promar
matters

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01270 616681, enquiries@promar-international.com

This month's contributors

Neil Adams, Emma Thompson,
Robert Morrison, Tom Gill, Andrew Suddes

UNLOCKING EMPLOYEE POTENTIAL

Promar managing director Neil Adams believes focussing on labour productivity can bring big benefits.

Neil Adams

Labour productivity is a major driver of profitability. Promar research shows a threefold difference in labour productivity between the top and bottom quartile farms. Labour efficiency ranges from 150 litres/hour are working on the least productive farms to over 450 litres/hour on the most productive. This difference is worth over £50,000 on an average sized farm, yet labour productivity is the least understood, least talked about and least developed part of farm management.

In most industries people management is the overriding priority of senior management. Yet in agriculture, untangling the complexity of labour productivity and making improvements often appears to be misunderstood and forgotten.

Our experience is that increasingly the most successful farm businesses will be those with excellent people management practices in place that support and build high levels of labour productivity.

The employment arena is changing with social, economic and legislative forces shaping this change. People and skills shortages, complex processes and equipment and a younger workforce with higher expectations about the type of business they want to work for will drive the need for higher skills and reward. The customer requires more quality and the economic drive for efficiency is not going to disappear. Over time legislation governing employer/employee relations and the rights of employees and employers in the workplace has developed into can of worms.

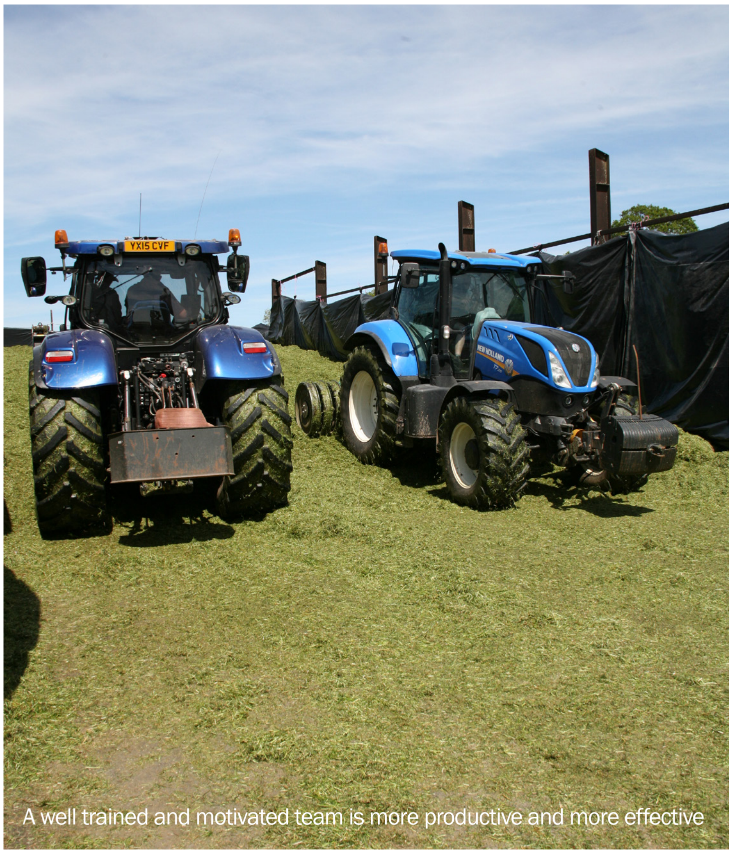
You can accommodate and benefit from these challenges by making people management a key strategic priority for your business.

Being productive is about doing more in less time: working smarter, cutting out waste, and using technology to bring about improvement. If we have disengaged employees, treat them as adversaries and give them menial jobs without autonomy, excitement or accountability, then the end result is low performance, high staff turnover and more stress.

If we create an engaged workforce where people grow and develop, where they are involved in making important decisions and where they are as committed to results as the business owners the success of the business will follow.

Making it Happen

Our consultants work with a range of farming businesses with differing scale and complexity to increase labour productivity, efficiency and improve lifestyle for all involved. In so doing they tackle areas including:



A well trained and motivated team is more productive and more effective

- Developing a mindset passionate about building a productive and rewarding workplace and developing staff within this. For example, while the old mindset might be thinking about the cost of training someone who then leaves, the new mindset focusses on thinking about what it will cost if you don't train someone and they stay.

- Helping the owner/manager recognise that they, as leader, are going to determine the extent to which any change is a success or a failure and that they will probably need to develop their own skills as much as, if not more than the employees.

- Creating a work environment that encourages people to give their best because they want to due to a combination of reward, benefits, recognition and the entire work experience.

- Working with other professional help to ensure changes are legal and that proposals are realistic, feasible and acceptable.

- Involving employees in the process, encouraging them to have ideas and recognising the value of these ideas.

There is no doubt that labour productivity is the key element to unlock the potential of farm businesses so making it a priority should be high on your agenda.

WHAT HAS BEEN DRIVING YOUR MARGINS?

Emma Thompson

Looking closely at margins can indicate how well a business has been performing and where the opportunities and threats may be, allowing better planning according to Promar Regional Manager in the Midlands, Emma Thompson.

Margins can move due to changes in physical performance, increased efficiency, price movements or a combination of all three. The latest results for the average UK Promar Milkminder herds up to the end April 2019 show margins have moved due to continued improvements in physical performance and efficiency per cow.

Compared to the previous April, the Milkminder herds produced on average an extra litre per cow per day with higher milk protein percentages. At the same time they managed to reduce feed rate, down from 0.33kg/l to 0.30kg/l, all aided by a better spring. In the month they managed to produce more output from reduced inputs, so improving technical efficiency despite fears over forage stocks and silage quality.

This reflects a trend of improving technical performance. Looking at the whole year to April 2019, these herds produced 238 litres per cow while maintaining annual feed rate at 0.33kg/l.

But what happened to margins over the year? Despite the improved physical performance, annual MOPF per cow was static at £1,783 per cow. This is not because of any material change in rolling milk price, which increased slightly over the period. It is because feed of all types has cost more with the 12-month rolling average feed cost for the group increasing to 8.21ppl (27.7% of milk price) at the end of April 2019 compared to 7.52ppl (25.4%) at the end of April 2018.

Plan to take control of feed costs

The data suggests the key question now is what can be done to take control of feed costs per litre? Hopefully we will be basing diets on more and better quality forages this winter which will affect purchased feed use. But what about feed price?

Whilst prices of several commodities have been weakening in recent weeks, they have also had days when adverse exchange movement has pushed them higher by as much as £10/t. The USDA has just slashed its forecast for 2019 output which will have an impact on cereals prices.

All this is heightened by the potential impact of the sort of withdrawal from the EU that we end up with… or not. A resultant weaker pound against the Euro and Dollar at any stage will push up many commodity prices.

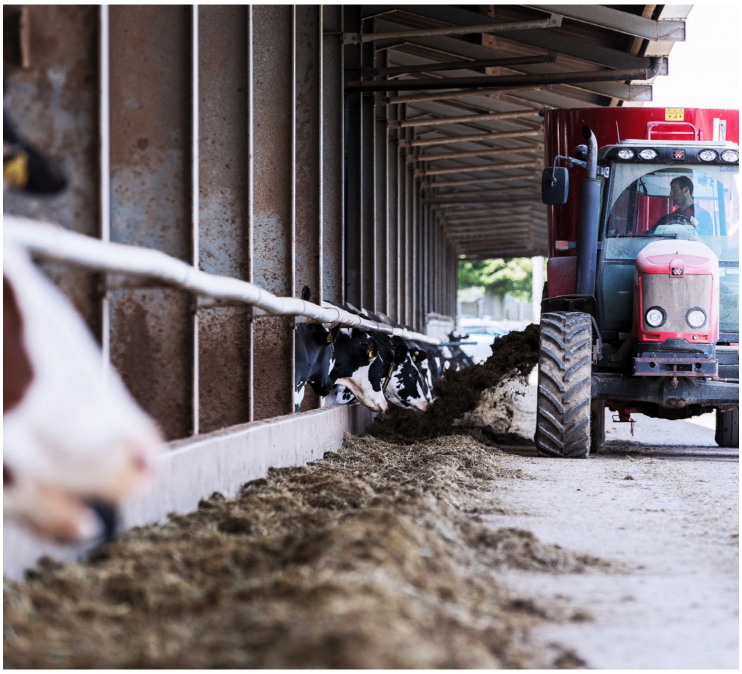
A good rule of thumb is that a 10 cent swing in the £:$ exchange rate will move wheat prices by +/- £11/tonne, soya prices by +/- £22 and affect fuel prices at the pump by +/-3ppl.

Given the current market and armed with an idea of how the silage season is unfolding, I have recently been having discussions with clients about buying forward and locking in at least some of their feed requirement for the next 12 months. This can help with budgeting and give a great deal of certainty, while meaning there is one less thing to have to constantly worry about.

The argument against locking-in is that prices may come back further which is true but equally they can go the other way too! Forward feed prices at the time of writing show relatively small upside to spot prices and we have been able to save anywhere from £10-20/t on last year's prices, depending on how well feed was purchased last year. By comparison, the average Milkminder customer paid an average of £23/tonne more in the year to April 2019.

To put it into context. If our average Milkminder farmer who is feeding 2,710kg/cow was able to save £15/tonne, this would be worth £41 per cow. On their yield of 8,300 litres per cow, this works out at 0.49ppl, wiping out much of the increase in feed cost per litre seen in the last twelve months and before we do anything about feed rates based on better forages.

A conversation with your consultant about feed prices will be well worth scheduling.



National Promar Milkminder Results to April 2019

	Monthly results for		Rolling annual results to	
	April 2018	April 2019	April 2018	April 2019
Yield/cow (L)	26.9	27.9	8,064	8,302
Feed rate (kg/l)	0.33	0.30	0.33	0.33
Feed cost (ppl)	7.65	7.44	7.52	8.21
Feed cost as % milk price			25.4	27.7

STOP LINER SLIPPAGE SPREADING MASTITIS

Robert Morrison

Liner slip is not only very uncomfortable for cows during milking, it is a significant factor in the spread of mastitis infections during milking. But as Rob Morrison Milking Systems Business Manager explains a dynamic milking machine test will quickly identify any problems.

Liner slippage occurs when the wall of the liner comes away for the teat during milking, allowing air to be drawn into the mouthpiece of the liner, resulting in a sudden pressure drop within the hood of the liner that cannot be compensated for by the milking machine's vacuum regulator.

This type of vacuum fluctuation can result in a very fast reverse flow of air within the liner. As air moves back up the liner it can collect small droplets of milk along the way that are propelled at high speed towards the open milking teat. Any pathogens within the liner can also be picked up and passed into the open teat orifice, allowing the pathogen to infect the cow.

Reducing liner slippage should be a key objective in all milking machines, but how do you know if you have a problem?

Many operators know the tell-tale squeak of liner slip during milking. However, it is not uncommon for there to be very little or no audible indication of liner fluctuation meaning it can go undetected for long periods of time which is why a dynamic milking machine test is so useful.

During a Genus Milking Systems Dynamic Milk Test the vacuum level within the liner is monitored to detect any fluctuations. This allows any problems to be rectified, ensuring a stable vacuum within the liner to minimise the risk of exposing the cow to infections during milking.

REDUCING THE IMPACT OF AMMONIA

Tom Gill

Agriculture accounts for approximately 87% of UK ammonia emissions. The Government's Clean Air Strategy implement regulation to minimise the impact of ammonia from dairy and intensive beef producers as Tom Gill explains.

The biggest challenge for many farmers is understanding the impact of their system on emissions. Promar has a specific ammonia support package to help farmers and processors quantify ammonia impact; produce an ammonia reduction plan to prioritise actions and we work with farmers on an ongoing basis to implement change. At farm level, this is particularly important when you are looking to improve current farm infrastructure or are starting to plan an expansion project. This is essential prior to obtaining planning permission.

It's important to know your risks and where the pinch points might exist. The health and management of the herd is a significant determinant of the level of ammonia emissions created by your farm. Ammonia is produced when urine and excreta mix/pool in buildings, stores etc. and the surface area combined with wind speed and temperature interact with this material. We think some of the areas your business needs to independently review and consider alternative options include:

- Reducing protein levels in the diet can reduce emissions by 10%. We can help you review nutrition requirements specifically protein levels.

- Reviewing cleanliness protocols, management/flow of the farm infrastructure and the quality/efficacy of building design and infrastructure management. This is a significant area and simple steps can significantly reduce emissions.

- Slurry and manure management is a key focus but is expensive depending on the farm situation. Fixed roofs and covers on storage can reduce emissions by 70% but there is a real need to work with us to scope the best available techniques before committing capital spend.

- Simple steps in-field can make a huge contribution. Selecting a urease inhibitor, using low emissions spreading techniques (trailing shoe) or working with a contractor to change application method can save money and reduce ammonia losses. This is lost nitrogen which you need in the crop not lost to air!

DONE YOUR BUDGET FOR THE YEAR YET?

Andrew Suddes

A detailed budget is a must for any business serious about understanding how it is performing and planning for the future as Andrew Suddes, Regional Manager in the North explains.

If you don't know where you are going, how do you know if you have got there and in the most efficient way? Equally could you have got somewhere better? That used to be the justification for having a map, but it applies equally as well to a business budget. If you don't have a plan how can you decide if performance has been as good as it could be and if target financial results have been achieved?

The starting point for a budget should be the arrival of your latest accounts, ideally detailed management accounts like Promar Farm Business Accounts which give an in depth analysis of business and individual enterprise performance.

How do they look? Are they better or worse than the year before and do you know the reasons why? What are the lessons to learn moving forward and what do you need to do to maintain or improve performance?

When you start planning the year ahead, start with production. The average herd last year produced more milk than the year before. What about you? And what will you produce this year? Think about the drivers of production? Better fertility will mean more calvings and increased production. More calvings could also mean increased calf sales.

What about heifers entering the herd and the effect on average herd size? And how many youngstock will be reared?

Think about milk price. The evidence currently is that milk prices will average out close to last year but be prepared to update your forecast as the year unfolds.

Looking at costs, now is a good time to assess forage stocks and make an estimate of feed requirements. There is evidence that feed costs may be easing so how will this affect your financial performance?

When working through overhead costs, many will be inflationary so applying a percentage increase is a sound start. Don't forget to make an allowance for a possible increase in interest rates.

Challange the plan

The result of an initial budget is a good starting point to reflect on the business and a Promar consultant will help challenge the budget and develop a more robust plan. Our experience is that costs of production are rising but that production is rising to help counter this. However, the pressure on the working capital requirement of businesses is increasing.

Two good tests of a budget are the peak working capital requirement and a sensitivity analysis? Do you have the borrowing capacity to manage this? Where will peak overdraft be and do you need to discuss requirements with the bank?

The sensitivity analysis will show how exposed you may be to price changes. What is the effect of a milk price change of say 1ppl? Or if feed prices change by +/- £10/tonne. And what happens if interest rates were to rise by 0.5%?

If, after all this, you are in a position where a cash surplus has been generated, you need to think about investments the business can afford and the priorities. What are the pinchpoints in the business and how can they be addressed. For example, would an investment in the milking parlour generate a better return than investment in dry cow management?

A detailed budget and the discussions it will generate can play a vital role in ensuring the business sets off on the right track, and equally importantly helps you stay on it.

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