

## **Massive Cost Inflation Explored: Dairy**

We have never seen a year when budgeting has been so challenging. Every time we talk to the trade the cost of raw materials has risen yet again. Fortunately, milk price is eventually catching up, but what does it all mean for 2022 - 23 accounts?

Extrapolating forward from what we know today, our estimate is attached and summarised below:

	DGCL 2020 21	DGCL 2021 22	DGCL Expected 2022 23	DGCL expected % Change
<b>TOTAL OUTPUT</b>	<b>33.36</b>	<b>35.55</b>	<b>50.55</b>	<b>1.42</b>
TOTAL VARIABLE COSTS	17.47	18.74	27.68	1.48
<b>GROSS MARGIN</b>	<b>15.89</b>	<b>16.81</b>	<b>22.87</b>	<b>1.36</b>
TOTAL DIRECT OVERHEADS	13.73	14.41	18.15	1.26
TOTAL RESOURCE COSTS	2.38	2.38	2.74	1.15
<b>PROFIT Excl. BPS</b>	<b>-0.22</b>	<b>0.03</b>	<b>1.98</b>	
<b>COMPARABLE FARM PROFIT</b>	<b>2.16</b>	<b>2.41</b>	<b>4.72</b>	<b>1.96</b>
<b>COMPARABLE COST OF PRODUCTION</b>	<b>31.2</b>	<b>33.14</b>	<b>45.83</b>	<b>1.38</b>

After a considerable lag in the Spring, milk prices are now keeping up with inflation, but there is still not much slack! Recent turmoil in the financial markets is adding yet further stresses, and the full extent of interest rises are yet to be seen. In our analysis we have increased interest by 35%, but for many it will be considerably more, eroding profit per litre to historic (i.e. low) levels.

Many businesses with robust production systems, ones that can cope with higher input costs, coupled with lower levels of debt, will have a much better year.



# Douglas Green Consulting Ltd

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At DGCL we are helping our clients develop systems that leave a good margin per litre. Not necessarily the highest yields, but systems based on great technical results, and good milk price to spend ratio's.

**Our software allows us to take a creative and innovative approach to guide you through turbulent times:**

- **Look at the impact of inflation on your profit outturn**
- **Model on how to react**
- **Plan with greater confidence**

**We're investing in additional consultancy capacity , and are taking on new clients now!**

**Do get in touch:**

100% independent, 100% for you.

Call Douglas Green on 01666 817278

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**Quick Dairy Benchmark**

**Douglas Green  
Consulting Ltd**

**Business Name:**

**Excl. BPS**

	DGCL Average 2020/2021	Indicative 2021 22	DGCL outlook 2022 23	DGCL expected % Change % Change
<b>YEAR END DATA</b>				
Average Cows in Herd	319			
Litres Sold	2,839,165		indicative!	indicative!
Yield per Cow	8,908			
<b>OUTPUT</b>				
Milk Sales	29.11	30.50	45.00	148%
Calf Sales	0.82	1.00	1.00	100%
Cull Sales	3.18	3.50	4.00	114%
Livestock Sales	0.00			
Livestock Transfers	0.00			
Sundry income	0.44	0.55	0.55	100%
+/- Valuation Change	-0.18	0.00		
<b>TOTAL OUTPUT</b>	<b>33.36</b>	<b>35.55</b>	<b>50.55</b>	<b>142%</b>
<b>VARIABLE COSTS</b>				
Heifer Purchase/Rearing Costs	2.78	3.00	4.00	133%
Feed Inc Home Use	8.61	9.00	12.50	139%
Forage Purch.	0.87	1.00	2.00	200%
Vet & Med	1.05	1.15	1.25	109%
AI & Recording	0.54	0.59	0.70	118%
Bedding Inc Home use Straw	0.85	0.94	1.00	107%
Dairy Sundries	1.33	1.46	2.25	154%
Fertiliser	0.79	0.87	3.00	345%
Seed	0.39	0.43	0.60	140%
Sprays	0.13	0.14	0.19	133%
Crop Sundries	0.14	0.15	0.19	123%
<b>TOTAL VARIABLE COSTS</b>	<b>17.47</b>	<b>18.74</b>	<b>27.68</b>	<b>148%</b>
<b>GROSS MARGIN</b>	<b>15.89</b>	<b>16.81</b>	<b>22.87</b>	<b>136%</b>
<b>DIRECT OVERHEADS</b>				
Staff	3.29	3.45	3.80	110%
Labour (unpaid) Private Drawings	1.31	1.38	1.51	110%
Contractors	2.53	2.66	3.32	125%
Machinery/Motor Repairs	1.27	1.33	1.60	120%
Fuel & Oil	0.57	0.60	1.05	175%
Heat & Light	0.70	0.74	1.80	245%
Machinery Depreciation	1.51	1.59	1.90	120%
Water & Council Tax	0.37	0.39	0.50	129%
Property Repairs	0.55	0.58	0.70	121%
Property Depreciation	0.23	0.24	0.24	99%
Professional Fees	0.57	0.60	0.66	110%
Insurance	0.44	0.46	0.55	119%
Office/Telephone	0.23	0.24	0.30	124%
Sundries	0.15	0.16	0.22	140%
<b>TOTAL DIRECT OVERHEADS</b>	<b>13.73</b>	<b>14.41</b>	<b>18.15</b>	<b>126%</b>
Rent	1.13	1.13	1.13	100%
Finance	1.04	1.04	1.40	135%
Bank Charges	0.21	0.21	0.21	100%
<b>TOTAL RESOURCE COSTS</b>	<b>2.38</b>	<b>2.38</b>	<b>2.74</b>	<b>115%</b>
<b>PROFIT</b>	<b>-0.22</b>	<b>0.03</b>	<b>1.98</b>	
<b>COMPARABLE FARM PROFIT</b>	<b>2.16</b>	<b>2.41</b>	<b>4.72</b>	<b>196%</b>
<b>TOTAL COST OF PRODUCTION</b>	<b>33.58</b>	<b>35.52</b>	<b>48.57</b>	<b>137%</b>
<b>COMPARABLE COST OF PRODUCTION</b>	<b>31.20</b>	<b>33.14</b>	<b>45.83</b>	<b>138%</b>