

August 2020

## Let's hope this spell of great calving weather is not a false positive.

Late July and early August have seen excellent conditions for calving. Dry underfoot and plenty of pasture. In fact, a few farms need to be careful that they don't have too much grass. Our consultants have been on farms with over 2600 kg DM/HA.

Cow condition is actually quite good. A result of cows being either dried off early due to the drought, and/or fed well in the last 90 days. More than a few herds have actually hit the elusive target of BCS 5.0.

Plenty of grass and good cow condition adds up to the potential for another great start to the season. Last year the same thing happened, we had a "cheap-to-run" and productive spring putting farmers well ahead when the drought arrived and drained the gains. But being ahead made an important financial difference at the end of the season.

With milk prices looking a little more certain and a positive start to the season we might actually have a good year ahead of us.


## Quick Response Great Result

Calving is not the time for measuring and analysing every living detail on the farm and in the business. There just isn't the time. But, being in tune with the farm and making early and smart decisions is a valuable skill.

So, what are the smart things that can be done, that make a dairy farmer more responsive? Here are a few suggestions from our team...

1. At least once a week check actual pasture cover and rotation speed against spring rotation planner. Get immediate feedback on round speed and trajectory towards end of first round pasture cover.
2. If you cannot do a whole farm walk – measure the three longest paddocks and the three shortest paddocks.
3. Take 5 minutes to look at the cows three hours after milking. Are they sitting down, are they chewing their cud? Are there any cows demonstrating unusual behaviour? This 5-minute check at this time of year delivers essential feedback.
4. Count your cows. Nothing throws management out fastest than failure to adjust for changing cow numbers. Example; big draft of

## INSIDE MILKLINES

- Quick Responses.
- Too Much Grass.
- Supplement Inventory.
- Milk Price OK 
- Co-op Difference will be 10c/kgMS

### Global Dairy Trade.

A significant correction in the latest GDT auction with wholemilk powder down 7.5% at \$3,003 US/T. Read more further in this issue.

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springers out of the dries – but break size and minerals is not adjusted. The dries get too much and the springers not enough!

5. With reliable cow numbers then you can accurately check MS/cow/day – this must track upward. Flat lines need to be minimised and drops eliminated.
6. Analyse milk composition – we want the protein over fat ratio above 0.8 (but Jersey >0.76). MF% and MP% not fluctuating.
7. Milker grazing residual not under 1500, not over 1700. Make sure feed allocation is tuned to the changing cow numbers.
8. Metabolics in less than 1% of cows calved. Any metabolic event is a flag. A moment spent fully diagnosing the “reason why” gives the opportunity to adjust management and prevent further events and minimise sub-clinical issues.
9. Clear finish times for milking. Dragged out days tire people, and tired people make bad decisions. Late finish times tend to indicate lack of time management.

## Pasture Cover Too High

As mentioned above there are more than a few farms at, or above the target average pasture cover at calving. The risk of having too much grass in early August is probably low, but it does require adjustments in management.

There are two issues to be managed with long grass at calving:

1. Pre-grazing pasture covers above 3,200 kg DM/HA equals lower ME pasture. Instead of being 12.2+ it might be closer to 11.5. The bulk is great for keeping milker rotation slow – but too slow for too long will deliver continued low ME diets and slow build to peak milk despite appearing to be well fed.
2. Long pre-grazing pasture can be difficult to bring down to target residual, <1700 kgDM/HA. Leave a high residual now and it may never be controlled later, leading to a loss in pasture quality.

This puts a dairy farm manager in a tricky spot. Graze tight to take the bulk off and at least stick to the rotation plan might roll a surplus – read problem – forward. However, graze this off quickly and it risks high residuals, first round finishing ahead of plan and quality problems later.

A measured response might include use of the following management ideas:

- Be prepared to step the milkers over “long” paddocks.
- If the dries are off-farm can they come home earlier and graze these long paddocks.
- As long as the long paddocks don’t have an effluent or logistical limitation – graze with a springer mob where target residuals can be hit.
- Set some grazing rules that the entire team understand. Have a point in time when you can confidently step over paddocks and shut them for early surplus. This will be location dependant. Example grazing rule: “from August 20<sup>th</sup> anything over 3,200 is too long for milkers”.

- Reduce supplement use – grass is great for milkers and colostrum cows. Save or minimise use of the high ME feeds, save these for the second round.
- If you are ahead on the rotation planner and the first round is going to finish later, then ease back on the rate of nitrogen.
- Dries behind milkers – **largely doesn't work!** There can be short windows where there are enough dry cows to actually graze a paddock or a break and hit the target residual without being overfed pasture – but usually there is insufficient pressure to make this work.
- If the weather deteriorates there is nothing stopping the milkers from going back to a “long” paddock.
- Mix “long” paddock grazing with optimal pasture – alternate 12 hour feeds. But don't allow breaks to exceed 48 hours in length – otherwise the essential regrowth will be compromised.
- Be prepared for an early start to topping. Identify paddocks that didn't get grazed right and mow them early. This is in preference to asking cows in September just as they are peaking, to then go and graze a paddock hard.
- If you choose to minimise topping then make sure hard grazing events are limited to a 12 hour period then mixed with a good optimal pasture grazing.

Last point to conclude on...

- Keep measuring pasture cover and use the feed wedge graph as a tool to bring key management decisions forward.

## Feed Inventory Re-build

As part of BakerAg's Dairy System Analysis we identified that a number of farms navigated the drought by using feed reserves. In the 18/19 season there was a bumper crop of surplus feed that made its way under plastic, silage and baleage. This turned into feed inventory carried through winter 2019.

In spring of last year less supplement was required and from September to December most farms made at least their normal amount of silage. Which actually meant we went into the drought of 2020 with a good feed inventory which in turn was utilised.

Supplement for winter 2020 was looking like a problem but a surge in pasture growth meant we dodged that bullet. Spring is not done yet and if we have a significant weather event we could be found short of reserve feed. Let's hope this doesn't happen.

The next challenge will be to rebuild reserves. This can be targeted through proactive support land management, identify and ensile home grown surpluses, increased area of crops like maize and/or contracting more feed for supply, again maize or even PKE which then makes silage go further.

How much do you need?

Invariably the advice after coming out of a drought is to maintain an inventory of greater than 100%. This means verifying what is the normal amount of supplement used in a season – then adding to this by the amount that has to be held in reserve.

The portion held in reserve would be subject to a farms exposure to seasonal events. Well drained farms with reliable irrigation will need less than dryland farms on drainage limiting soils. Note a farm might be exposed to wet as well as dry weather.

Modern times has changed things. 0800 PKE has enabled farmers to reduce the inventory held on the basis that reserves can be purchased. The cost might be higher, but there is a cost associated with holding inventories greater than 100%.

If a detailed response is needed, then tools like Farmax can be used. The farm system is modelled and then tested for a range of pasture growth rates. The amount of supplement required to cover events is determined. The cost of reserve supplement can be calculated and then even apply some thought about how often that reserve will be required.

For a simple high-level approach to feed inventory you could try the following approach. This has been presented as a table where a farms actual numbers can be tested alongside.

	Example	Your Farm
Stocking Rate	3.0	
<b>No of days extra to cover for climatic event</b>	60	
<b>Pasture Growth Loss – DM/Ha/day deficit</b>	20	
DM / HA required	1,200	
Ha of farm normally in pasture	100	
Total Reserve Feed Required – kgDM	120,000	
<b>Percentage prepared to risk not having</b>	20%	
Balance required as extra or reserve inventory	$120,000 \times (100-20\%) = 96,000$	
Normal Inventory on a given date – say 1 <sup>st</sup> December	$800 \text{ kg DM/cow} \times 3 \text{ cows/HA} \times 100 \text{ HA} = 240,000$	
Target Inventory with Reserve	$96,000 + 240,000 = 336,000 \text{ kgDM}$	

In the example above our farmer wanting to have some reserve feed to cover a weather event would need to have 336,000 kg DM on hand. This could be co-ordinated so that this supplement was physically on the farm by the 1<sup>st</sup> of December. Alternatively, the farmer might choose to get a contract for feed like PKE or Maize Silage to ensure this is available – providing any interim deficit could be met.

The key to the table above is acknowledging you want cover for a climatic event, you qualify the size of the event and make a personal decision about how much risk you want to carry.

## Milk Price OK

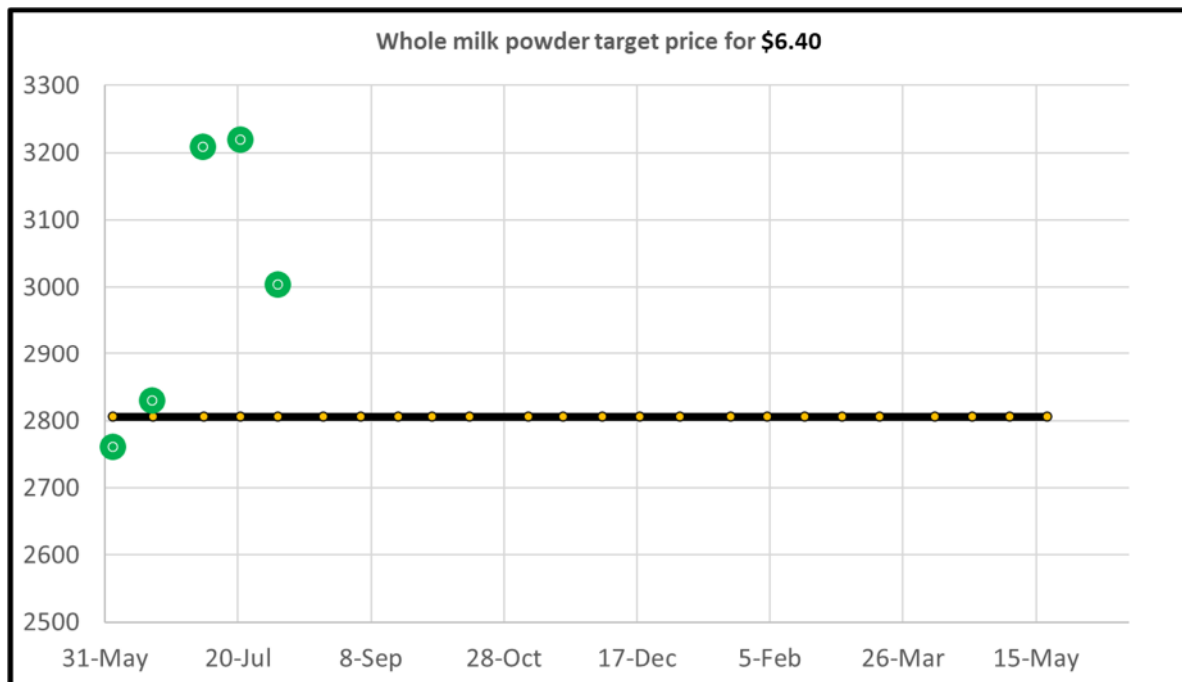
The latest GDT Auction might generate concern with a 7.5% drop in the wholemilk powder price. At BakerAg we are saying “early days and if anything, the market appears to be narrowing its price range for the current season improving certainty around a \$6.50 milk price”.

At BakerAg we focus on the GDT wholemilk powder (WMP) price rather than the weighted average over all products. Historically the WMP has been a good gauge of milksolids price. We also have a simple calculator that helps to interpret the spot market price for milksolids – note this is influenced by the GDT and the exchange rate.

We also monitor the NZX Milk Futures and banking commentary as this gives a guide on market expectations.

Before you read any further – here is the disclaimer... All of this information is overridden when the processor makes milk price announcements, but this information does not come out as often as we would like. Our interpretation of GDT and market movements is an interesting informed estimate of milk price but readers / farmers are advised to only use processor information in budgets, budget reviews and strategic planning.

That being said, in the following graph we have mapped GDT WMP auction events since June. The black line represents our estimate of WMP price required to deliver a \$6.40 milk price for the season, currently \$2,800 US/t. The green dots are actual GDT WMP auctioned average price.



How is this graph interpreted?

1. The current position at \$3,003/t is above the required average price.
2. Interestingly, the average of sales to date at \$3,004/t is above the target line.
3. When we put \$3,003/t and a 66.5 US cents/\$1 NZ exchange rate into our “estimator” we get \$6.73/kgMS as a spot market price.
4. There is still a long way to go in this sales year – but so far GDT information suggests a milk price forecast of \$6.40 remains realistic to low.

Fonterra has a price range now of \$5.90 to \$6.90 with the \$6.40 midpoint. It opened the season at \$5.40 to \$6.90 with a midpoint of \$6.15.

The NZX MP Futures has been very erratic but appear to be settling. At the time of writing it was at \$6.63 per kgMS.

Banks are also settling into a similar position around \$6.50 per kgMS but only a few months ago they had numbers as low as \$5.60/kgMS.

Overall, the interpretation is of a volatile market driven by supply and demand uncertainty, plus a potential for food security to drive buyer inventory up. This noted, a range of market indicators are narrowing up around the \$6.40 to \$6.60 / kgMS range.

A lot of businesses have been doing their medium to longer term planning based around a \$6.50 milk price which suggest any business that can operate and meet its objectives in this price range should be relatively comfortable in current market conditions.

### **Fonterra Co-operative Difference is Changing**

There has been a recent announcement of changes to the “Co-operative Difference” program which currently rewards farmers for producing the highest quality milk, caring for their animals, looking after the environment, supporting their team and community and work with the co-op.

As of June 2021 Fonterra will change from incentivising the above with Farm Source Rewards Dollars, replacing this with a cents / kgMS payment.

Up to 10 cents per kgMS will be available or \$10,000 per 100,000 kgMS. This is significant.

The payment system is currently being trialled and more information will be available in early 2021.

Some immediate questions might be:

- How will this be measured? Current information suggests there will be a number of parameters to be delivered on. Milk quality based on cell count less than 150,000. Delivering on a farm

environmental plan, engaged in the co-operative by voting and meeting attendance, an active animal health plan aligned to veterinary advice and a health and safety plan.

- Who will receive this payment? Not clear as to whether it all goes to the supplier (read shareholding owner) or whether this will be shared with sharemilkers or contract milkers directly.
- Who will be responsible for delivering on these standards? Possibly not the people receiving the milk payment!
- Could this be developed as a standard for reviewing staff in a management role? It would seem proactive and independent, so why not!

For more information: <https://nzfarmsource.co.nz/business/my-business/co-operative-difference/how-it-works>

## Good for a laugh... 2x Father & Son Jokes

I took my son out for his first pint last week.

Got him a Fosters...

He didn't like it – I had it.

Then I got him a Carlsberg.

He didn't like it – I had it.

It was the same with a Guinness and then the cider.

By the time we got down to the whiskey I could hardly push the pram!



A father passing by his sons bedroom was astonished to see the bed was nicely made.

Then he saw an envelope propped up prominently on the pillow.

It was addressed "Dad" – with the worst premonition he opened it...

"Dear dad it is with great regret and sorrow that I'm writing to inform you and mum that I have eloped with my new girlfriend. Ive been finding real passion with Stacy and she is so nice. I knew you would not approve of her because of her tattoos, tight motorcycle clothes and because she is much older than I. Stacy said that we will be very happy. She owns a trailer in the woods, and has a stack of firewood for the whole winter. We share a dream of having more children. Stacy has opened my eyes to the fact that marijuana doesn't really hurt anyone. We will be growing it for ourselves and trading it with the other people in the commune, for all the cocaine and ecstasy we want. In the meantime, we'll pray that science will find a cure for AIDS, so Stacy can get better. She sure deserves it! Don't worry dad. I am 15, and I know how to take care of myself. Someday, I'm sure we'll be back to visit so you can get to know your many grandchildren. Love your son Joshua... P.S. dad none of the above is true, I am over at Jason's house and I just wanted to remind you that there is more to life than school when you read my report card on the kitchen table. Tell me when it's safe to come home.

SITUATION REPORT		July - Aug 2020			
<b>PASTURE GROWTH</b> (Pasture growth figures include the use of nitrogen)					
		Jul-20		Jul-19	Forecast Aug
Manawatu	Irrigated	20		22	32
	Non-irrigated	20		22	32
Tararua		18		20	30
Wairarapa	Irrigated	18		22	32
	Non-irrigated	18		22	30
Canterbury		8		6	18
Otago		6		6	16
Tasman		15		10	24
Southland		6		6	20
<b>PASTURE COVER</b> (End of month)					
		Jul-20		Jul-19	Forecast Aug
Manawatu	Irrigated	2500		2500	2300
	Non-irrigated	2500		2500	2300
Tararua		2350		2400	2200
Wairarapa	Irrigated	2400		2550	2300
	Non-irrigated	2400		2500	2300
Canterbury		2450		2300	2150
Otago		2300		2300	2150
Tasman		2600		2600	2150
Southland		2150-2400		2200-2500	2150
<b>DAILY MILK PRODUCTION</b> (MS / cow) Derived from DSM data, typically representing upper quartile performance					
		Jul-20		Jul-19	Forecast Aug
Manawatu	Irrigated	1.60	winter milk	1.40	1.80
	Non-irrigated	N/A		N/A	1.80
Tararua		N/A		N/A	1.70
Wairarapa	Irrigated	1.50	winter milk	1.40	1.80
	Non-irrigated	N/A		N/A	1.80
Canterbury		N/A		N/A	1.60
Otago		N/A		N/A	1.60
Tasman		N/A		N/A	1.70
Southland		N/A		N/A	1.60



SITUATION REPORT		July - Aug 2020				
<b>LIVESTOCK</b>		<b>Now</b>		<b>Last Month</b>		<b>Last Year</b>
<b>Lower North Island</b>						
Cull Cow	170-220kg CWT	750-1000		750-1000		800-1150
Export eligible Friesian (R1)	2019 born, Oct delivery	1600		1450		1150-1250
Yearling Friesian Bulls (R1)	2019 born	600-800		550-750		750-1000
Friesian bull calves	at 4 days old	100-160				
<b>South Island</b>						
Cull Cow	200-240kg CWT	750-1100		500-800		700-1100
In milk cows	delivery now	1600-1850		N/A		1500-1900
Recorded Yearling Heifer (R1)	2019 born, capital stock	775-1050		700-1000		650-950
Export eligible Friesian Yearling hfr	2019 born, Oct Delivery	1650-1800		1400-1600		1100-1150
Friesian bull calves	at 4 days old	50-70				80-100
Beef X mixed sex calves	at 4 days old	100-110				100-140
<b>FERTILISER</b>						
<b>Prices as at 5 Aug 2020</b>						
Urea @ 100 kg/Ha	\$/Ha applied	75.00		75.00		79.10
Superphosphate @ 350 kg/Ha	\$/Ha applied	122.55		122.55		129.55
Ammo 36 @ 100 kg/Ha	\$/Ha applied	69.35		69.35		75.41
<b>EXCHANGE RATE (USD)</b>		0.662		0.654		0.653
<b>Fonterra Unit Price</b>						
Fonterra Fixed Milk Price (Net)	Co-op Group Shares	\$3.83		\$3.85		\$3.74
Fonterra Fixed Milk Price (Net)	<b>Applic. dates:10-11 Aug</b>	TBC		\$6.85	Jul-20	
Fonterra Fixed Milk Price (Net)	<b>Previous months</b>	\$6.13	Jun-20	\$5.87	May-20	
Milk Price Futures (Sept 2020)	NZX Global Dairy Futures	\$7.23		\$7.23		\$6.93
Milk Price Futures (Sept 2021)	NZX Global Dairy Futures	\$6.62		\$6.70		
Milk Price Futures (Sept 2022)	NZX Global Dairy Futures	\$6.33		\$6.40		
<b>International Commodities</b>						
Maize (Corn) Daily Price	USD/MT FOB	146		157		174
Whole Milk Powder	USD/MT FAS	3,003		3,208		3,074
Crude Oil WTI (Nymex) Price	USD per Barrel	41.01		40.63		55.34
Please note we include these three international commodities for readers as a guide. These commodities are connected to the US milk supply and the short to medium term milksolids price.						

FEED MARKET								Utilised		
Lower North Island		Now	Last Month	kgDM OR kgDM/day	MJME	Utilisation	Cents / MJME	Cents / kgDM		
Barley ex silo (indicative contract price)	\$/tonne	480	480	860	12.5	95%	4.7	59		
Palm Kernel - delivered <b>currently contract only</b>	\$/tonne	345	355	920	11.0	85%	4.0	44		
Soybean Hulls - pellets incl. delivery	\$/tonne	420	425	910	12.0	95%	4.0	49		
Dried Distillers Pellet (Wheat) incl. delivery	\$/tonne	515	525	920	12.7	95%	4.6	59		
Corn Gluten Feed Pellets incl. delivery	\$/tonne	515	0	920	12.7	95%	4.6	59		
Molasses (feed grade) spot price	\$/tonne	375	375	750	12.0	95%	4.4	53		
Baleage	\$/round	120	120	250	10.5	85%	5.4	56		
Straw	\$/round	45	45	200	8.0	80%	3.5	28		
Hay Large Round	\$/round	85	85	240	9.5	80%	4.7	44		
Calf grazing	\$/hd/week	7	7	4	11.0	80%	2.8	25		
Yearling grazing	\$/hd/week	11	11	7	11.0	80%	2.6	22		
Winter cow (Average quality)	\$/hd/week	25	25	12	9.5	80%	3.9	30		
Winter cow (Good quality)	\$/hd/week	32	32	14	11.0	80%	3.7	33		
Winter Incalf R2yr	\$/hd/week	25	25	12	11.0	80%	3.4	30		

#### South Island

Barley - ex silo (indicative contract price)	\$/tonne	410	410	860	12.5	95%	4.0	50
Palm Kernel - delivered	\$/tonne	332	345	920	11.0	85%	3.9	42
Soybean Hulls - pellets incl. delivery	\$/tonne	420	425	910	12.0	95%	4.0	49
Dried Distillers Pellet (Wheat) incl. delivery	\$/tonne	515	525	920	12.7	95%	4.6	59
Molasses (feed grade) spot price	\$/tonne	375	375	750	12.0	95%	4.4	53
Straw	c/kg DM	20	20	220	8.0	80%	3.1	25
Calf grazing	\$/hd/week	7.50	7.50	4	11.0	80%	3.0	27
Yearling grazing	\$/hd/week	12.50	12.50	7	11.0	80%	2.9	26
Winter cow grazing Canterbury	\$/hd/week	27.50	27.50	14	11.0	80%	3.2	28
Winter cow grazing Southland	\$/hd/week	36.00	36.00	14	11.0	80%	4.2	37
Winter Incalf R2yr	\$/hd/week	23.50	23.50	12	11.0	80%	3.2	28

All prices are **exclusive of GST** and provide a guide on the current market. Where an average delivery cost is included (PKE, DDG, SBH, CGFP) \$45/tonne used for NI, \$25/tonne for SI  
**Actual prices can and will vary.**

NB: Condensed Distillers Syrup is currently available but mostly manufactured into a pelletised product.

(N/A - insufficient market evidence at this point)

Utilisation and MJME figures are from DairyNZ Facts and Figures publication.

Dairy System Monitoring provides a guide on upper quartile performance and is a service provided by BakerAg and Macfarlane Rural Business.