too, from €489/ha to €1,016 in 2017. While it might seem like the farm stayed in neutral during 2017, he has been one of the busiest participants of all.

A number of things have deflated Garreth’s profit monitor this year. When stock numbers increase from one year to the next, the change is reflected in farm output as an inventory increase. On 1 January this year, Garreth had 12 more suckler cows on his books than the year previous. These are made of a combination of his own retained heifers bred in 2016, and five bought-in cows. A farm’s output figure is sales – purchases +/- inventory change. However, the standard valuation in the eProfit monitor for suckler cows is just €1,000, much less than what Garreth purchased the animals for. Garreth is also moving from a weaning selling system toward a finishing one. He began 2018 with 10 more yearling (6-12 months) animals than 2017. These are valued at €800 – less than what Garreth would’ve typically sold them for and a fraction of what he will sell for in mid-/late-2018.

Unfortunately, these bills have come – undervalued.

In short

- Weanlings are a traditionally low margin business.
- Cows bought-in are undervalued.
- Spending on feed, fertiliser, vet and contractor doubled as farm develops.
- First new system production cycle (sales) to end this summer.

In association with
**Teagasc advisor comment - Alan Dillon**

Both of these farmers have made huge strides in terms of farm performance in the past 12 months but, due to varying systems, it is reflected differently on profit monitor.

John McSweeney is pushing the boat out regarding stocking rate and grass growth and will continue to drive performance over the next few years, but the system requires a farmer with a high level of skill in terms of managing grass in a difficult year and being able to purchase good-quality stock and silage at value. Should John maintain performance and profit at a level near what he achieved this year he will be in a good position to draw a reasonable wage from the farm and still be able to reinvest while not delving into direct payments.

Garreth is running a system that is more of a slow burner. It will pay dividends once the herd has reached its required size and stock are carried through to finish.

Both farmers are aiming to follow the bull finishing route, which will leave the greatest level of profit at optimum stocking rate and cow efficiency. It should be noted though that any farmers looking at the bull route have communicated with their processor to ensure they have markets for bulls. Farmers in the steer system will achieve positive results in time but this system is a slower system to build with lower levels of inputs than the bull systems.

---

**John McSweeney**

John McSweeney is at the other end of the gross margin league. Having recorded a figure of almost €2,400/ha, he is scaling heights never before seen in the BETTER beef programme. However, like Garreth, all is not as it seems. John runs a small suckler herd of 18 cows on 25ha, though he is planning to push toward 35 this year. Like Garreth, he also holds down a full-time, off-farm job.

Calves are brought through to beef as bulls prior to a second winter here and while bull systems have been shown to be most profitable since the BETTER farm programme began, John’s gains in 2017 were fuelled by his calf-rearing enterprise. He took in 97 calves in 2017, finishing the year with 96 extra cattle than the end of 2016. This translated into a staggering inventory figure of €3,997/ha - €811 v €429/ha.

In short
- Bull beef systems most profitable.
- Huge calf-rearing system in operation.
- 89 extra calves versus beginning 2017.
- Massive inventory change figure - artificial.
- Calves over-valued.
- Using current market values gross margin = €1,544/ha.

---

**In short**
- Bull beef systems most profitable.
- Huge calf-rearing system in operation.
- 89 extra calves versus beginning 2017.
- Massive inventory change figure - artificial.
- Calves over-valued.
- Using current market values gross margin = €1,544/ha.

---

**Teagasc advisor comment - Alan Dillon**

Both of these farmers have made huge strides in terms of farm performance in the past 12 months but, due to varying systems, it is reflected differently on profit monitor.

John McSweeney is pushing the boat out regarding stocking rate and grass growth and will continue to drive performance over the next few years, but the system requires a farmer with a high level of skill in terms of managing grass in a difficult year and being able to purchase good-quality stock and silage at value. Should John maintain performance and profit at a level near what he achieved this year he will be in a good position to draw a reasonable wage from the farm and still be able to reinvest while not delving into direct payments.

Garreth is running a system that is more of a slow burner. It will pay dividends once the herd has reached its required size and stock are carried through to finish.

Both farmers are aiming to follow the bull finishing route, which will leave the greatest level of profit at optimum stocking rate and cow efficiency. It should be noted though that any farmers looking at the bull route have communicated with their processor to ensure they have markets for bulls. Farmers in the steer system will achieve positive results in time but this system is a slower system to build with lower levels of inputs than the bull systems.