

# BETTER farm Beef Programme

BUSINESS, ENVIRONMENT, TECHNOLOGY through TRAINING EXTENSION RESEARCH

## Plans back on track as gross margin rises

Profit monitor analysis for BETTER farm programme farms in 2014 shows improved figures compared with 2013, writes **Adam Woods**



### KEY POINTS

➔ 31 farms analysed as part of the 2014 programme - nine suckling to weaning, nine suckling to bull beef, six suckling to steer beef, five suckling to store beef and two trading farms.  
➔ Gross margin/ha increased from €597 in 2013 to €829 in 2014, or a 38% increase.  
➔ For the second year in a row, bull beef producers had the highest gross margin, with suckler to store systems having the lowest.  
➔ Average farm size remained unchanged at 52.8ha.  
➔ Gross output in liveweight

kg/ha increased by 71kg from 676kg to 747kg, or a 10% increase.  
➔ Gross output in €/ha increased from €1,563 in 2013 to €1,699 in 2014, or a 9% increase.  
➔ Variable costs averaged €871 in 2014, down from €966 in 2013, or a 10% decrease.  
➔ In 2014, it cost €1.18 in variable costs to produce 1kg of liveweight on programme farms. Average sale price was €2.28/kg liveweight, leaving a margin of €1.10/kg liveweight produced, excluding fixed costs.

Financial analysis is always a sensitive subject when it comes to drystock farming. After a very difficult 2013, farmers could be forgiven for being apprehensive when it comes to completing the 2014 profit monitor.

As with any analysis, it is dangerous to draw conclusions from one particular year and 2013 was no exception.

January is a month where many individuals go about changing some particular part of their lifestyle for the better.

Let the profit monitor be the first step in this process of change in your farming business.

Making rash decisions without knowing the facts can sometimes have negative outcomes. The e-profit monitor is an excellent resource open to farmers to complete a simple analysis of output, costs and profits on their farm and then benchmark the figures against other farmers in your region or in your production system.

As part of the Teagasc/Irish Farmers Journal BETTER farm beef programme, it is a requirement that this is completed each year. The participants and advisers have shown great enthusiasm for the process and this year completed all profit monitors by 16 January.

The most important part of this process isn't completing the profit monitor, but sitting down afterwards with

your adviser to discuss the previous year's performance and, more importantly, what changes need to take place to ensure positive movement in the figures before next year's

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profit monitor is completed.

Completing a profit monitor without using it to make changes on your farm is meaningless and a poor use of both a farmer's and adviser's time.

While higher prices in 2015 would be most welcome, it is only part of the answer to low profitability in the sector and many of our programme farms which have increased stocking rate, and in turn output, will be in a better place to capitalise on possible higher beef prices in 2015.

“Many farmers up and down the country will be able to tell me the base price for steers this week and a few will even stretch to the base price on this week last year, but how many of these farmers would be able to tell me their cost of producing one kilogramme of beef for 2014, which primarily is inside their control.”

While completing a profit monitor doesn't mean automatic improvement, it is the first step for those who are serious about their beef business to make some improvements to their system and compare themselves to the top producers in the country.



Gross margin/ha increased from €597 in 2013 to €829 in 2014h or a 38% increase.

Having encountered a very tough 2013, sales, output and costs are now back to planned levels and none of the programme participants made rash decisions to switch production systems or reduce cow numbers as a result of decreased margins in 2013.

Plans were adhered to and output has improved in 2014. In line with costs decreasing, gross margin has improved.

While it is still somewhat off the target of €1,000/ha, many of the programme participants, given a favourable year with weather and beef prices, are confident that they will reach the target in 2015.

For some of the farms, the target of €1,000 will not be met.

However, these farms have made major improvements to their production systems and have a stronger, more stable enterprise moving into 2015 and beyond.

### Terms and explanations

**Gross margin:** This is total output, taking account of any inventory change at the end of the year (for example, a farmer keeping replacement heifers and not selling them - this foregone sale is still taken into account when calculating output) minus the variable costs to end up with gross margin (GM/ha).  
Total sales - purchases +/-

net inventory change = gross output (€/ha).

Sometimes farmers ask why farms are not compared on net margin basis. A decision was made at the beginning of phase one of the programme to analyse profits on a gross margin basis. This was made for a number of reasons.

Gross margin is based on output minus variable costs, which are common to all farms (feed, fertilizer, vet and contractor). Gross margin on a per hectare basis allows for comparison between systems to determine the most profitable system specific to the particular farm.

Gross margin allows for fair comparison among the 31 BETTER farms. It is also the best measure of each farmer's technical ability - very high variable costs can sometimes infer an over-reliance on purchased feed and not enough emphasis on grassland management.

**Fixed costs:** These include land lease, labour, machinery running costs and insurance. Interest on loans, etc, are excluded from analysis as these can vary greatly, depending on a farm's stage of development, for example high borrowings to build a shed. Fixed costs, while important, are analysed as part of the individual analysis and are harder to lower over the du-

ration of the programme.

**Output/kg/ha:** This is a good measure of a farm's efficiency and high output per hectare on a beef farm indicates that land is being used to its full potential and that stock are performing well during the year.

It also indicates a good stocking rate and both are generally linked. The exception to this is where there is high output coupled with very high variable costs, inferring that the high output is actually derived from purchased sources, for example concentrates.

The programme farms have been set a target of 750kg/ha or higher as part of the programme.

### Gross margin trends

Figure 4 outlines the range in gross margin values across the 31 farms in the 2014 analysis. The lowest gross margin in 2014 was €342/ha, with the highest at €1,471/ha.

In general, the farms at the higher end of the chart are bull producers generating high output, while farms at the lower end of the chart are generally weanling producers. However, there are a few exceptions to this rule.

Ten farms exceeded the target of €1,000/ha in 2014. The breakdown of the systems on these farms was three under-16 month bull producers, three 20-month



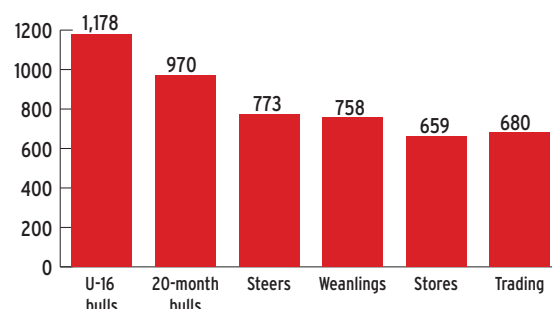


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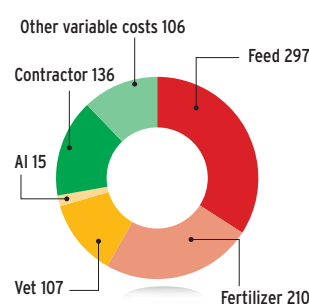
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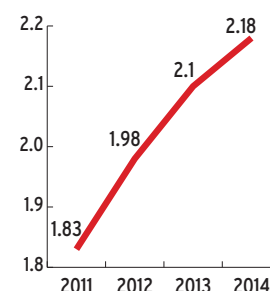
**Figure 1**  
Gross margin (€/ha)



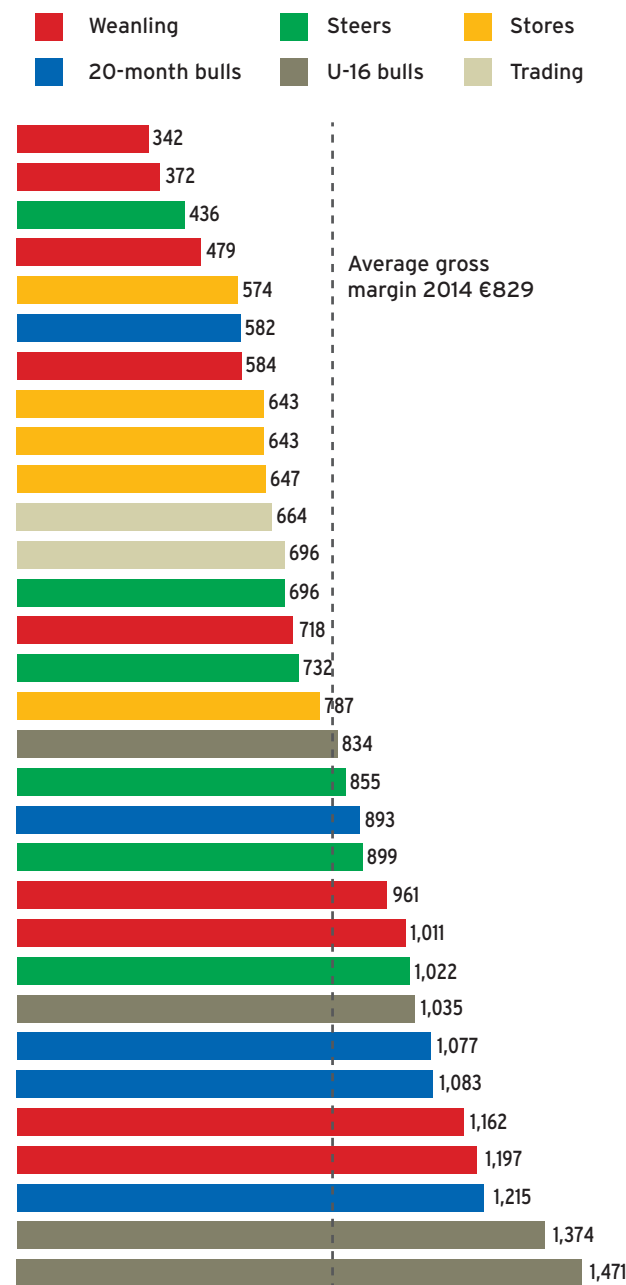
**Figure 2**  
Variable costs (€/ha)



**Figure 3**  
Stocking rate (LU/ha)



**Figure 4**  
Gross margin (€/ha) for all farms in the programme by system



bull producers, three weanling producers and one steer finisher.

An important point to note is that while the most profitable farms in the programme are finishing bulls, these farmers have a very good relationship built up with their respective processors over the past number of years.

Any farmers who choose to go down the route of these high-output systems would be advised to secure a market first.

While the variable costs for these bull beef systems were higher, the high output/ha from these systems justified the variable costs and their high profitability cannot be ignored.

With an improving beef price and increasing efficiency on these farms, it would be envisaged that these high-output farms will further increase their GM in 2015.

However, it is encouraging to see three weanling producers in this top-10 list. This is a very good achievement given the short time frame that these weanling producers have to get everything right (eight to 10 months).

These three farms have extremely good weight for age and also very good herd fertility, which has given rise to the high output. This, coupled with a high weanling price in the autumn of 2014, meant that these farmers

were able to capitalise on the improved market with high numbers of heavy weanlings.

#### Variable costs

Total variable costs in 2014 averaged €871/ha, compared with €966/ha in 2013. This was due in the most part to reduced spend on fertilizer and purchased feed in 2014.

Figure 2 details the variable cost breakdown on the farms in 2014.

Highest variable costs were once again in the feed, fertilizer and contractor sections, with feed accounting for 34% of the total variable costs, fertilizer 24% and contractor 16%. These three account for 74% of variable costs on BETTER farms.

Some P and K issues on demo farms are still being addressed and this has led to an elevated fertilizer cost. Concentrate usage is still a little high and the focus for 2015 will be to reduce this through maximising grazed grass in the diet.

## Next week

➔ Next week: We take a look at the in-depth results of each farm, compare the country on a regional basis and also take a look at each suckler system in detail.

## FARMER FOCUS

### Billy Gilmore Co Galway

The breeding season has come to a close having started on 29 October last. The last cows were inseminated with AI on 2 January. Autumn-calving cows are being fed first-cut pit silage with no supplementation. I plan to scan them in early February to identify empty cows.

I have started weaning the older calves and they are getting 1.5kg per day of a home mix consisting of barley, pulp, soya and minerals. I have increased the feeding rate prior to weaning.

It will be gradually reduced once the calves go to grass. The calves will be weighed within the next fortnight in order to monitor their performance.

The intended target date to turn out the calves is early February, weather permitting. When weather conditions improve I intend

to spread slurry in advance of the ewes and lambs grazing in March.

There is limited grazing ground beside the yard and I have to save this for ewes lambing. The ewes are still grazing and will be housed just before lambing.

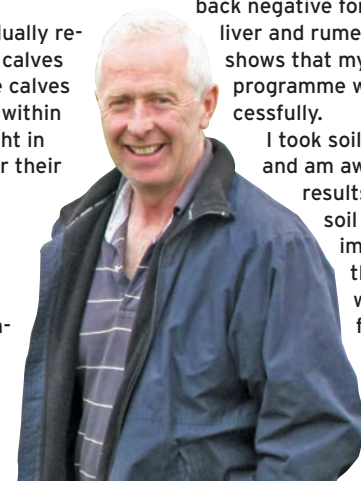
The ewes were scanned a fortnight ago. By scanning the ewes, this allows me to feed the required concentrates based on the results. Hence, ewes with singles are not over-fed, leading to difficult lambing, and ewes with triplets can be fed accordingly.

Faecal sample results taken just before Christmas came back negative for both

liver and rumen fluke. This shows that my dosing programme worked successfully.

I took soil samples and am awaiting the results to see how

soil fertility has improved on the farm. I will plan my fertilizer applications based on these results.



### Niall Patterson Co Leitrim

I am very happy with how calving has gone on the farm so far. The cows are in excellent body condition at calving and, to date, very few cows have needed any assistance.

Silage is being fed on a restricted basis to cows before calving, as I feel they are getting too heavy. They are being fed a pre-calving mineral for six weeks before calving.

After calving, cows are fed 2kg of concentrate with ad-lib pit silage. The ration is comprised of maize, wheat, distillers, maize gluten and soya hulls with a crude protein of 16%.

The silage analysis came back with 65 DMD and a protein level of 13.4%, which was a little disappointing. The weanling heifers are currently being fed ad-lib silage and 2kg of the same concentrate.

Heifers not being retained for breeding will be sold in the coming weeks, along with the remaining

weanling bulls. The weanling bulls are being fed 3.5kg of ration and ad-lib silage.

I plan to have the majority of cows and all the replacement heifers in-calf before turnout. We identified an iodine and selenium deficiency on the farm through blood-sampling some of the stock and all cows will be treated for this before breeding starts by using boluses.

Land type is a major factor hindering me getting stock out early. Hence, my turnout date is usually late April. This results in increased housing costs.

However, depending on weather and soil conditions, I will try to get lighter stock out at the end of March. We housed half the sheep flock at the beginning of January and all will be housed at the weekend due to poor ground conditions.

The ewes were scanned last week and the results are promising for a good lamb crop.

The flock of ewes has been beneficial to increasing stocking rate and output and utilise grass early on this heavy soil.

