



Key Performance Indicators

A daunting title, but from my perspective it should be simple, and telling us where we are making profit, where we are losing money and what things have changed and what things need to change. The format should be based on the old 80/20 rule: 80% of the benefit comes from 20% of our inputs, monitor what's important and be less concerned about what's not.

In the nineties there was considerable fear of what a post-deregulated dairy industry might look like. I thought it would enter us into volatile milk pricing, and had the potential to, but a generous deregulation package followed by a strong world market and buoyant milk prices lulled away all such fears. Eight years later we are again faced with fear and apprehension as to the immediate future. World economic turmoil, season changes and a spiralling cost of production are the paradigms we will work with into 2009.

The challenge to stay in front are improving efficiencies (feed conversion, increasing tonnes of dry matter harvested per ha), and controlling debt. Managing debt levels are critical in uncertain times as I learnt in the eighties (the hard way). To give you some idea of the potential swings, some statistics from the USA revealed in an industry survey in the Northeast, farms lost an average of \$64/cow in 2006. In 2007 the same survey showed a \$900/cow profit. We have been spared such volatility to date.

This will be the third assault on our industry as a result of world economic swings during my dairy life: Britain entering the EEC, financial market crashes in both the eighties and again now, but we survived and prospered from all three. Managing costs and debt will always be our greatest challenge, and the way out is increasing productivity and monitoring Key Performance Indicators are the radar to achieve this.

This article is not intended to be a definitive list of KPI's but the first sentence in a conversation on the subject. Most dairy households have moderate computer skills these days, even if it requires kids to assist their illiterate parents. A simple spreadsheet program can fit this purpose admirably. Over the years I've looked at numerous software programs available for dairy farm recording and analysis of data, including KPI's, but being like most farmers, doing some real work outside seemed far more appealing and more easily justified. I've found many far too complicated, often producing copious amounts of information in printouts that did not foster any on-farm changes to the goal of improved profit or viability. Identifying indicators that do tell us the important facts, and do not lend themselves to interpretations that get in the way of finding a problem is essential.

Following are some suggestions. Separating inflation on capital items like land and cows will clear the water to view farm operating performance. These are your investment portfolio. A further separation of land and cows in the sense of production is also necessary. Farms with high producing land, good pasture and good fertilizer applications, can easily cloud a low producing herd. Likewise, low stocking rates can do the same. Monitoring tonnes of dry matter harvested per ha is a must. A calculation based on energy can give us a fairly accurate figure.

Pasture harvested/tonnes DM: Say 5000 litre/day x 5.6 MJME/lit = 28,000 MJME + 14,000 MJME (maintenance for 200 cows x 70 MJME) = 42,000 MJME. This is the total energy required for the day. Less 12,500 MJME (200 cows @ 5 kgs grain) = 29,500 MJME divided by 12 MJME/kg DM pasture = 2458 kgs DM pasture. Divide this by ha's grazed to arrive at tonnes DM/ha from grazing. Obviously and other feeds (hay/silage) need to be deducted like grain. Record this monthly and add silage/hay baled for annual total DM pasture harvested.

Litres produced daily and per cow are critical figures. Variations daily tell us about our feeding management. I've written in the past that our daily factory figures are the most powerful tools in managing for optimum feeding and feed conversion efficiency.

Cull figures we discussed in last month's article highlighting a major profit drain, and one very few of us are aware just how significant these figures impact farm profit. Under this heading herd recording is a must to improve and optimise profit from the information this yields.

Pregnancy rates at what ever time you deem best (@ 100 days or as most do, at dry off) will influence the above category. Lameness rates are also a tell-tale on management. They cost us very significant production losses and ongoing effort to reduce them will only occur with monitoring rates at various intervals throughout lactation.

Finally, the only benchmarking I believe to be of any value at all is against your own records for previous years. Inter-farm comparisons are either ego building or morale destroying and completely useless as there are no two farms the same. I cover a number of farms each month, some of identical size and cow number, but the most significant variant is farm culture – the people, their paradigms on farming, their choice on methods and lifestyle, their financial situation etc etc etc: the list is endless!

No formal bench marking designed to compare farms does, or can, take these personal criteria into consideration and hence the results of such bench marking are spurious at best, and often misleading to those looking on. I have serious reservations on systems that view milk solids per ha or return on investment or similar as criteria for measuring successful dairy farming. The success of the dairy industry stands solely on the success of people. The future of the dairy industry is totally dependant on young people being able to enter it and wrong signals will not advance this cause.