

Creating Consistent Systems Business



Joe Horner
Dairy Economist
MU Commercial Agriculture Program



What Systems Do We See?

DairyNZ
Profitability. Sustainability. Competitiveness.

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Feed: The 5 Production Systems

The Five Production Systems are a way to group farm production systems by allocation of imported feed.

As New Zealand pastoral farming is about profitably balancing feed supply and demand, five production systems have been described by DairyNZ primarily on the basis of when imported feed is fed to dry or lactating cows during the season and secondly by the amount of imported feed and/or off farm grazing. The definitions do not include grazing or feed for young stock.

System 1 - All grass self contained, all stock on the dairy platform
No feed is imported. No supplement fed to the herd except supplement harvested off the effective milking area and dry cows are not grazed off the effective milking area.

System 2 - Feed imported, either supplement or grazing off, fed to dry cows
Approx 4 - 14% of total feed is imported. Large variation in % as in high rainfall areas and cold climates such as Southland, most of the cows are wintered off.

System 3 - Feed imported to extend lactation (typically autumn feed) and for dry cows
Approx 10-20% of total feed is imported. Westland - feed to extend lactation may be imported in spring rather than autumn.

System 4 - Feed imported and used at both ends of lactation and for dry cows
Approx 20 - 30% of total feed is imported onto the farm.

System 5 - Imported feed used all year, throughout lactation & for dry cows
Approx 25 - 40% (but can be up to 55%) of total feed is imported.

**Note: Farms feeding 1-2kg of meal or grain per cow per day for most of the season will best fit in System 3.*

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System 5:
Imported feed used all year,
throughout lactation & for dry
cows

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Changes in Systems Since 1999

* Cows

- * Proven grazing replacements readily available
- * Fertile and hardy

* Pasture

- * Grazing wedge management tool
- * Research and experience with many combinations
- * Examples of tailored systems that are working

* Business

- * Examples of success and failure create confidence in robust systems
- * Comparing against other graziers, not confinement systems
- * Risk management as important as theoretical profitability in long run



First Check – Asset Turnover

Formula:

$$\frac{\text{Gross Revenue}}{\text{Total Assets}}$$

Example:

(Per cow basis)

$$\frac{\$2,500}{\$6,000}$$

Asset Turnover =

0.42

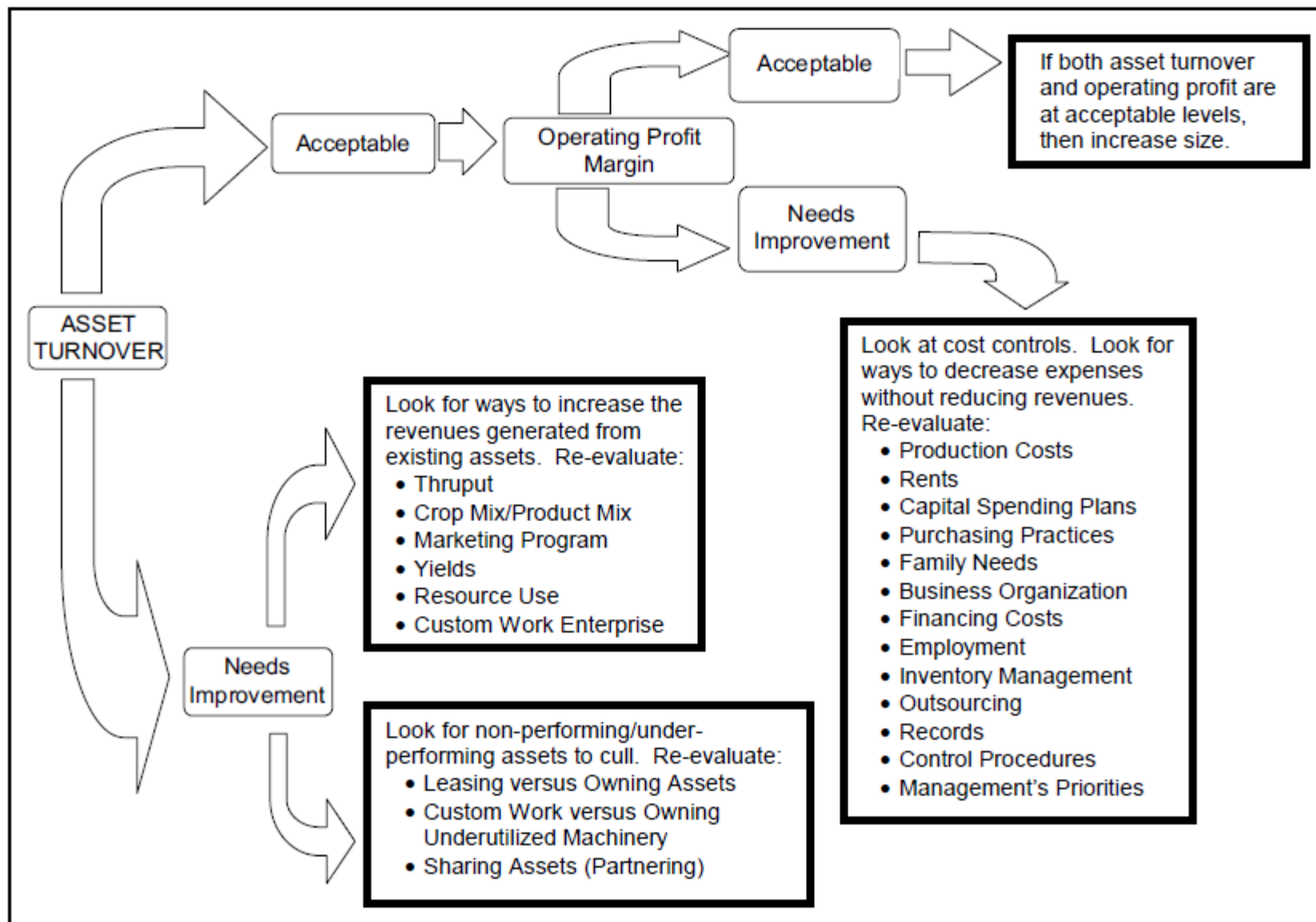
Rules of Thumb

Higher is Better!

> 0.40 Preferred (2.5 years to turnover)

< 0.30 Concern (3.0 years to turnover)





Second Check – Breakeven

Fixed Costs	Family living (including income taxes) + Depreciation + Interest Expenses = Fixed Costs	\$45,000 \$35,000 \$24,000 \$104,000
Breakeven Formula (Production per cow basis)	$\frac{\text{Fixed Costs} / \text{Cow Numbers}}{(\text{Selling Price, \$/cwt.}) - (\text{Variable Costs, \$/cwt.})}$	$\frac{\$104,000}{200}$ \$19.60 – \$14.35
Example (per cow for 200 cow farm)	The milk production per cow necessary for this system to breakeven	99.05 cwt. or 9,905 lbs. milk/cow



Create Consistent Systems

Consistent systems make the
dairy business work too

