David and Lee Luff – stepped into the breach.

'There's no one big stand-out factor, it's more that there's a number of areas where we could make incremental gains that combined could lead to more significant savings.'

# Cost comparisons lead to greater scrutiny

**Anne Lee**
anne.lee@nzx.com

The Lincoln University Dairy Farm (LUDF) has continued to pit itself against other elite performing Canterbury dairy farms and while it's been holding its own the farm didn't lead the pack last season in terms of profitability.

That's given the management team pause for thought over the short-term profitability impacts of some of its management strategies designed to benefit the farm and herd in the long-term.

South Island Dairying Development Centre (SIDDC) executive director Ron Pellow said comparisons with four other high performing farms has highlighted areas where some savings could be made and the farm team is taking a closer look at the cost/benefit of activities in those areas.

"There's no one big stand-out factor, it's more that there's a number of areas where we could make incremental gains that combined could lead to more significant savings," he said. "But we have to weigh up those long term gains for the farm against the short term impacts on profitability, so there's some balancing to do there."

Strategies include rearing extra young stock, selecting the highest breeding worth (BW) animals to enter the herd once they're confirmed in-calf, and selling what are still high BW in-calf heifers.

LUDF makes good returns from selling those 30 extra animals but there's also an additional cost of up to $40,000 in carrying them through.

"Does the genetic gain we make outweigh the impact on profitability?" he asked.

The annual financial and physical comparison is in its fourth year this season but there's been a change in those taking part with the situation on two of the farms meaning it's become difficult for them to supply data.

Mark and Devon Slee from Hinds (*Dairy Exporter* February 2008, page 102) and David and Lee Luff from Rakaia (*Dairy Exporter* September 2009, page 96) have stepped into the breach and have opened up their businesses for the comparison, joining Alistair and Sharron Davie-Martin and the Donkers family dairying businesses for the analysis.

The Slees milk 2507 cows on 624ha and feed grain while the Luffs are 50:50 sharemilkers for Dairy Holdings on Acton Farm milking 725 cows and feeding less than 80kg drymatter (DM)/cow of bought-in supplement.

In the Luff's case data for the overall farming business is used to make the comparisons.

Both farms are producing significant profits with the Slee's enterprise topping the group with an operating profit of $5696/ha (including depreciation) with farm working expenses (FWE) down at $3.27/kg milksolids (MS). They're producing 1945kg MS/ha or 484 kg MS/cow using 770kg DM/cow of imported feed.

Acton's low input system is also making good surpluses producing an operating profit of $5249/ha last season from production of 1605kg MS/ha or 427kg MS/cow and FWE of just $2.91/kg MS.

Pellow has grouped costs into four main categories to make the comparisons – cow costs, feed, wages and land. Cow costs group all costs purchased primarily on a /cow basis and include factors such as animal health, breeding and testing, dry cows and young stock grazing.

Acton's animal health costs at $51/cow are almost half of LUDF's $95/cow cost and it's in those kinds of areas Pellow believes there's something to be learned from taking a closer look at others' farming strategies.

"We teatseal the whole herd for instance and we have to do some work on whether that's still the smartest thing for us to do," he said.

At $339/ha or 18c/kg MS, LUDF's breeding and testing costs are also more than double its peers' results, again raising a flag for the team to look more closely at those costs.

In its feed-related cost, regrassing and fertiliser costs too are comparatively high with the farm's 15% regrassing programme so the farm team has to think hard about how these activities are justified and what returns they get from them.

"It's a good discipline to make the comparisons."