# Macalister Demonstration Farm

PO Box 87, MAFFRA, VIC 3860
Ph. 0488 175 366
Email: mdf@wideband.net.au Web: www.macalisterdemonstrationfarm.com

# NEWSLETTER 68

**Monday June 4th 2012**

*Extension projects at the MDF are funded by Dairy Australia, Sustainability Victoria and Department of Agriculture, Fisheries and Forestry, with support from GippsDairy.*

## Macalister Demonstration Farm has a new website!!!

Macalister Demonstration Farm is pleased to announce our new website. The address of this website is: www.macalisterdemonstrationfarm.com. Take a moment to explore the site: it is still in its early days of development, but one exciting element is the introduction of a "Virtual Farm Walk". Under the Farm Management link [at the top of the screen] you will find a link to "Video Blog" and it is here that we will be uploading short videos describing all aspects of the farm and its operation, such as body condition score of cows, paddock pasture growth or a virtual paddock walk on manure assessment.

Learn about the farm – its management and performance; find out about current and completed projects; view the archive of publications - newsletters, annual reports, information sheets.

## Yellow Rag Bit

Jason McAinch, Dairy Advisor, DPI Maffra

**"A lower milk price they say!"**

A lot of energy on farms at the moment is being spent on wondering about next year's milk price. I am not sure this is a great use of your energy, rather I think farmers should be spending time on what you do have control over – **your business**.

At the YDDP night in Sale on May 30th there were some key messages that the accountant and the farmer owners (farm ownership of less than 5 years, one 10 years and one 20 years) spoke about and here is a quick summary.

1. This financial year is not yet finished; there may be some things that you may be able do, to help this year and next years' financial position. For example - if finances allow it, advance purchase product/service (but make sure you will be able to receive goods when you require it), pre-pay interest and/or use FMD's.

2. Cash and cashflow are critical to the success of a business.

3. DO A BUDGET! Then do multiple budgets adjusting the income and expenses.

4. You must own your budget. Study it and understand the factors that influence the position reported at the bottom. Discuss the budget with all the decision makers in the business. Revisit the budget regularly (one of the farmers would sit down with the budget at least every week).

5. Have a lot of discipline. Control your costs and understand which costs are required to ensure you make money and which ones do not generate profit.

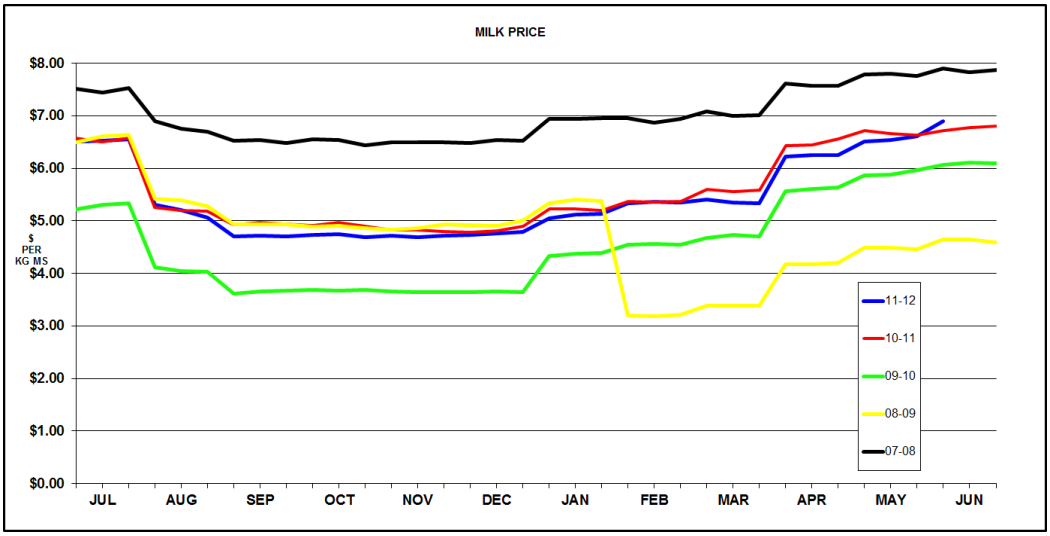
6. Discuss the budget with your trusted business advisors (ie bankers, accountant, consultant).

The farmers in the panel reported that they could handle one shock (decline in milk price), but multiple shocks (milk price and/or feed prices and/or low irrigation water) become more difficult to manage. So looking into next year, supplement prices (grain futures) and the Glenmaggie weir (over 78%) are looking "ok". Overall the farmer panel were not happy about a price decline, but were comfortable that their business could handle it.

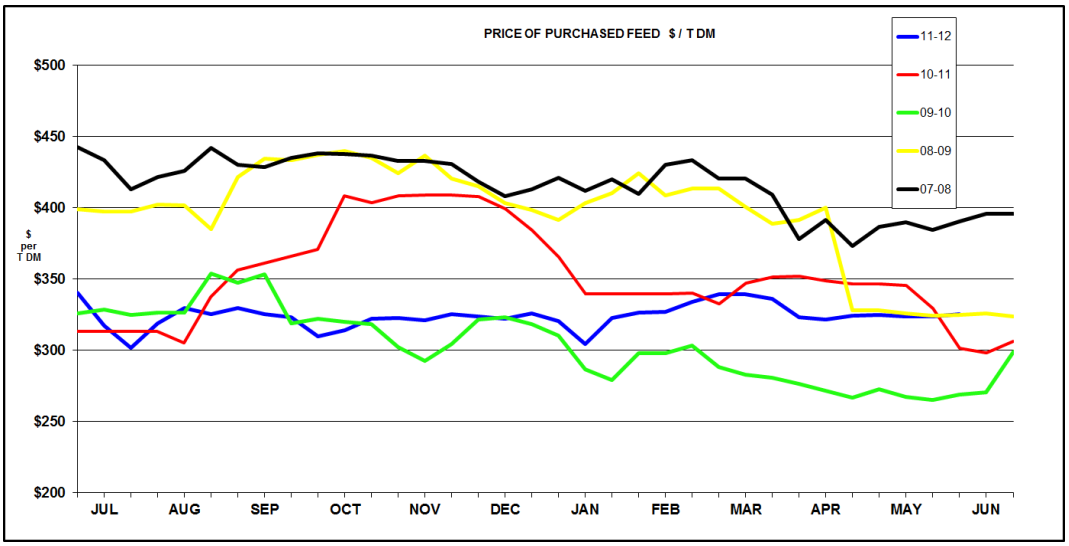
For more information or advice on options for your business please contact your trusted accountant, banker, consultant or a member of the Dairy Services Branch at DPI Maffra on 5147 0800.

## Macalister Demonstration Farm Profitability Project

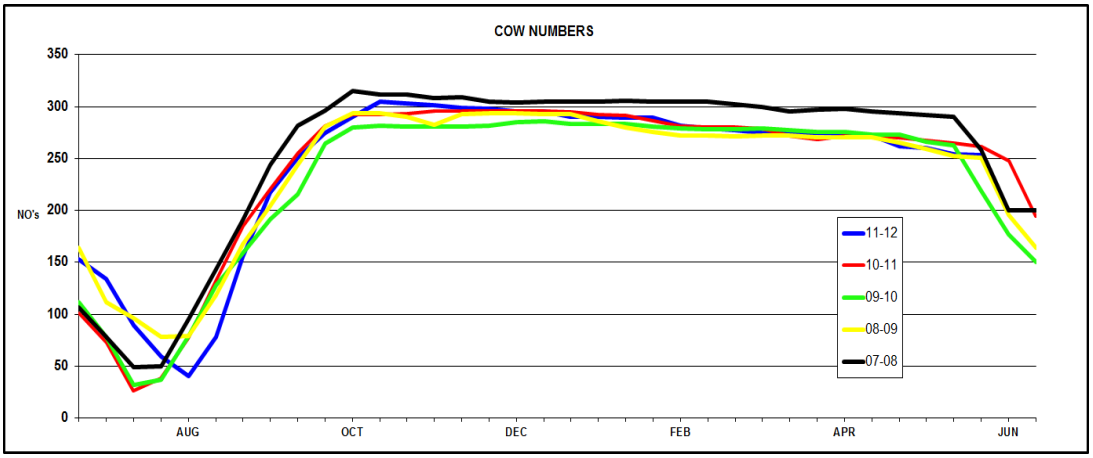
The MDF is in the process of selecting a new farm manager. Mike and I have spent five interesting years working together at the MDF, with all sorts of factors at play, but always chasing a higher feed margin - the amount left over after all feed costs are subtracted from milk income. A high feed margin does not guarantee profit, but it is the feed margin that must pay for everything else, so it is a good place to start.



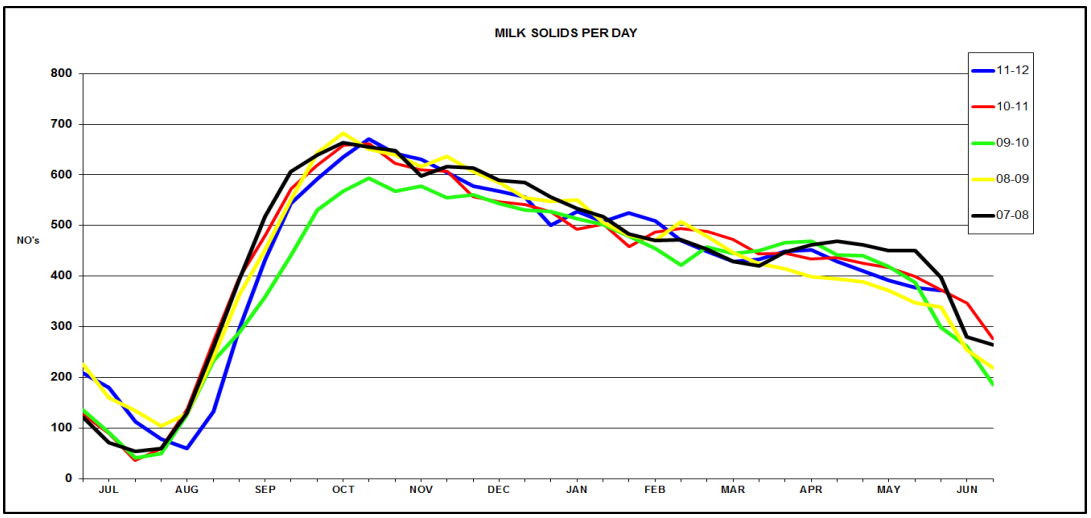

This graph shows the milk price over five years. The first year, 07-08 (black), was a stunner. Year 08-09 (yellow) opened a bit low, and then came the shock, the step-down, in January. Year 09-10 opened lower but then climbed, with special additional incentives in the autumn-winter. Years 10-11 (red) and 11-12 (blue) milk prices have been almost equal with each other. All these prices are based on the "traditional" payment system.



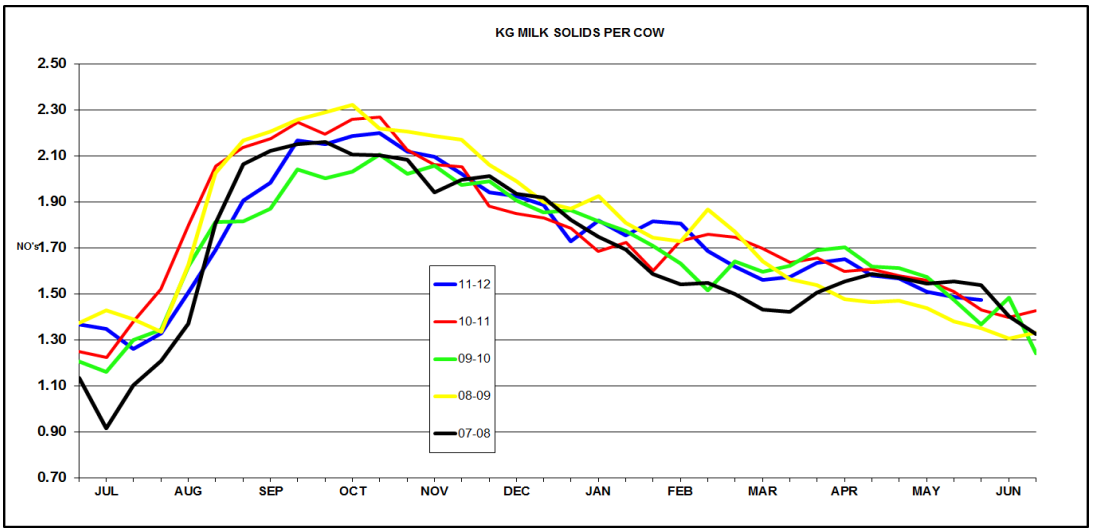

Purchased feed was the most expensive in the first two years (black and yellow), by far. The 08-09 price fell sharply late in the season, possibly to some extent in response to the milk price shock. The 09-10 (green) feed prices were relatively low. There was spike in the summer of 10-11, (red) but this year (blue) has not been too bad.



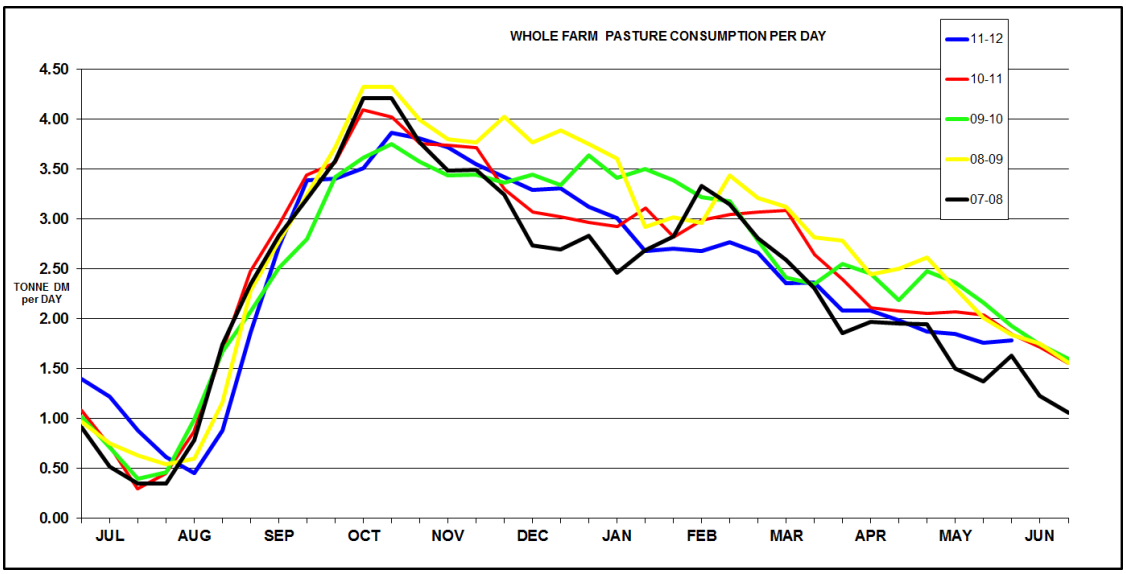

The most cows were milked in the first year, 07-08, the least in 09-10, the latter, a response to the milk price starting low and grain being expensive at the time. The cow numbers then settled to a fairly consistent level. The start of calving date has moved a bit later each year.



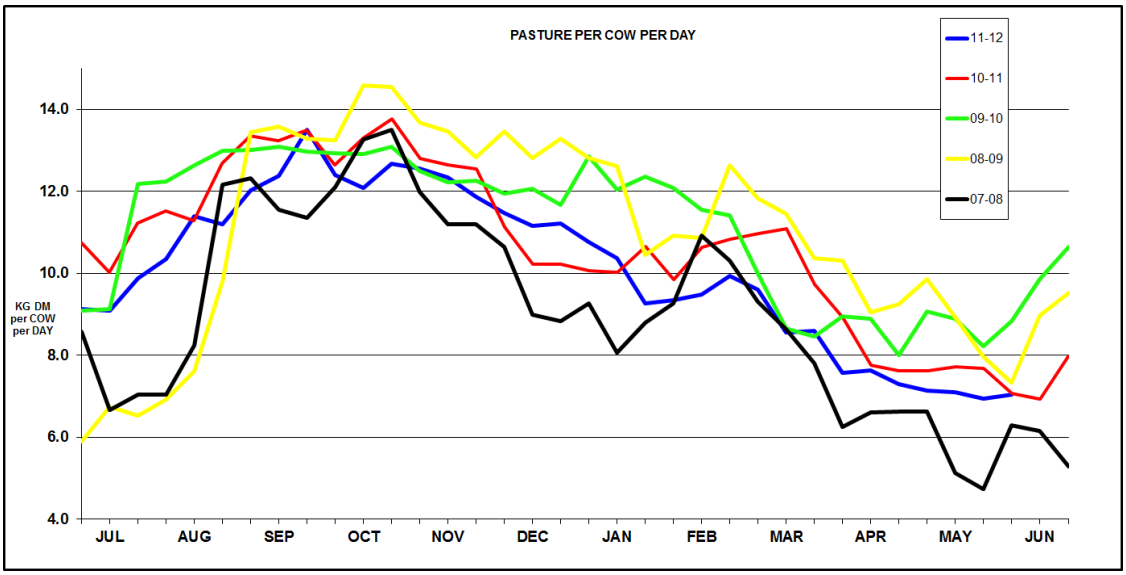

Total milk has been fairly similar except for 09-10 (green) when we backed off cow numbers.



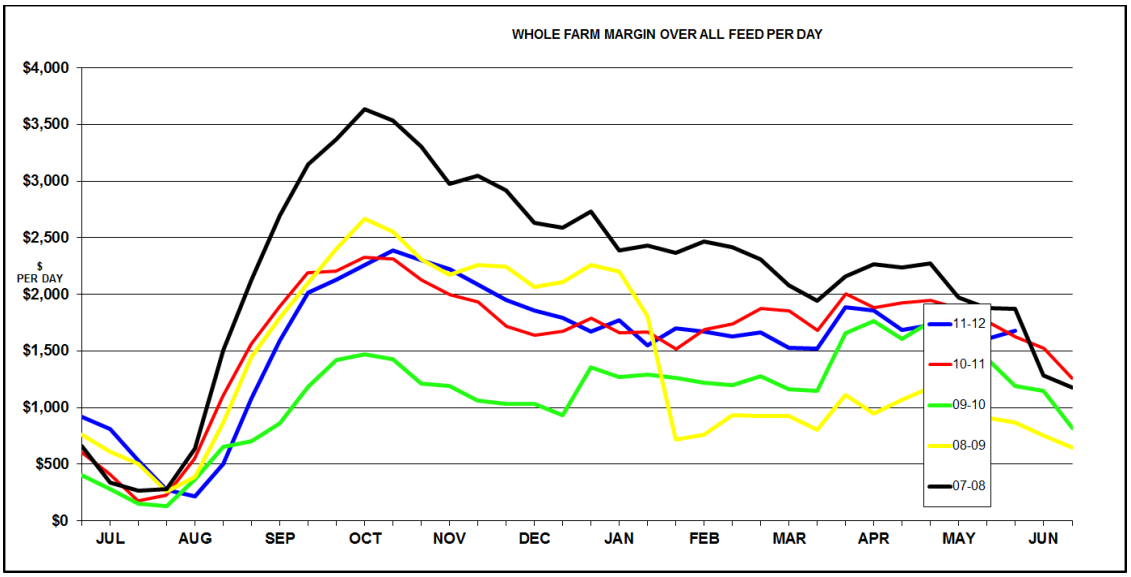

The cows did not milk so well in the first year. The second year, 08-09 (yellow), produced the highest milk per cow early in the season, but after the milk price drop, milk per cow fell to the lowest level. Except for the later start to calving, this year has been a little behind the best years, but has held up pretty well.




Pasture consumption must have an influence on feed margin, because pasture provides the cheapest feed. In summer 07-08 whole farm pasture consumption fell away because a large area was laser graded, a dip occurred in 08 -09 the subsurface drip was being laid out. Aside from the area available to grow pasture, there are so many factors influencing pasture consumption: temperature, soil moisture, nutrient supply, particularly (nitrogen supply), and grazing rest time and residue.




Pasture per cow is the result of the pasture consumption per hectare and how many cows on each hectare, that is the stocking rate. The stocking rate did vary even within a season at times




Year one, 07-08 (black), had the highest feed margin: it had very high milk price but also high purchased fed price. Year three 09-10 (green) had the lowest: it had the lowest milk price but also the lowest purchased feed price. Milk price has an overwhelming affect.

The feed margins for the last two years (red and blue) have been similar. These two years have had similar milk prices, but 10-11 (red) had to contend with higher purchased feed prices.
In all these graphs, it is hard to see the influence of farm factors (milk per cow and pasture consumption) on feed margin, perhaps because these two factor have not varied all that much over the years.

Frank Tyndall 0409 940 782

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PO Box 87 **MAFFRA** VIC 3860