

Case Study: Sarah's Dairy Farm

Tackling rising costs and falling prices with STABLE

Location: Cumbria, UK.

Product Quantity: 200 cows.



SUMMARY

Sarah and her husband run a farm in Cumbria, UK. They have a herd of 200 cows, operating an all-year-round calving system, with an average yield of 8,000L/cow. The business's aim is to achieve a low cost of production by attaining good feed efficiency, with a high yield from forage and less purchased concentrates. The farm operates on a traditional system of summer grazing and winter housing. The dairy herd is fed a Total Mixed Ration (TMR) when housed (no parlour feeders) and straights that are then mixed on the farm. Previously, the business has heavily invested in improving the dairy housings and new parlour, a feat that required additional borrowings.

A TOUGH YEAR

Due to Sarah's recent investments, it was imperative that the farm made a decent profit in the upcoming season and with the volatility of market prices, Sarah was unable to take any risk without a safety net. The cash cost of production is in the region of 27.00p/L (including debt repayments and drawings) and the business has a non-aligned liquid milk contract with First Milk but no other contracts to provide any stability during the period. Hence, why Sarah made the decision to purchase a Stable insurance policy.

STABLE POLICY PURCHASE

Sarah chose to insure against the milk price index as this would reduce the risk of volatility to the business and secure a positive margin, which would sufficiently cover debt repayments at all times.

STABLE POLICY OUTCOME

During the 11 months covered by Stable's insurance, milk prices were particularly volatile. Prices dropped to 24.50p/L by the end of the year and only held an average index price of 24.84p/L, which was below the Start Price by 3.18p/L.

As a result, Sarah received an insurance pay out of £50,818.76 through Stable, which was calculated to be £39,977.12 after premium costs were deducted.

CONCLUSION

The actual milk price received during the period from her milk buyer was 24.50p/L. By using Stable Sarah received an equivalent of 26.99p/L, which was sufficient to ensure the business could remain in a profitable position and meet its cash requirements.

Quantity:

**1,600,000L
milk**

(200 cows at 8,000L/cow)

Timeframe:

11 months

(Dec 2014 to Oct 2015)

Start Price:

28.0189p/L

(of milk)

Average

Index Price:

24.84p/L

(average)

TOTAL COST OF SARAH'S COVER:

0.68p/L

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