

Characteristics of high profit spring calving dairy farms

George Ramsbottom¹, John Roche², Karina Pierce³ and Brendan Horan¹

¹Teagasc, Animal & Grassland Research and Innovation Centre, Moorepark, Fermoy, Co. Cork;

²Ministry for Primary Industries, New Zealand; ³UCD School of Agriculture and Food Science, Belfield, Dublin 14.

Summary

- High profit spring calving dairy farms are the most technically efficient and also tend to be the most specialised.
- They are consistently the most profitable, irrespective of weather or milk price.
- They exhibit a greater capacity to recover profit following a low milk price or a climatically challenging year (i.e., low pasture growth and utilisation).

Introduction

The profitability of dairying is highly variable between years because of variability in milk price and weather conditions; the latter is particularly pertinent in pasture-based systems. Recent research has focused on the concept of system, 'resilience' or the ability to withstand or mitigate the effects of change.

Farm database used in the study

In the present study, farm physical and financial performance data were extracted for 315 spring calving dairy farmers who were continuous users of the Profit Monitor programme during each of the years 2008–2015, inclusive. The 8-year average whole farm net profit per hectare for each of the farms was generated. Farms were then categorised into highest, second highest, second lowest and lowest net profit per hectare (ha). Summary physical and financial results are presented in Table 1.

Table 1. Eight year average physical and financial results for spring calving dairy farms categorised by eight-year (2008–2015) average whole farm net profit (highest to lowest)

	Highest profit	Second highest profit	Second lowest profit	Lowest profit
Number of farms	79	79	79	78
Number of cows	100	103	95	88
Specialisation (dairy LU as a% of total LU)	72	70	66	66
Stocking rate (LU/ha)	2.42	2.28	2.13	1.96
Milk yield (kg MS/cow)	433	412	397	383
Pasture used (t DM/ha)	9.9	9.0	8.3	7.4
Gross output (€/ha)	3,831	3,376	2,978	2,553
Variable costs (€/ha)	1,345	1,279	1,185	1,101
Fixed costs (€/ha)	876	910	858	824
Total costs (€/ha)	2,221	2,189	2,043	1,925
Total Costs/kg MS (€)	2.12	2.33	2.42	2.56
Net profit (€/ha)	1,611	1,189	937	630

The highest profit farms were more specialised, had a greater stocking rate, produced more milk/cow, and had greater pasture utilisation/ha than the other profit categories. They also had the greatest variable costs/ha, but the lowest total cost/kg MS. Importantly, long term averages can hide year to year fluctuation. The annual farm net profit per ha for the four categories of farm in each of the study years is presented in Figure 1.

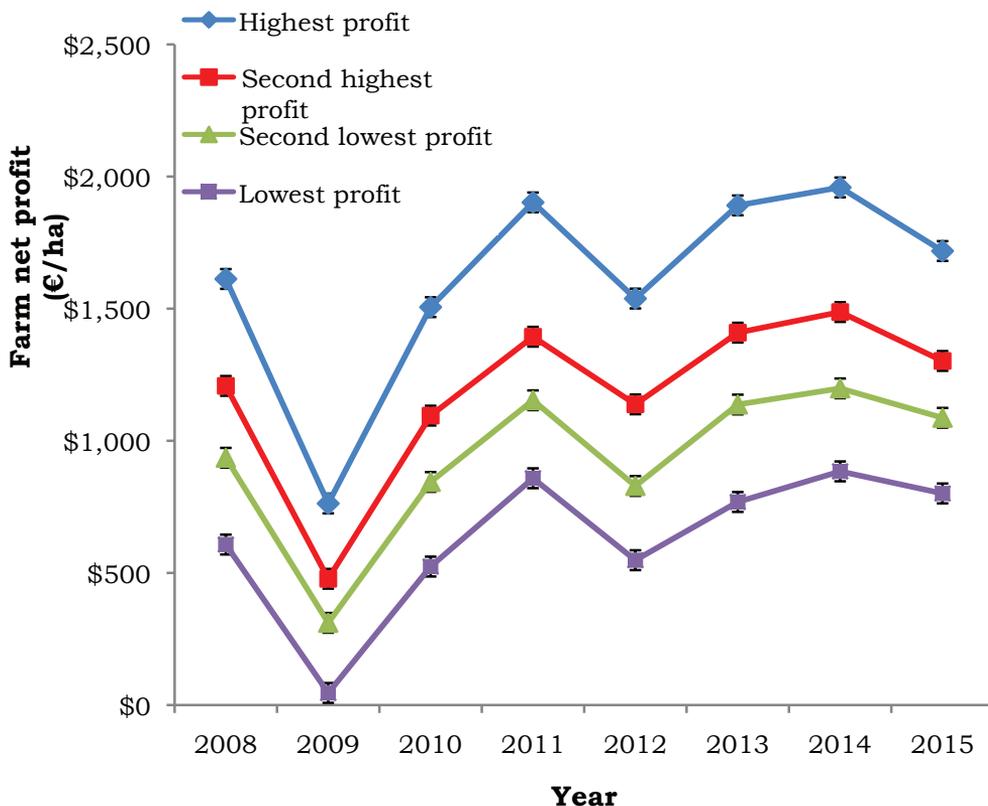


Figure 1. Annual farm net profit (€/hectare (ha)) for spring calving dairy farms categorised by 8-year average (2008–2015) whole farm net profit

The year 2009 was one in which milk price was low and rainfall was above average. Farms in all profit categories declined in farm net profit/ha that year; however, those in the highest profit category still had the greatest farm net profit per ha. Their average farm net profit/ha was €763/ha that year and the following year they had the largest increase in farm net profit/ha (€743/ha). This recovery was underpinned by a substantial increase in farm gross output/ha between the two years, which varied from €990/ha to €545/ha for the highest and lowest profit categories respectively.

Conclusions

The results indicate that low milk prices result in a comparably greater reduction in profitability within the highest profit category of dairy farms because of their greater specialisation in dairying. However, farms in this category remained most profitable when milk price was low and climatic conditions limited pasture growth and utilisation and a greater capacity to recover profitability when conditions changed.