

CASE STUDY Tomas O'Leary, Readrinagh, Killarney, Co Kerry



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Planning for profit on drystock farms

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Maximising profit and return for labour and capital invested is just as important on drystock farms as it is in any other business. As part of the Teagasc BETTER Sheep programme, participants set themselves a financial target which they hope to achieve at a defined point in the future. Once a financial target has been set, a plan is formulated to map out how this target is going to be achieved, taking into account all enterprises on the farm.

Tomas O'Leary farms just under 45 adjusted hectares of land in two

blocks, 26km apart. The farm traditionally operated as a mixed sheep and cattle farm with approximately 150 midseason lambing ewes and 35 suckler cows taking all progeny to beef. In common with many drystock farms, the gross margin for the whole farm was hovering around €500/ha resulting in the farm profit often coming exclusively from subsidy payments.

Under the BETTER programme, the target set for this farm was to achieve a gross margin of more than €1,000/ha. From examining financial performance for a number of years before Tomas joined the programme, it became clear that while the sheep enterprise had the potential to exceed a gross margin of €1,000/ha, the autumn-calving suckler system was

not going to achieve this level of profitability. Consequently, it was decided to change the beef system to a trading system.

While it is relatively easy to set a target, it is important that that target is achievable and realistic. A detailed plan was drawn up to provide clear guidelines; tasks to be completed annually and performance targets to be achieved.

The following is the farm plan which was put in place for the O'Leary farm to provide a roadmap towards achieving a gross margin (excluding premia) of over €1,000/ha.

When fixed costs and subsidy payments are accounted for, this should result in the farm producing a net margin of approximately €45,000 per year or €1,000/ha.

Farm plan

Enterprise plan

Research has shown that the ideal ratio on mixed farms is a 60:40 split. On the O'Leary farm, the split is in favour of the sheep flock, with 60% of the area (27ha) allocated to the sheep enterprise. The planned increase in area (from 16ha to 27ha), coupled with an increase in stocking rate (from 10 ewes/ha to 12 ewe/ha) has seen ewe numbers increase from 150 to 320 over the last five years. The cattle enterprise is allocated 18ha with a target stocking rate of 2.5LU/ha.

Grassland plan

Key to profitability is achieving high levels of grass growth enabling a high stocking rate. Equally important is the production of sufficient grass at the shoulders of the year to allow for early turnout and extended grazing in the autumn. The grassland plan has a number of aspects:

- **Soil fertility:** the entire farm was soil sampled and soil pH was corrected by spreading lime. Once the soil pH had been corrected, the farm was resampled and a nutrient management plan was put in place to maintain soil pH and to bring soil P and K levels to the target of Index 3.
- **Field divisions:** the number of field divisions has been increased three fold. This allows for shorter residency periods (target three to five days per grazing division) protecting regrowths and allowing for better grazing management and animal performance.
- **Measuring grass growth:** grass growth is measured on a weekly basis and the findings inputted on to the PastureBase programme. This information is then used by Tomas to make decisions as to when ground needs to be closed up for silage; when surpluses need to be taken out as round bales; when fertiliser needs to be applied and to identify fields that need to be reseeded. .



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Breeding plan (sheep)

Central to improving profitability on sheep farms is driving output by increasing litter size. Traditionally, the litter size on the O'Leary farm was in the region of 1.5 lambs weaned per ewe to the ram.

Over a number of years, this figure has increased to close to two lambs weaned per mature ewe joined and 1.5 lambs weaned per ewe lamb mated by using Belclare genetics and by delaying lambing until the start of March to coincide with grass growth and the natural breeding season for Belclare X sheep.

The current breeding programme uses high-index Belclare and Suffolk rams in a reciprocal cross where Belclare-sired ewes are mated with Suffolk rams and Suffolk-sired ewes are mated with Belclare rams. Ewe lambs are mated with Charollais rams.

Cattle trading plan

After dispersing his suckler herd, Tomas purchased weanling heifers (approximately 350kg) with a view to finishing these off grass the following summer/autumn. While the initial heifers purchased did very well, the replacement cost of these heifers and potential beef price did not indicate that this system had the potential to yield the target gross margin.

In conjunction with his Teagasc advisor, BETTER farm coordinator and drystock specialists, the farm plan was reviewed.

Currently, the plan is focused on purchasing yearling Friesian bulls (450kg) in late summer annually and finishing these at grass the following year at approximately 700kg liveweight.

This year's bullocks have done very well, having gained in excess of 0.9kg liveweight per head per day indoors over the winter on 65% DMD silage and 1.5kg of concentrate per head per day until 1 February.

Health plan

A flock/herd health plan was drawn up to give clear guidelines in terms of disease prevention, parasite control programmes for both cattle and sheep and a biosecurity protocol for bought-in animals.

Winter nutrition

Every year, silage samples are analysed to assess the quality of the silage. There is a constant push to improve the quality of silage available so as to reduce the reliance on expensive concentrate feed. Last year, Tomas made some silage that was 76% DMD, which was fed to the ewes in late pregnancy.

Summary

Farmers are busy people, often too busy to plan and reflect on how the enterprise is performing. But planning is the key to success. Setting targets without having a written plan with clear guidelines and achievable targets will result in failure. Work out how much money you made last year. Your tax accounts will show you this. Did you keep all of your subsidy payments? Did you retain all subsidies plus the same amount from your farming operation? That should be the target for most drystock systems.

The only way that output and financial performance can be increased is by sitting down and analysing past performance so that you can see where improvements can be made. Then it's about drawing up a plan that sets out clear targets in terms of your:

- Enterprise/farming system plan.
- Grassland plan.
- Breeding plan.
- Flock/herd health plan.
- Nutrition plan.
- Financial target.

Your local Teagasc advisor can help you to complete a plan for your farm.