

Macalister Demonstration Farm

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NEWSLETTER 100

August 2015



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IMPORTANT – DO YOU RECEIVE YOUR NEWSLETTER BY POST?

If you answered YES! to the above question, please be advised that Macalister Demonstration Farm will cease sending the newsletter by post after the September 2015 edition.

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A REWARDING EXPERIENCE: LIVING AND WORKING AT MACALISTER DEMONSTRATION FARM

Matt Harm's report in this issue of the newsletter describes the work and endeavour our new Farm Manager, Mahesh and 2-i-C, Tim have undertaken on the farm since arriving on 1 July. Both Mahesh and Tim applied for a position with the Demonstration Farm because their ultimate goal is to own their own farm and they have a strong belief and confidence in the opportunity that the Demonstration Farm presents in preparing oneself ultimately to farm ownership.

Mike and Sarah O'Brien (Farm Contractors 2007-2012) are an excellent example of how the Demonstration Farm has assisted a young couple to continue on their journey in the dairy industry. The then Macalister Research Farm advertised for a new Contractor position that Mike and Sarah recognised as a great opportunity. Mike grew up in New Zealand and spent 5 years dairy farming before making the journey to Northern Victoria. He worked on 2 dairy farms over the next 13 years. This is where Mike was introduced to the Feeding Pastures for Profit program and the Rotation Right Tool developed by DPI. Mike was employed as a Pasture Manager on a very large operation that extended his knowledge and skill and developed his passion for growing lots of good grass.

Together with Frank Tyndall and Board Members, Mike and Sarah walked the farm and noticed a rundown farm that had good infrastructure and needed a good clean up. An offer was made and 5 weeks later Mike, Sarah and Zoe (2 years old) arrived. The community jumped on board – with 5 tractors and an army of local farmers – to give Mike and Sarah a head start on the clean up of the farm.

Over the next 5 years Mike and Sarah had support from the Board and the wider community (suppliers and reps). Mike was really good at tapping into the knowledge of professionals attached to the farm, for example other dairy farmers, vets, DPI, discussion groups, genetic specialists, and many more. In this way his knowledge of the total running of a dairy farm was strengthened and showed in the overall farm results. Mike worked closely with Frank Tyndall, who consulted at the time, and together they ran a tight ship. Working on a public farm such as this, many challenges arise. Mike and Sarah together with Frank always looked for the best outcome. It took a lot of work to bring the farm back into a productive operation but Mike and Sarah's mandate is to always get the basics right.

At the end of their time on the Demonstration Farm, Mike and Sarah (Zoe, Katy and Joshua) had decided the only place they wanted to farm was in the MID and had purchased their own piece of land (Denison) which they now grow heifers on. The O'Brien family are now share farming in Denison where their journey in the dairy industry continues. Both Mike and Sarah enjoy this industry and the challenges, both good and bad it can bring, but believe in long term benefits their hard work will bring. They enjoy the lifestyle the MID has with mountains, beaches, lakes and the city close by and believe in the importance of a work/life balance that allows family time with the children, and to ensure that the children's experience of growing up on a dairy farm is rewarding and enticing.

To sum up, *"The Demo Farm was an awesome and excellent opportunity for us to use as a stepping stone for the next phase for us. Initially we didn't know it at the time when we started, but it was a great next thing."* Mike

Yellow Rag Bit

Maria Rose, Dairy Extension Officer - DEDJTR Maffra

Next MID Irrigation Efficiency Incentive Program set for September

Following a successful MID Irrigation Efficiency Incentive Program in the 2014-15 season and the promise of additional funding, it is great to confirm the program will be running again this year; creating more opportunities for irrigators to get involved.

We know that last year's program was a great success for two key reasons

1. Over \$600,000 in grants were paid out to MID irrigators across almost 60 projects. New or modernised irrigation farm plans covered over 1,500 hectares and on-farm works covered over 1,000 hectares. Estimated water savings from these works are over 2,000ML/yr which will be returned on-farm for increased productivity.
2. We also received a lot of positive feedback from irrigation dairy farmers involved; such as;
 - "With a 75 per cent rebate on having an Irrigation Whole Farm Plan (survey and design) done meant that we could have a useful document to work from at a lower cost. It has given us a clear direction of how we will manage irrigation water in the context of a planned upgrade to our current re use system."
 - "The incentive I received meant that I was able to put in a re-use system with less financial stress and earlier than I would have otherwise. We have already emptied it once which has given us timely extra irrigation water. With the prediction that the coming season will be a challenging one El Nino wise, we are confident that we now have better water security ahead."
 - "Our best practice surface irrigation project focused on upgrading channels and outlets and purchasing a couple of timers to allow one bay at a time to be irrigated. Completing this project has allowed me to confidently be off farm knowing that this irrigation system is operating automatically and efficiently. I would not have bought the timers if I hadn't received the incentive."

As was the case with last year, the incentives on offer in this next funding round scheduled for September include;

- Irrigation Farm Planning (New and Modernised), and
- On-Farm Works for;
 - Irrigation Reuse Systems
 - Flood to Spray Conversions
 - Best Practice Surface Irrigation Upgrades (including farm channels, outlets, automation, etc.)

Incentives for on-farm works will again be offered at the flat rate of \$400/ha treated or 50 per cent of the project cost (whichever is less).

For further information contact Maria Rose by email maria.rose@ecodev.vic.gov.au or phone 03 5147 0843

What's been going on at the MDF?

The budget process has been completed by the Focus Farm Support Group for the recently commenced 2015/16 season. This has been a contentious process, with the farm having completed a season with only a slightly positive cash flow position, and the obvious cash deficit for the first few months of the season posing a challenge for the Board. There has been extremely valuable input from most of the Support Group to test the impact of higher cow numbers, lower cow numbers, more purchased grain and fodder, less purchased grain and fodder, increased pasture consumption and reduced costs to make the budget not only balance but to generate a cash surplus for the year.

The parameters set by the group have been to use the opening milk price of \$5.45/kgMS on a Traditional payment system as step ups are not guaranteed; grain price of \$400/t average for the season; pasture consumed of 13tDM/ha; existing labour costs as the structure is in place and this cannot be lowered! Most other costs and inputs were debated and thrown around amongst the group.

The decision was made that cow numbers would be high for the first half of the season, to be reviewed at Christmas time depending on the season, water allocation, milk price and input prices. There are around 310 to be milked in this first half of the year at an effective stocking rate of 4.25 cows/ha. Grain used will be straight wheat, crushed on farm,

with no additives if it can be avoided but additive would be used if required to supply buffers, calcium, magnesium and other trace minerals. Feed rates would most likely remain at or below 5kg/cow/day to hopefully avoid the need for the additive and to push high levels of pasture consumption. With a milk price to grain price ratio of no better than 1:1 for spring (a standard litre of 4.15% fat and 3.3% protein is worth 36.8c/litre and grain is \$360/t in the silo), then chasing marginal milk may be futile this season- at least at the start of the season!

The end result is a projected first half of the season cash deficit of \$46,000. This is no great surprise given calving doesn't start in earnest until 10th August and the farm is entirely seasonal calving. The milk price for this first half of the season is \$5.06/kgMS and grain is expected to average \$380/t maximum.

At this stage it is expected that the second half of the season will see a reduced stocking rate, designed to feed grass at 12kgDM/cow/day matched to growth rate averages and predictions, to minimise the use of fodder and/or fibre replacements such as Almond hulls and hay. Numbers will be reduced to a level that will not impact on next season's cow numbers given replacements on hand. In other words, culling will take place early, unless the milk price lifts considerably, grain drops considerably or fibre becomes suddenly cheap and readily available, none of which I can see happening in a hurry!

And what's happening on the farm right now?

Calving has been underway in earnest since 10th August and Mahesh and Tim are busy with the usual tasks of managing multiple mobs of cows. There are 110 cows in the herd, and these are receiving 1ha/24 hours pasture, equivalent to around 18kgDM. There is a mob of 150 dry cows and these are receiving around 0.4ha/24 hours and no hay due to the pasture available on farm. This is equivalent to around 5kg DM pasture but are being monitored closely according to their requirements. There are a further 25 springing cows and 25 two-year old heifers yet to calve. These heifers have been slow once those in calf to AI were calved. So far there are 55 replacement heifer calves, a really good start, with an aim of 75-80.

The milkers are receiving 3kg wheat with no additive. The farm this first half of the season is aiming for high pasture intake and lower concentrate intake early on, with a high stocking rate target for the first few months (4.25 cows/ha). This will hopefully see high pasture quality and reduced costs, given the poor margin of milk price to grain price particularly early in lactation. Whilst this situation will be constantly reviewed, it may cost some production, but with the lower cost structure, it may mean that the overall profit position is higher.

The current figures are as follows, bearing in mind that the number of cows in the vat is constantly increasing on a daily basis and so it is hard to determine the exact production figure.

	Litres	Solids
Production	16	1.34
Components %	4.4%, 4.0%	4.4%, 4.0%
Milk price on current test (June)	44c	\$5.25
Gross milk income less levies	\$7.04	\$7.04
Minus 3kg grain (\$350/t)	\$1.05	\$1.05
IOSFC (\$/cow/day)	\$5.99	\$5.99
Net production	13.6 litres	1.14kgMS

I have written in the last few articles about the farm physical and financial performance for the season just finished, and that projected for this season. As a point of reference, I have summarised these results in the table below alongside the previous years to allow some comparison.

	06/07	07/08	08/09	09/10	10/11	12/13	13/14	14/15
Cows	350	305	290	280	291	280	280	280
Production	163,959	161,248	156,916	145,534	156,066	142,240	127,924	138,701
Milk price	\$4.31	\$6.65	\$4.56	\$4.42	\$5.45	\$4.63	\$6.53	\$5.71
Total farm income	\$722,926	\$1,107,134	\$782,821	\$693,628	\$905,477	\$704,088	\$895,659	\$890,029
Total herd costs (\$/cow)	\$517	\$460	\$617	\$530	\$649	\$264	\$366	\$431
Total shed costs(\$/cow)	\$66	\$103	\$90	\$135	\$110	\$142	\$129	\$101
Total feed costs (\$/cow)	\$1,594	\$1,628	\$1525	\$1178	\$1270	\$1514	\$1,509	\$1,347
Grain price	\$340	\$455	\$362	\$259	\$286		\$395	\$330
Total overheads ex labour (\$/cow)	\$178	\$94	\$92	\$66	\$105	\$147	\$451	\$374
Total labour (\$/cow)	\$323	\$466	\$431	\$469	\$485	\$600	\$634	\$538
Cash surplus farm	-\$182,730	\$276,281	-\$12,721	\$39,727	\$127,881	-\$105,257	-\$77,135	\$5,996
Pasture consumed t/ha	7.7	13.0	14.4	12.1	12.9	10.1	11.1	11.1
ROA %	-10.3%	14.9%	0.3%	1.7%	8.3%	-2.4%	-0.2%	3.8%
EBIT/cow	-\$539	\$899	\$25	\$146	\$668	-\$198	-\$13	\$367

What is interesting to note is:

- the large cost in labour particularly since 2012/13, in line with many other labour employing dairy farms.
- The static level of pasture consumption in the past three seasons at around 11tDM/ha (not enough);
- The widely varying return on asset (ROA%) from 14.9% to -10.3% and EBIT or business profit of negative \$539/cow to positive \$899/cow driven largely by milk price and pasture consumed.

It highlights the variation that farm businesses are exposed to, but therefore the risk in investment return that 'investors' in the industry face, particularly in relation to staffing/management, input prices, milk price and season (pasture consumption).

Matt Harms, ONFARM Consulting, 0408 311 118 or matt@onfarmconsulting.com.au

Coming up

FORAGES FOR THE FUTURE FIELD DAY

When: Tuesday 15th September 2015
Where: Ellinbank Centre, DEDJTR, 1301 Hazeldean Road, Ellinbank
Time: 10:15 am to 2:30 pm

Free lunch provided

Further information and RSVP please contact Frank Mickan, 03 5624 2259, 0427 317 471 or by email frank.mickan@ecodev.vic.gov.au

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