Development farm walk

Farming during succession

Thursday, 6th October, 11am

Seamus and Brian Molamphy, Castlelough, Portroe, Co. Tipperary

Topics for discussion include:

Establishing goals based on current performance

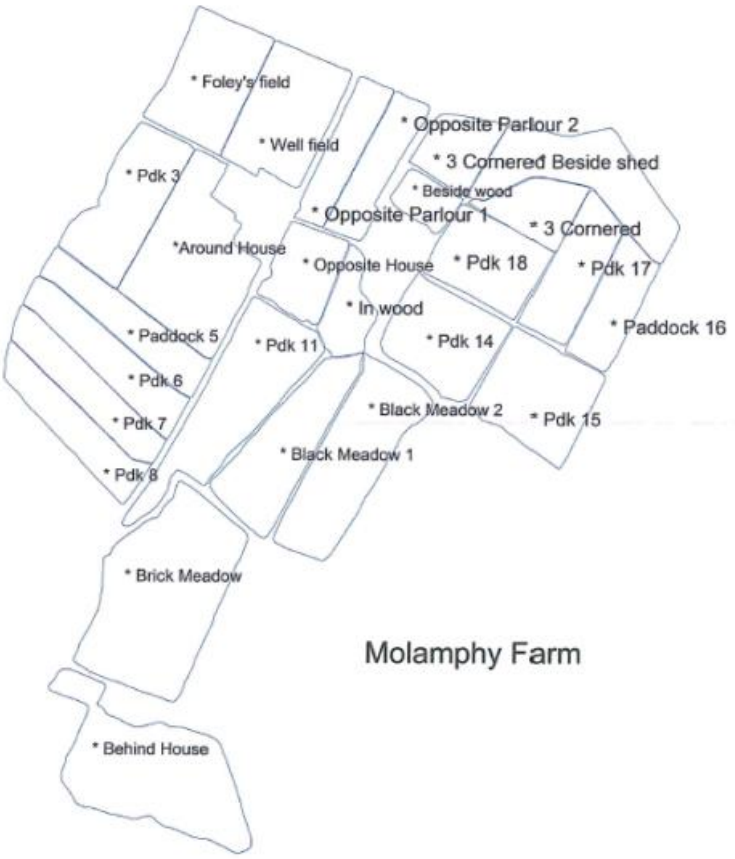
Increasing milk solids per cow

Achieving optimum heifer weights

Succession planning and partnership options

Molamphys

Seamus and his son Brian are dairy farmers based in Castlelough, Portroe. Having recently completed a degree in Dairy Business from UCD, Brian has come home to farm full time with his father. They milk 90 cows on 27.5ha around the yard. This equates to a milking platform stocking rate of 3.3LU/Ha. In 2015 the farm sold 400kg MS per cow (1270kg MS/ha, 5264ltrs/cow at 4.09% fat, 3.57% protein) and cows were fed 680kg of meal. The farm grew approximately 10.8 tonnes DM/ha of grass last year.



Now that Brian is home full time the farm has to provide two incomes (11c/L). With costs already very low on the farm (total fixed and variable costs for 2015 = 16.61c/L) there is little potential to increase profit through cutting back on costs. However there is potential to increase output per cow to increase profits. Brian and Seamus aim to increase milk solids sold per cow from 400 to 450kg through selectively breeding cows for more milk solids, voluntary culling of cows with low milk solids, targeted feeding towards peak lactation and increasing the amount of grass grown on the farm (improving soil fertility and more reseeding). At the current herd size increasing milk solids sold per cow to 450kg has the potential to bring in €16000 of additional income to the farm.

Another option to increase output is to explore opportunities for expansion. On the current land base expansion is very limited as the milking platform is stocked as high as both Seamus and Brian feel comfortable working at. However Brian is interested in pursuing opportunities for expansion that may become available. Additionally the formation of a partnership between Seamus and Brian is currently being explored.

Goals

1. **Increase milk solids sold per cow.**
2. **Actively pursue expansion opportunities**
3. **Form partnership when benefits can be maximised**

Farm Summary

Land and Stock - 2016

Land farmed (ha)	54.5	Cow numbers	90
Milking platform (ha)	27.5	Heifers 0-1	25
Overall stocking rate	2.5	Heifers 1-2	32
Milking platform SR	3.3	Beef cattle 0-1	12

Costs 2015 cent/litre

	Molamphy's	Top 25% p.monitor		Molamphy's	Top 25% p.monitor
Feed	3.88	3.47	Machinery	0.90	1.05
Fertiliser	2.08	2.44	Car/ESB/Phone	1.81	1.06
Vet	0.48	1.03	Depreciation	1.44	1.68
Ai	0.47	0.52	Hired Labour	0.22	0.84
Contractor	1.31	1.43	Leases	1.19	0.73
Other variable costs	1.22	1.74	Other fixed costs	1.72	2.08
Total Variable costs	9.51	10.64	Total fixed costs	7.10	7.31

Milk production - 2015

	Molamphy's	Top 25% p.monitor		Molamphy's	Top 25% p.monitor
Yield (L sold/cow)	5089	5832	Milk solids sold/cow	400	470kg
Protein %	3.57	3.61	Meal fed/cow	680kg	~800kg
Fat %	4.08	4.21	Grass used (tDM/ha)	~10.8	11.4

Breeding - 2016

6 week calving rate	76%	EBI	€167
Calving start date	29-Jan	Milk SI	€94
Calving season	13 weeks	Fertility SI	€44
21 day sub. rate	84%	Avg. Heifer (0-1) wt	210kg
		Avg. daily gain	0.76kg

Grassland management - 2016

AFC (kgDM/ha)	739	Meal (kg/cow)	2
Cover/cow (kgDM/cow)	225	Silage (kgDM/cow)	3
Pre-grazing yield (kgDM/ha)	1700-1800	Grass grown YTD	10 tonne/ha
		Start closing	4th Oct
Demand (kgDM/day)	43	60% closed	26th Oct
Growth (kgDM/day)	30	Housing date	15th Nov

Silage quality - 2016

First cut silage	67% DMD	Protein % - 1st cut	11.2%
Bales	73% DMD	Protein % - bales	11.25%

Top 25% p.monitor = top 25% of farms ranked by net profit per hectare based on profit monitors completed in 2015

2 incomes from 1 farm

Maximise output on home farm

Increase MS/cow SOLD from 400 to 450kg

€16000 potential

Expansion

- MPSR at max
- Land
- Build stock
- Partnership
- Off farm income

Options

MILK FOR PROFIT

Increasing milk solids/cow – 400 to 450kg

MILK FOR PROFIT

Breeding

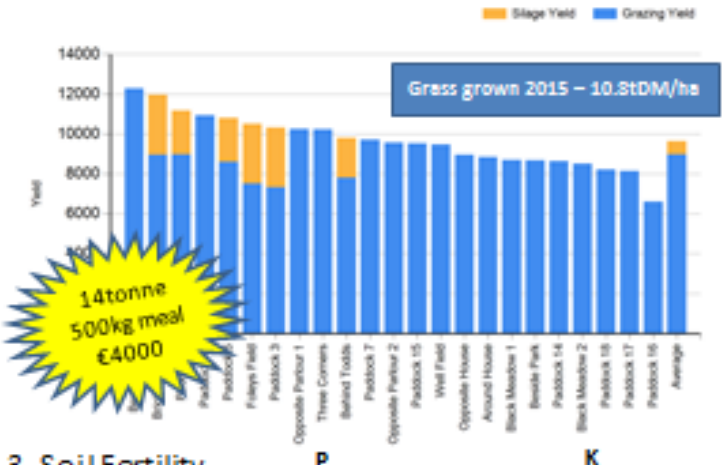
The Cows Engine	
Genetic potential - 2015	Achieved - 2015
5147L	5089L
4.16% Fat	4.08% Fat
3.6% Protein	3.57% Protein
411kg MS	401kg MS
€3800 difference	

- Voluntary culling on milk solids

Year	EBI
2013	€139
2014	€149
2015	€163
2016	€167

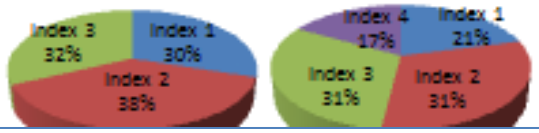
Feeding

1. Feed to peak yield
   - 1 bale of high quality silage per cow for spring
2. Reseed 10% of land each year



3. Soil Fertility

pH = 5.5



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Heifer Management

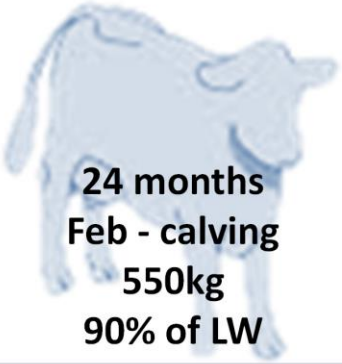
Underweight heifers - Less Milk and Underweight for first 3 lactations

Oct to Mar
ADG 0.7kg/day

9 months
Oct
220kg
40% of LW

Mar to Feb
ADG 0.6kg/day

15 months
Mar
330kg
60% of LW



24 months
Feb - calving
550kg
90% of LW

FIX IT NOW!

- Separate Light/ Young calves
- Extra Meal 1 – 2 Kg
- TLC for winter
- Get out EARLY in Spring

Contract Heifer Rearing

- Guide cost €1-1.20 per day
- Free up Land, Time, Sheds
- Disease, operator
- Clear contract is important
- Can be win-win

Farm Succession & Partnership

No Successor identified

Successor identified but no plan in place

Development of succession plan

Start of succession process

Transfer of assets

Succession

Partnership

Inheritance

- Shared management and decision making
- Opportunity for successor to demonstrate ability
- Parents have a guiding hand
- Improved work structure/lifestyle
- Access to off farm work
- Reassurance to parents and successor
- Financial incentives
- On farm agreement

1. On Farm agreement
2. Teagasc advisor
3. Accountant
4. Solicitor
5. Partnership formation and registration

Collaborative farming options

Thomas Curran, Collaborative Farming Specialist, Rural Economy Development Programme, Teagasc, Moorepark

General Principles

Teagasc aims to provide a suite of collaborative arrangements to enable farmers to choose the one that bests suits their own personal circumstances. The key to any successful collaborative arrangement is that all parties involved must gain from the arrangement. The arrangement must be built on trust, respect and good communication between the parties. A written agreement is central to these arrangements and all parties are advised to seek professional advice from their Teagasc advisor/consultant, accountant/tax advisor and solicitor before signing up to these types of arrangements. Collaborative arrangements should be based on a sound business plan that stands up to scrutiny and outlines financially a development path for the arrangement. Further information is available at http://www.teagasc.ie/collaborativearrangements/

Registered Farm Partnerships

A registered farm partnership is a business arrangement where the profits are shared between the partners on a percentage basis. It is an ideal structure to steer families through the succession process to full transfer at a later date. It has proven to be a very valuable structure in non-family situations where two or more farmers combine their farms and operate as one unit to the benefit of all those involved. In both cases partnership offers a structured labour input which can lead on to a superior lifestyle and also offers the possibility of sustainable expansion where this is the goal of the partners. Partnerships are open to all farm enterprises. In situations where an existing farmer has no successor, they provide an opportunity to get involved with young people seeking a career in farming.

Contract Dairy Heifer Rearing

Contract dairy heifer rearing is where a dairy farmer pays another farmer to rear the replacement heifers off the home farm. Both parties work out their own budgets for the operation and come to an agreement on the outlay of financial costs. Payment is normally made by direct debit into the rearers' bank account and is generally based on a price per head per day. For contract rearing to be successful, it is critical that the rearer gets paid on time and as agreed. The advantages to the rearer are that cash flow is more favourable and the rearer has no money tied up in stock, as ownership does not transfer to the rearer. Essentially the rearing period can be broken down into five stages:

- Calf Rearing
- First Grazing Season
- First Winter
- Second Grazing Season
- Second Winter

Cow Leasing

Cow leasing is a collaborative arrangement where a dairy farmer with cows that are surplus to requirements leases these cows out to another dairy farmer. The lease can be short-term for 1-2 years or for a longer term arrangement of 4 to 5 years. Where cows are leased out on a short-term basis for 1-2 years, the same animals would return to the owner less any animals that do not go in-calf over the duration of the arrangement. Cows leased out on a long-term basis for 4 to 5 years generally do not return to the owner. They are replaced with an equivalent group of cows or bought out at an agreed price at the end of the agreement. The profile of the leased cows should be noted at the start of the agreement and the group of cows returned must be at a minimum equivalent in terms of age, lactation and disease status and superior in terms of EBI (>€5 increase per year) status. These criteria must be agreed between the parties at the beginning of the agreement and written down.

Share Farming

Share farming is a business arrangement where a landowner and a share farmer operate two separate businesses on one farm. This is a very important concept for farmers to understand. There can be no sharing of profits in this type of business arrangement. In general, the landowner provides the land and the facilities required and the share farmer provides the labour. The cows and replacement stock can be provided by one or both parties. The farm produce (milk) is sold to a processor and each person gets an agreed proportion of the sale proceeds. Other outputs that may be shared are calf sales, cull cow sales and scheme payments depending on the agreement between the parties. In addition to this, each person in the agreement pays a proportion of the variable costs such as feed, fertiliser, veterinary. Some of the fixed costs may also be divided such as machinery running.

Long-term Land Leasing

While these arrangements are not strictly collaborative arrangements, in certain circumstances better land structures can be achieved by farmers collaborating together. For example, two farmers entering into a long-term lease has mutual benefits. The land owner can avail of the tax free income during the period of the lease and satisfy the requirements of capital taxes associated with land transfer. The farmer leasing in the land has security of tenure, can better justify investment in the land and can plan his/her farm business with more certainty.

Land Restructuring

Land restructuring can be collaborative where a number of farmers come together to swap parcels of land to consolidate farms into a lesser number of land parcels. The Capital Gains Tax restructuring relief may apply proved certain qualifying criteria are met. The potential advantages here are numerous, such as larger grazing platform, less time spent on public road and a potential reduction in the cost of fuel and wear and tear on machinery.