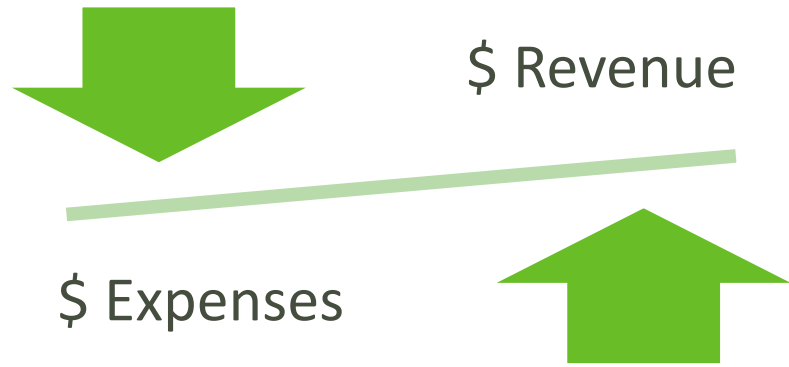


Profitable production

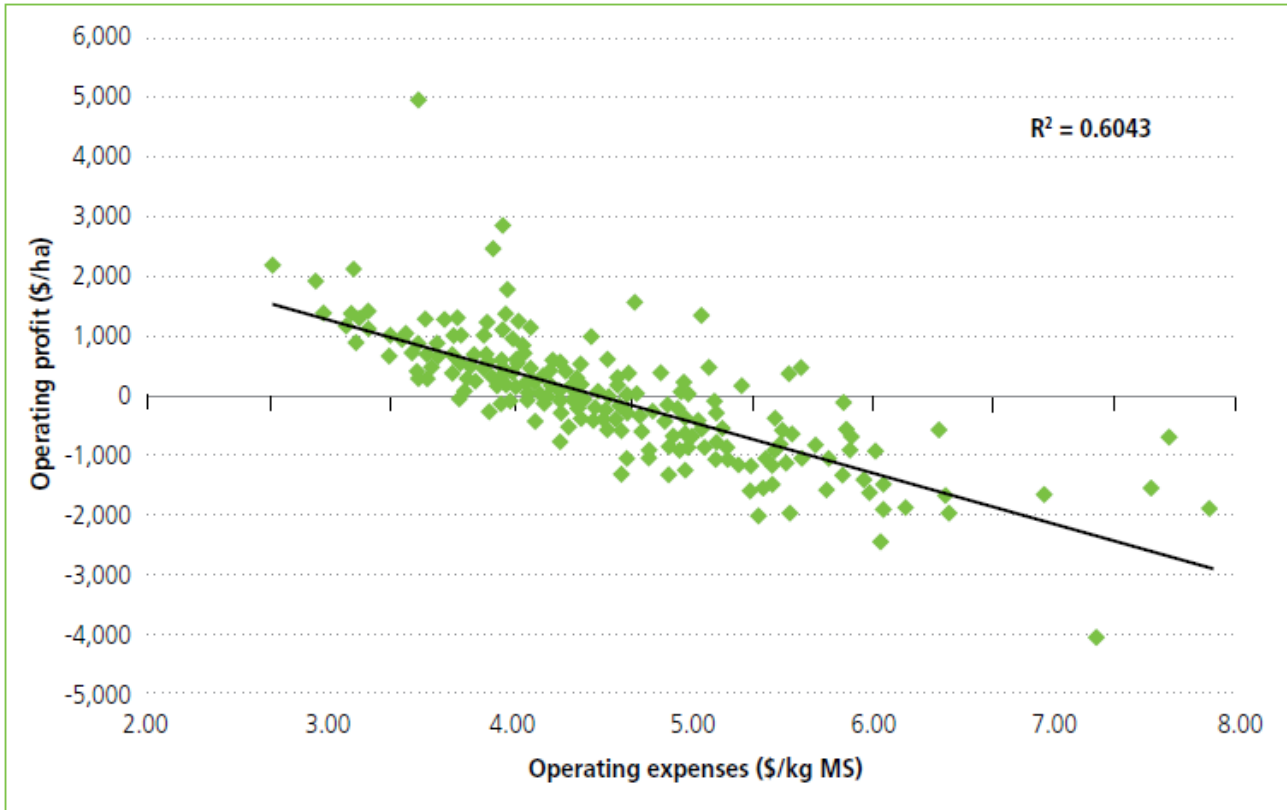
Jane Kay, Mark Neal and John Roche

DairyNZ 

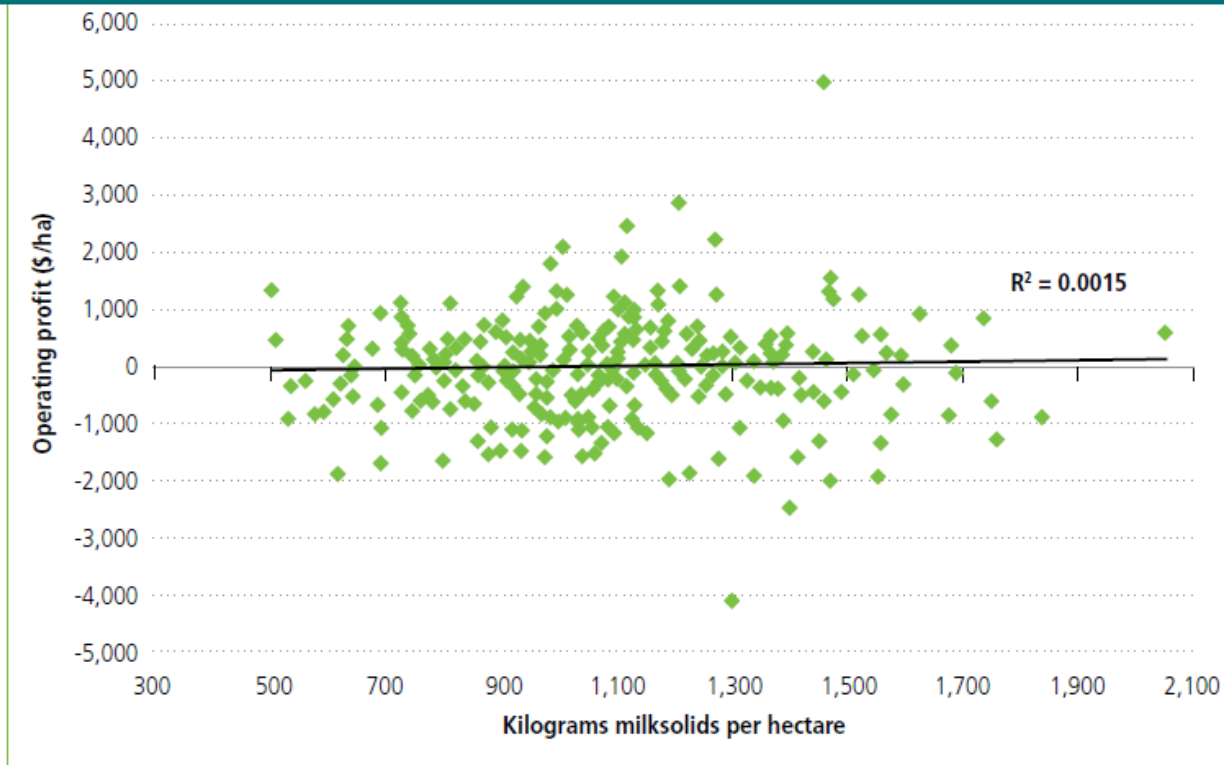
Operating profit (\$/ha)



Strong association between reduced expenses and increased profit



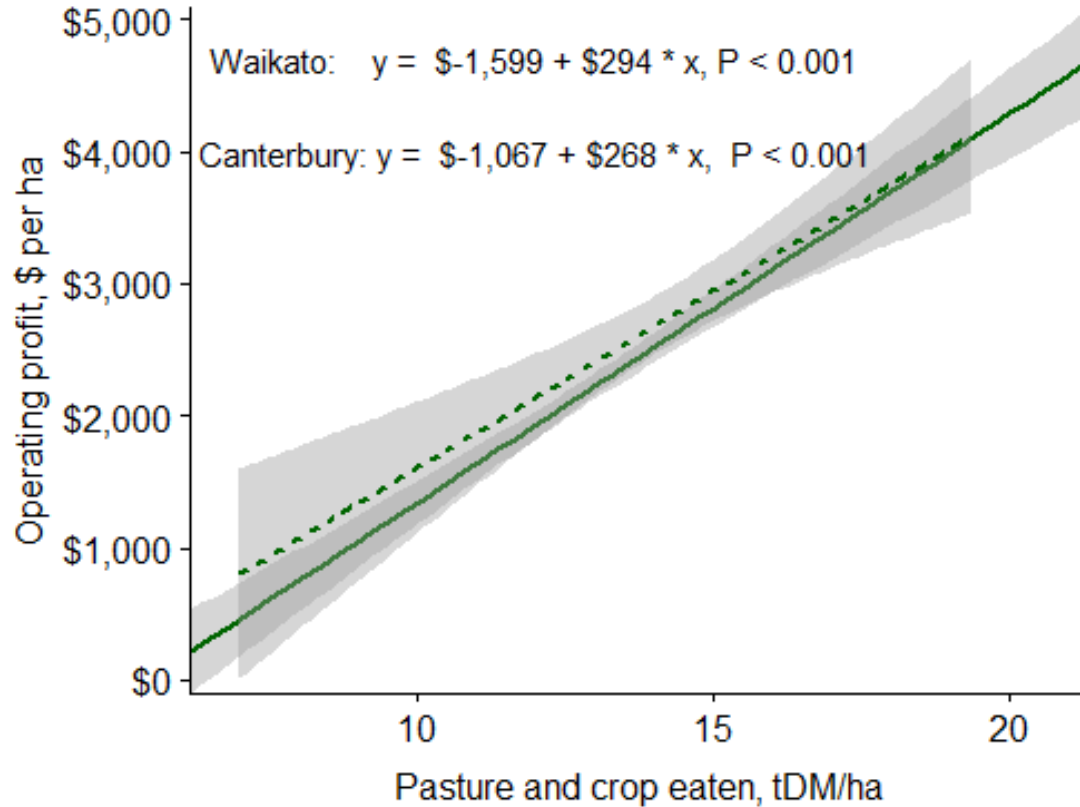
No association between production and profit



Increased production

1. Increasing pasture utilised

Profit increases by \$300/ha with every extra tDM/ha pasture and crop eaten



Increased production

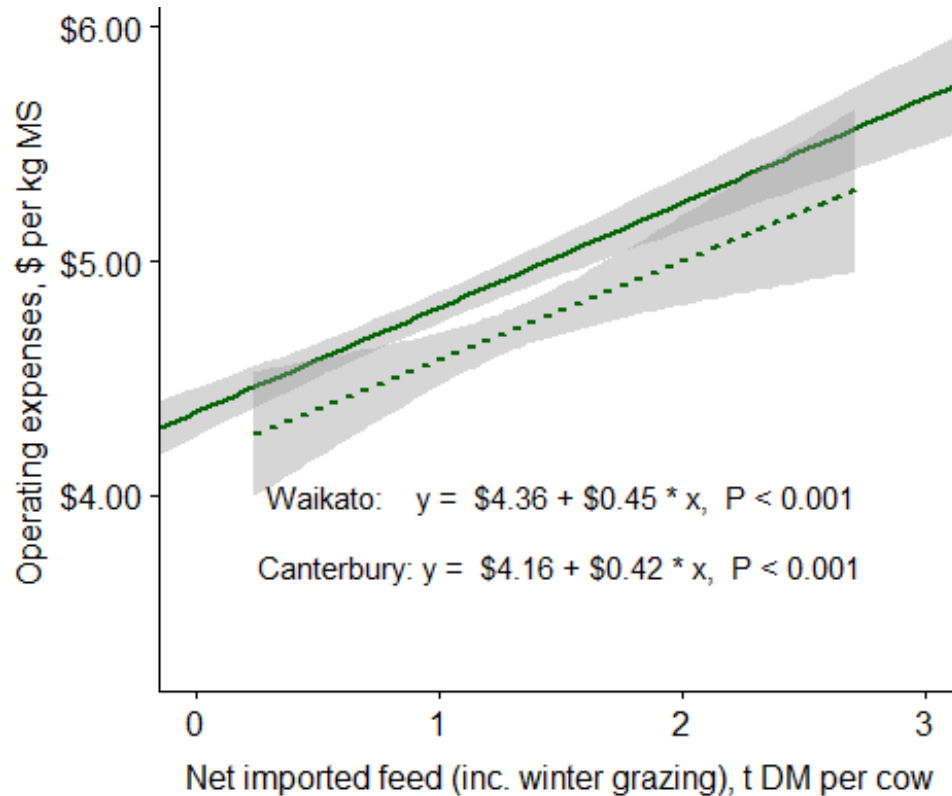
1. Increasing pasture utilised

- Profit increases by \$300/ha with every extra tDM/ha pasture and crop eaten

2. Increasing supplementary feed

- More supplement equals more milk BUT does it equal more money?

Expenses increase by \$0.40/kg MS with every extra t DM/cow imported feed



True cost of feeding

- Cost of purchasing feed



- Associated costs (method of feeding supplements)
 - Labour, R&M, fuel



- Hidden costs
 - Increase in both fixed and variable costs

Hidden costs



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<http://dx.doi.org/10.3168/jds.2014-8516>
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Factors associated with the financial performance of spring-calving, pasture-based dairy farms

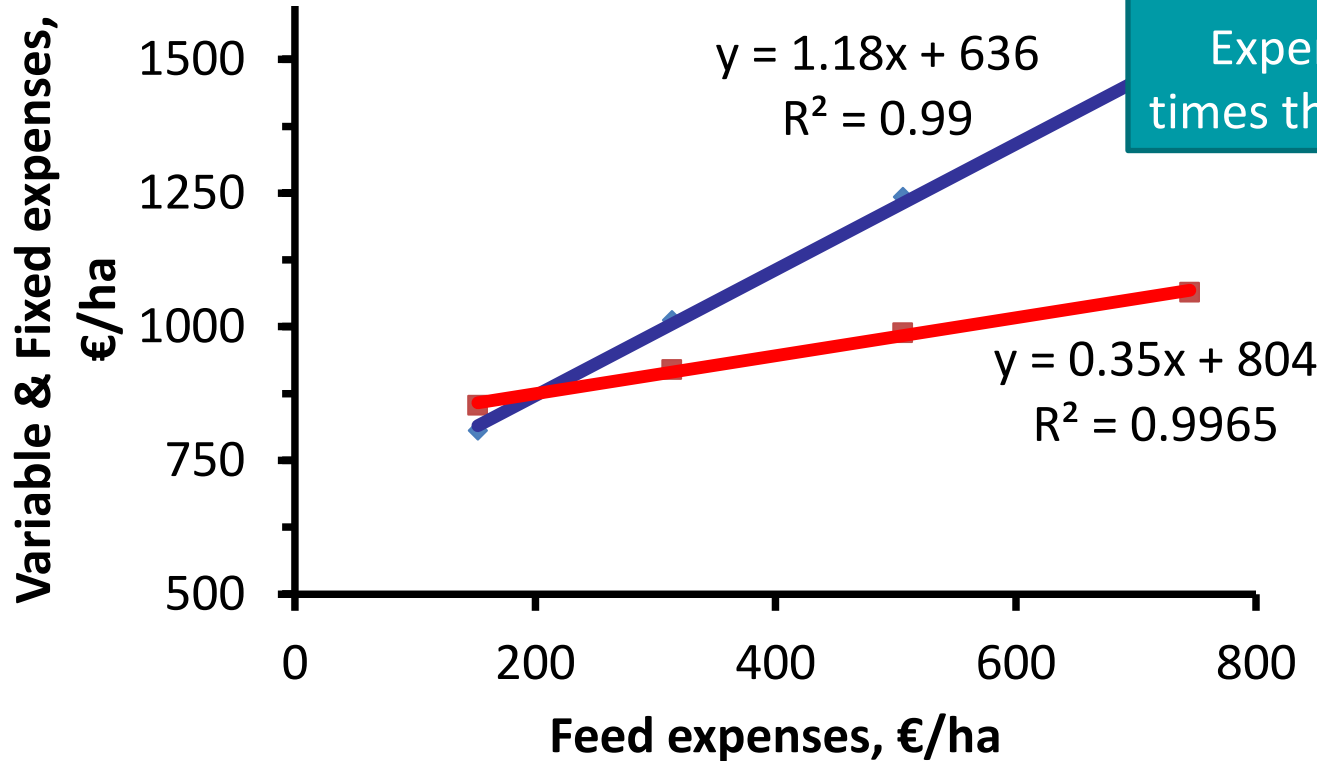
G. Ramsbottom,* B. Horan,† D. P. Berry,† and J. R. Roche‡¹

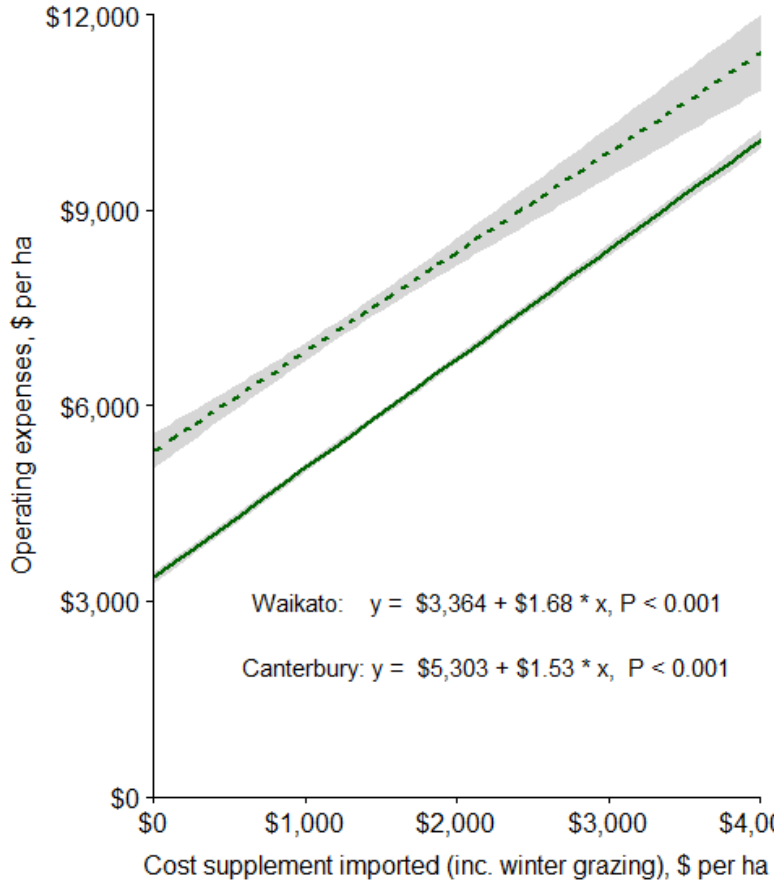
*Teagasc, Oak Park, Carlow, Ireland

†Animal and Grassland Research and Innovation Centre, Teagasc, Moorepark, Co. Cork, Ireland

‡DairyNZ, Private Bag 3221, Hamilton 3210, New Zealand

Expenses increase by 1.53 times the cost of imported feed





Waikato:	\$1.68
Canterbury:	\$1.53
Ireland:	\$1.53
UK:	\$1.62

Expenses increase by
 ~\$1.50 for every \$1.00
 spent on imported
 feed

Marginal milk



“Am I making money from milk or milk from money?”



“Is the cost of the extra milk produced more or less than the revenue generated from that extra milk?”

Production

Total cost

Average cost

Marginal cost

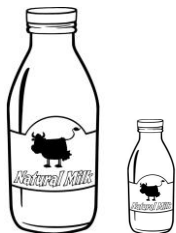


Current

150,000 kg MS

\$525,000

\$3.50/kg MS



Scenario one

175,000 kg MS

\$650,000

\$3.71/kg MS

\$5.00/kg MS



Scenario two

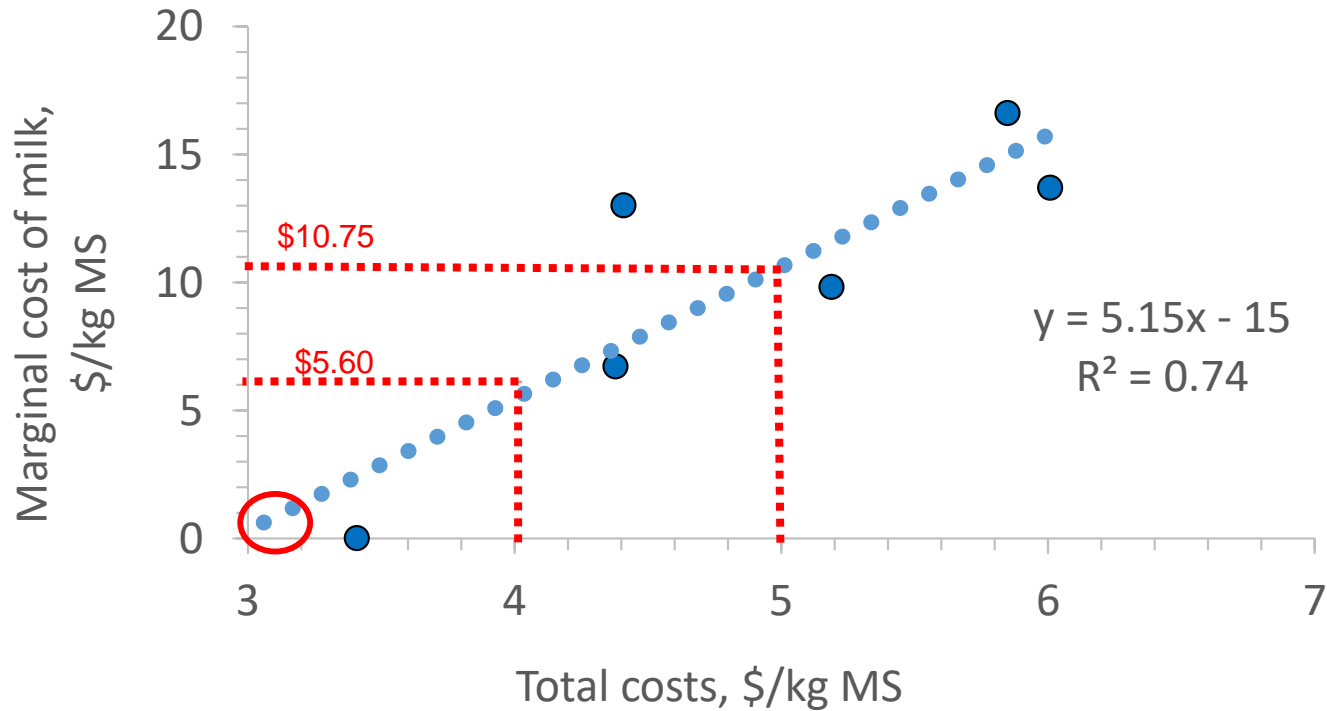
175,000 kg MS

\$725,000

\$4.14/kg MS

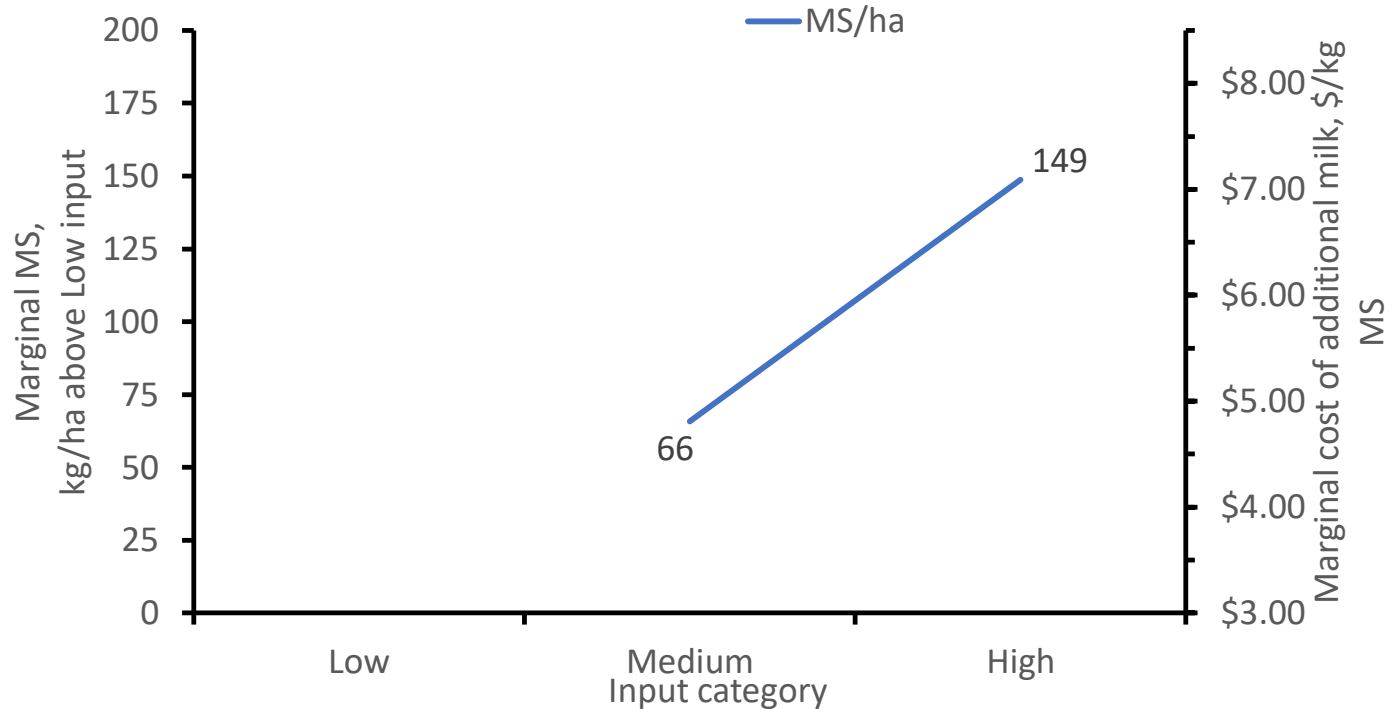
\$8.00/kg MS

Average cost hides marginal losses



Higher Intensity, Higher Profit? Empirical Evidence from Dairy Farming in New Zealand

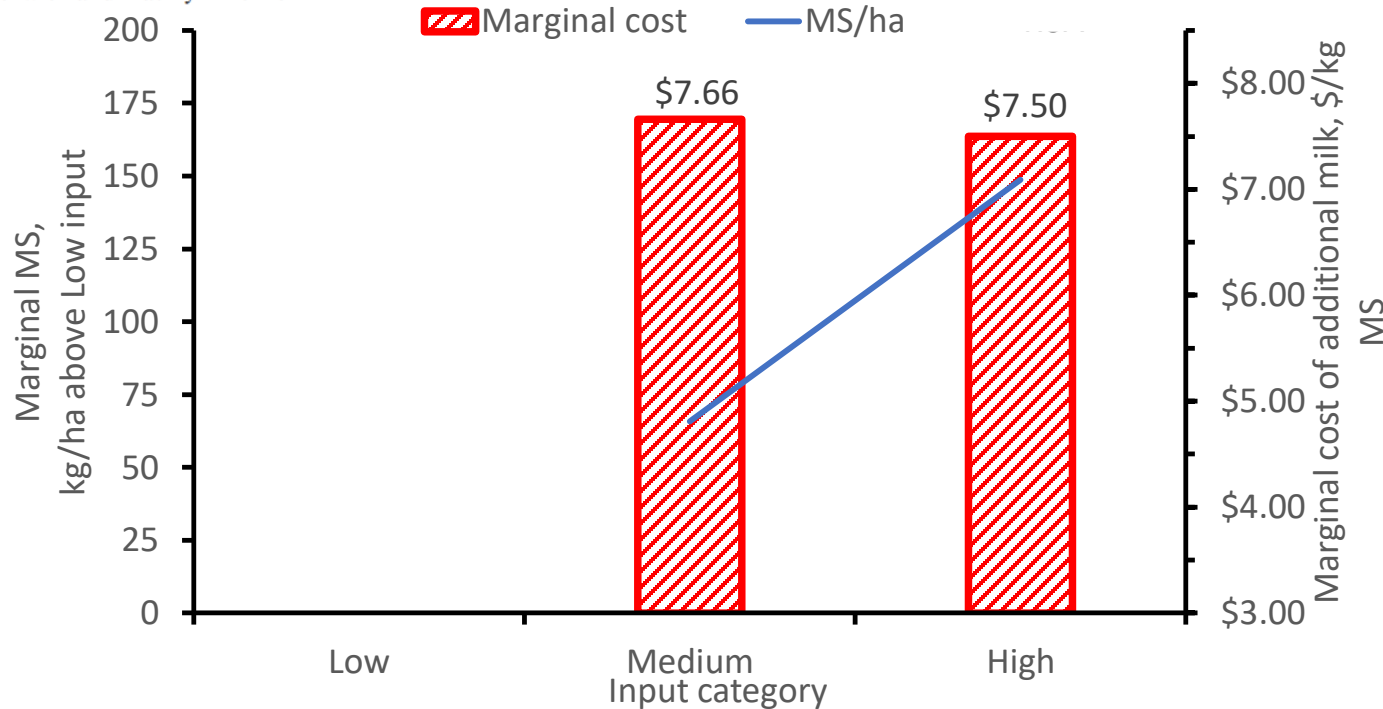
Wanglin Ma, Alan Renwick and Kathryn Bicknell¹



Average of 3 years – 2011, 2012, 2013

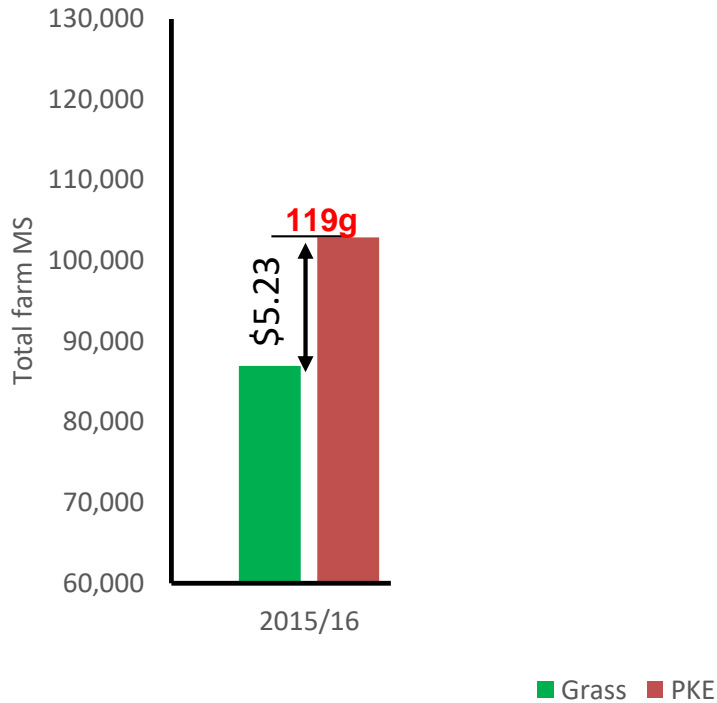
Higher Intensity, Higher Profit? Empirical Evidence from Dairy Farming in New Zealand

Wanglin Ma, Alan Renwick and Kathryn Bicknell¹



Average of 3 years – 2011, 2012, 2013

Marginal cost of milk at NARF



Why lower marginal milk at NARF?

Very poor springs
Good decision rules
Great management

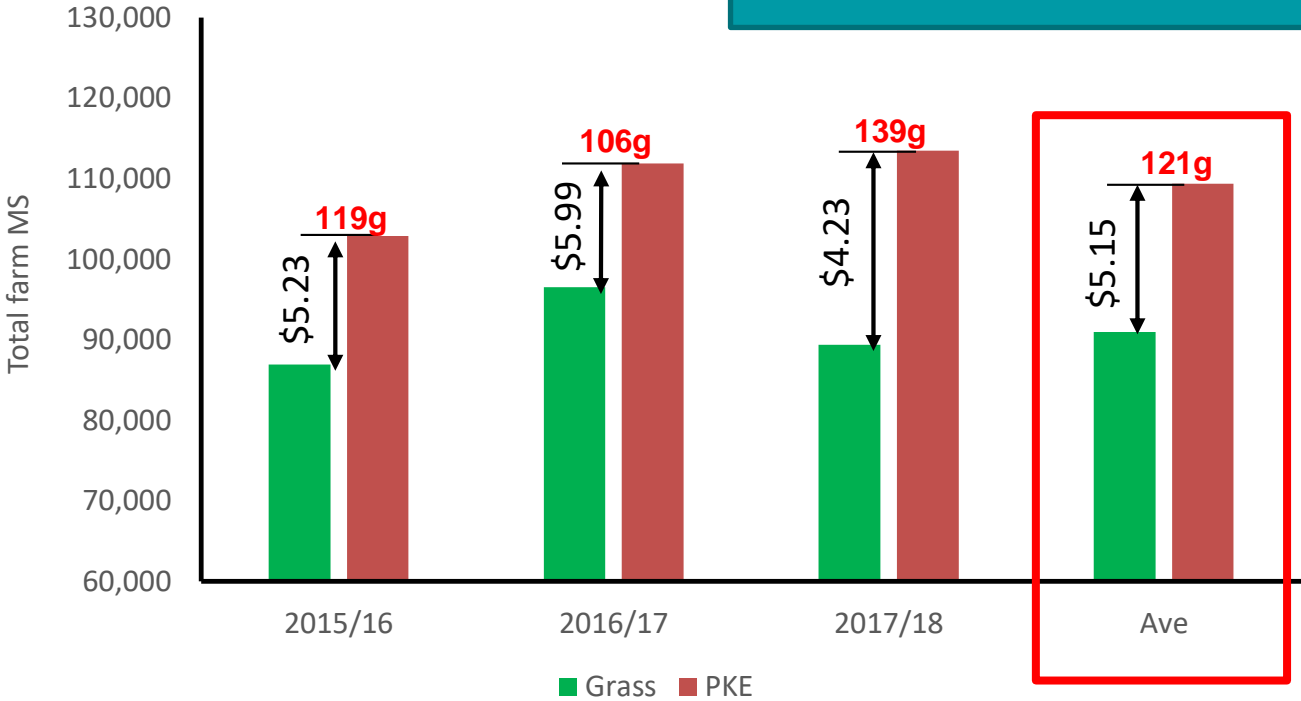


High response to supplement
Small increase to costs



Marginal cost of milk at NARF

If MR = 75 g MS/kg DM
Cost of Marginal milk = \$8.80



Summary



1. Reduced expenses associated with increased profit
2. Production is not associated with profit
3. Profit increases by \$300/ha with every extra tDM/ha pasture and crop eaten
4. Expenses increase by 1.5 times the cost of imported feed
5. Beware of averages: calculate the cost of marginal milk on your farm

ASK YOURSELF...



**Are you making
money from milk?**



**Are you making
milk from money?**