

WELCOME

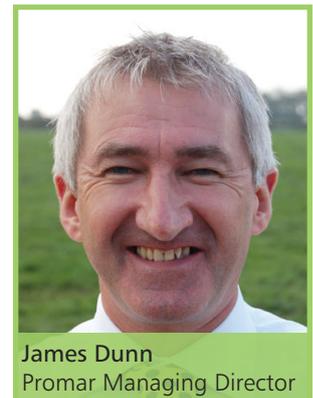
Welcome to the June edition of Promar Matters which coincides with a period of major change with a new Government settling into office and the imminent start of Brexit negotiations. With significant external change we take a look at factors closer to home.

We consider the topic of 'what makes a successful farmer', something I am sure all farmers strive to be. Our research suggests there are many facets to this and Regional Manager Neil Adams considers the emotional and social elements in his article.

From a more practical point of view, on most dairy farms there are three main factors that drive cow performance - cow health, efficiency of feeding and fertility/breeding. Wherever possible, Promar Matters invites external expert opinion and, as Promar is part of the wider Genus plc business, we have invited them to consider the fertility/breeding angle.

Their Genetics Services Manager Keith Gue knows cows. He grew up with them and is well placed to consider the effect that using genetic services can have on the profitability of the herd. Genus is making great strides in the field of genetic improvement and reproductive technologies, and there are many other exciting innovations to come. We will take a look at feeding efficiency and cow health in future editions.

I hope you enjoy this issue of Promar Matters. Please contact us if you would like to discuss any of the areas covered in more detail.



James Dunn
Promar Managing Director

Market Indicators

In each quarterly issue we will report key trends in major price movements influencing dairy farm profitability.

Milk prices

The average UK farmgate milk price in March was 23ppl. The year on year figure is up from 21.5ppl in March 2016, an increase of 7%. Across the EU28 the average price rose by 19% year on year.

Feed prices

The CBOT soybean futures price for 2017 is forecast at the equivalent of £240/t, a significant decline from the previous month's figure of £287/t. Prices are anticipated to rise gradually during the rest of 2017.

The LIFFE future wheat price average for 2017 is set to reach £145/t, 22% higher than 2016's actual average of £118/t. Current expectations are for wheat prices to ease back to £138/t by the end of the year.

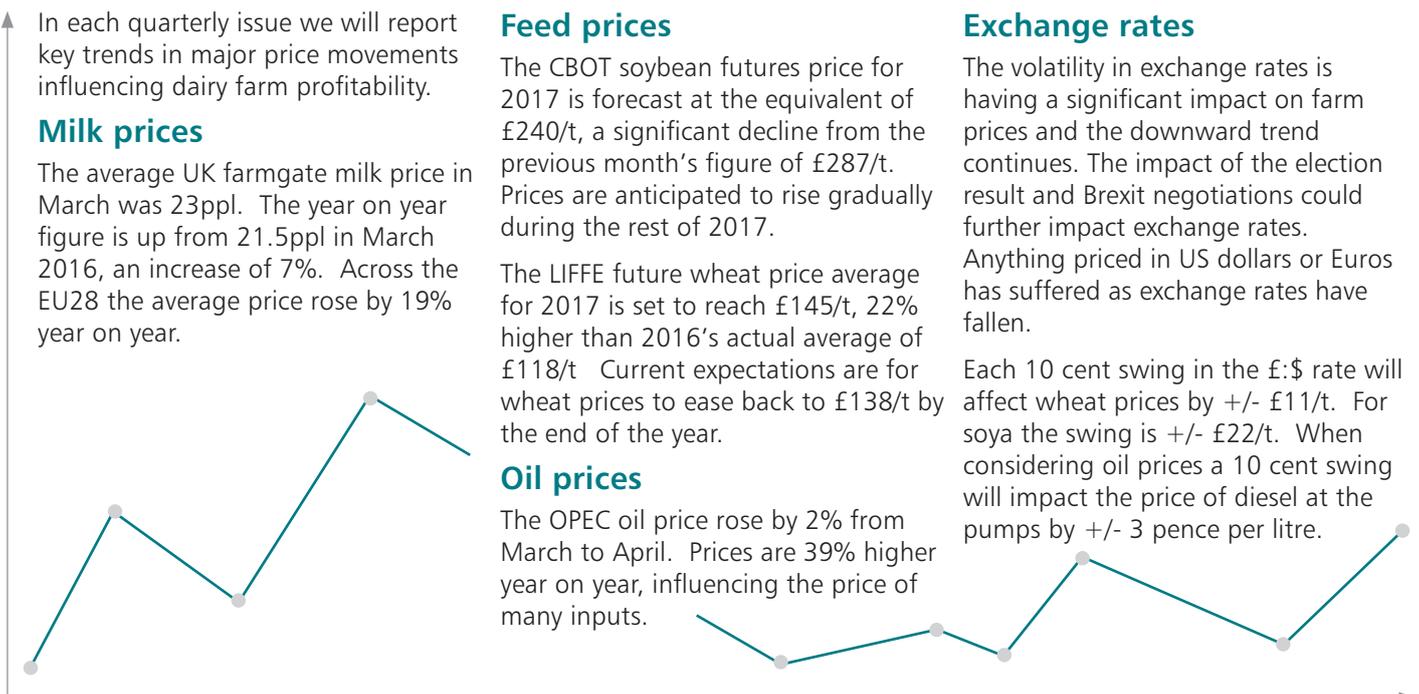
Oil prices

The OPEC oil price rose by 2% from March to April. Prices are 39% higher year on year, influencing the price of many inputs.

Exchange rates

The volatility in exchange rates is having a significant impact on farm prices and the downward trend continues. The impact of the election result and Brexit negotiations could further impact exchange rates. Anything priced in US dollars or Euros has suffered as exchange rates have fallen.

Each 10 cent swing in the £:\$ rate will affect wheat prices by +/- £11/t. For soya the swing is +/- £22/t. When considering oil prices a 10 cent swing will impact the price of diesel at the pumps by +/- 3 pence per litre.





Transforming your business



Neil Adams
Promar Regional Manager

How is it that two farmers with basically the same opportunities, assets, land and stock can produce starkly different results? Is it because the more successful farmer is more intelligent, or because they have absorbed more technical information and have a better understanding of business management and finance or is something else at work? Promar Regional Manager Neil Adams suggests there are other factors to help explain the difference, and having an appreciation of them is the key to unlocking hidden potential in any business.

The results of recent Promar research into the attributes characterising successful farmers indicates it is the skills around leadership that makes the biggest difference to performance. Whilst this is widely accepted it is hard for managers to appreciate how their own leadership style is impacting on a business or how they can improve their skills in this realm.

Responding to challenges

Like all businesses, farm businesses need to constantly change and evolve. This can be driven by external factors such as market developments, legislation and regulation. But internal factors can play a big part too. For example generational change and succession, and the need to diversify can all require a farming business to consider how it transforms to remain viable.

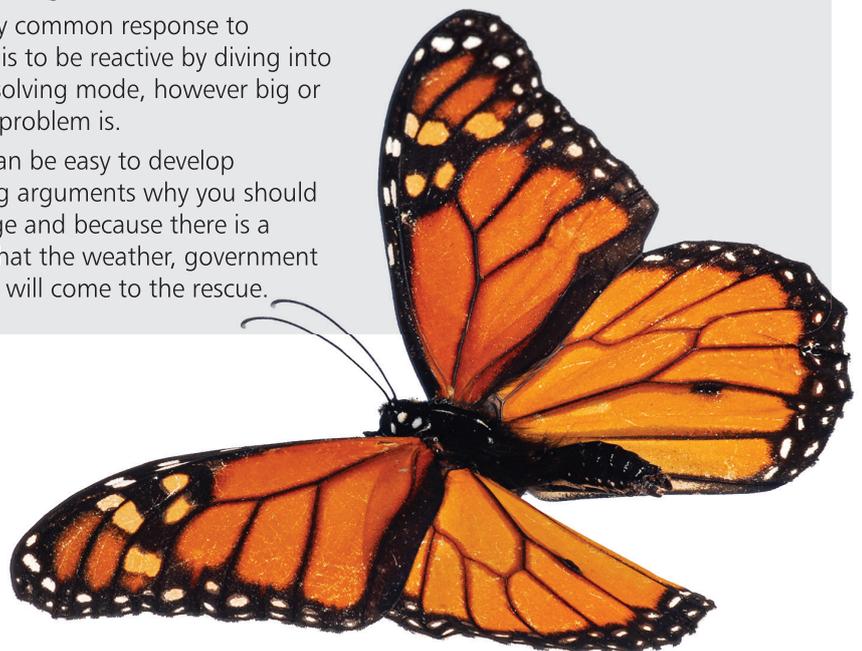
All too often when faced by challenges, the tendency in many businesses is to hunker down and put even more effort into the outdoor work, when what is really needed is to take a step back from the day to day role and figure out what needs to change.

An equally common response to problems is to be reactive by diving into problem solving mode, however big or small the problem is.

Often it can be easy to develop convincing arguments why you should not change and because there is a mindset that the weather, government or market will come to the rescue.

Scaling up is a common response to challenges – more cows, higher yields – but this brings new challenges of its own. Time and money pressures will increase. Firefighting problems can increase and team skills will need to be improved.

The research showed successful farmers have leadership skills that facilitate change. So if you are a farmer who wants to transform your business the first thing to review is yourself. Paying more attention to how you manage yourself and others rather than merely concentrating on improving technical processes is fundamental.



Setting out to transform your business



I'm not going to suggest setting out to transform a business is easy as you will have to challenge yourself and the business, be prepared to take a step back and, from time to time, move out of the technical comfort zone. However, the benefits could be considerable.

Working with farmers across the country I have found the following activities can help them understand the process and make progress.

Understand the challenges

A great way to do this is to imagine you had to apply for the job of managing your own business. Take a good look at the business and consider what you would be asked to do to move it forward. What questions would you ask about the business and its direction?

Think about the end point of any transition

Set yourself a two year time scale and decide where the business needs to be. A shorter timeframe is too short and will result in reactive actions. Long term goals are important but without a set of actions to achieve are no more real than a dream.

Write a plan of how you will get where you have decided you are going

Focus on actions and be bold. Keep it concise so it can be easily read and understood. Every plan needs a sense check so make sure to gather opinions and review it.

Get rid of the bad

There will be aspects of current management which are bad, so setting out to eliminate them can give some quick wins. It might be poor hygiene, excess silage waste, it could be general untidiness or shoddy recordkeeping or even a useless employee. Whatever it is, get rid of it.

What skills are needed?

Our research shows that several specific skills are central to transforming a business and it will pay to develop your expertise in the following areas.

Coping with uncertainty

In no business is everything perfect, mistakes will happen and it is important to acknowledge that what got you where you are won't necessarily get you where you want to be. People that do everything they can to avoid uncertainty don't generally cope well with change, can suffer with stress and this impacts on the people around them. A good start is to find someone like a consultant or mentor who can use their knowledge and experience to help you deal with the uncertainty you will face as you transform your business.

Develop a high performing team

You don't need to, and can't do everything yourself. Use a team to develop specific skills and who can be trusted to do the right thing, even when no one is watching over their shoulder. Think team in the widest sense. It covers both your internal team of family and employees and the external team which might include advisors, suppliers and customers. Being open and sharing information can only help. Secrecy wrapped up under a veil of confidentiality does not create a climate of trust. Trust is like oil: without it you generate unnecessary friction.

Become goal driven

To be successful you need to know where you are going and the steps along the way. Link everything that is done to achieving long term goals and don't allow long term aims to become flights of fantasy.

Simplicity is key

As a race we have a propensity to overcomplicate but what looks good on paper often fails to deliver, especially if what is expected is beyond the capabilities of the people implementing the system. Drive out any unnecessary complexity such as duplication of data capture, recording schemes which end up with bits of information all over the place or over complicated mechanisation. And train your staff as training can help made the apparently complex more straightforward by providing the necessary skills.

Be conscientious

Work day on day to make the system better, driving in the marginal gains that add up to business improvement.

The more successful leaders have more of these competencies and use them more of the time. They develop their personal leadership skills and the skills of others in addition to developing practical and business skills they need to be successful.

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Breeding policy the foundation of herd success



Keith Gue
Genus ABS Genetic Services Manager

A disciplined approach to genetic selection can play a central role in developing a more efficient herd and reduce costs of productions as Keith Gue, Genetic Services Manager with Genus ABS explains.

Running a successful business in a volatile economic climate is a real challenge so the more stability you have within your own business the better, and this is certainly true when looking at the cows in the herd. Breeding is a cumulative process and you need to ensure that all your breeding decisions allow you to make continued progress. The payback of increasing genetic merit can be considerable, while the cost of getting decisions wrong will have long term implications for the business.

The more you use data and plan your breeding decisions, the greater the benefits. My advice is to focus on two key areas that can drive performance.

Creating the next generation

Breeding is a long term business with it commonly taking five to seven years from a breeding decision until the full impact of that decision is realised in a cash flow so it is vital to do everything possible to make the right decision initially and key to this is determining exactly what defines the ideal cow for your system.

To make the most progress you need to focus on breeding your replacements from the best animals in your individual genetic pool and breeding them to the most suitable sires.

This is where the Genus ABS Genetic Mating Service (GMS) plays a huge role, allowing you to identify the cows you should be breeding from and then matching the most appropriate sire. The resultant plan is your road map to delivering an optimum rate of genetic progress and eliminating the consequences of an imprudent cross.

Maximising calf value and reducing heifer rearing investment

With heifers costing around £1700 to rear to first calving, it makes sense to minimise rearing costs by only producing as many replacements as you need to meet herd size maintenance and expansion objectives. In addition to savings in direct rearing costs, it can also release time to either manage those heifers better or to focus on other tasks.

By optimising the number of heifer produced you can maximise the total

possible value of the beef calf crop which is a vital income stream on most dairy farms. Again, the key to exploiting this potential to increase income and reduce costs is planning and the targeted use of sexed, conventional dairy and beef semen.

Start by working out the number of female pregnancies you want, which will be more than the number of heifer calves actually born. The calculation needs to take into account your target replacement rate but also allow for stillbirths, heifers that are culled prior to entering the milking herd and cows carrying a heifer who are culled before calving.

Your attitude to the use of sexed semen will influence how many females need to be served to dairy bulls, but with sexed semen giving an 85% chance of producing a heifer its use can allow more cows to be served to beef sires and also reduce the number of dairy bull calves produced. The use of GMS and sexed semen on heifers can increase the rate of genetic gain and ensure the right cows carry beef pregnancies.

A structured approach using GMS will allow farmers to ensure the right sires are used on the right cows to optimise genetic progress and at the same time maximising the value of the beef calf crop to increase income and reduce heifer rearing costs. This means GMS can help deliver the stability required to allow businesses to progress in a volatile environment.

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