

CENTRAL NEW YORK DAIRY NEWS



June 2012 Volume 5 Issue 2

Flies Bugging You (& Your Cattle)?

INSIDE THIS ISSUE:

| | |
|---|-----|
| June is Dairy Month and the Economic Squeeze Continues... | 2-3 |
|---|-----|

Fly pests can affect animal health, decrease milk production and weight gain, transmit disease causing agents, reduce grazing time, annoy and irritate animals and more. House flies resistant to insecticides have been commonly found on nearly every dairy farm tested in New York State. House and stable flies may contribute to impacts on animal health and productivity and milk contamination. Off farm movement of flies can lead to potential urban – rural conflicts and possible health concerns.

Plan to attend one of four on-farm meetings to learn how to get them under control. From these field meetings you will learn to correctly identify house flies and stable flies, the most important fly pests affecting cattle in and around barns, calf housing, and confinement facilities in the northeast. You will also learn techniques to determine if fly populations are at numbers that can cause economic injury. Learn the options available for controlling fly pests affecting animals in barns including the role of sanitation, use of natural enemies, use of fly baits and effective biting fly catching traps, and what you should know about making insecticide use decisions.

Learn the options available for controlling fly pests affecting animals on pasture including the role of dung beetles, use of effective biting fly catching traps suitable for use on pasture, and what you should know about making insecticide use decisions in pasture situations.

The July 17 morning session will have more of an emphasis on pasture fly control strategies. The three other sessions will emphasize fly control strategies in and around barns. These sessions are a bit informal and will address any and all questions you have about fly control at every session, including fly control for organic dairies.

Kenneth Wise, Eastern New York Integrated Pest Management (IPM) Specialist, will conduct these sessions. He is responsible for implementing livestock and field crop IPM extension efforts for Cornell University's New York State Integrated Pest Management Program in Eastern New York. IPM is a system that utilizes all suitable pest control techniques and methods to keep pest populations below economically injurious levels in a way that optimizes net profits and minimizes impact on the environment.

There is no need to register. Simply show up a little before the program time at the location that best suits your schedule and geography. You are welcome to call the office at (315) 866-7920 for specific directions from your location.

DEC Certified Pesticide Applicator Credit (2 credits) will be available in the following categories:

- 31 – Private – Agriculture, Animal
- 1b – Commercial – Agriculture, Animal
- 10 – Commercial – Demonstration

| | | | |
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| <p>Tuesday July 17 10:15 a.m. – 12:15 p.m. Charlie Treat Silver Maple Farm 200 Silver St. Ilion, NY 13357</p> | <p>Tuesday July 17 1:15 p.m. – 3:15 p.m. Barry & Josh Lathrop Lathrop Meadows Farm 2597 State Highway 80 Sherburne, NY 13460</p> | <p>Thursday July 19 10:15 a.m. – 12:15 p.m. Adam Robertson Deerfield Dairy 459 County Rt. 11 Oneonta, NY 13820</p> | <p>Thursday July 19 1:15 p.m. – 3:15 p.m. Mike Phelan Boulder Brook Farm 2351 West Fulton Rd. Warnerville, NY 12187</p> |
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June is Dairy Month and the Economic Squeeze Continues.....

Although costs have declined a bit over the last couple of months, the milk price has as well. As I write this, the current information from the Federal Milk Order 1 Market Administrator's Office shows the Statistical Uniform Price for May based on average components is \$17.13 for milk delivered to Boston, \$16.58 for plants in the Albany/Binghamton zone, and \$16.38 for the Syracuse zone.

Oil prices have declined over the last couple of months as well as corn & soybeans. However, none have declined very much. The last MILC projections I have seen shows the April pay rate at \$1.322 per cwt.! Although milk futures in nearby months have improved, Class III has improved a lot actually, MILC projections are for payments of \$0.70 to \$1.00 through July milk. It sure helps to get payments like that, but economically it's better to have better market conditions.

Greek yogurt demand is the bright spot. The tremendous demand for Greek Style Yogurt is nothing but amazing. Expansions at plants in South Edmeston & Johnstown, along with new plants being built in Batavia are making upstate New York the Greek Yogurt Capital of the United States! These plants provide local jobs that contribute to the local economy. However, it has been a bit frustrating for some local producers who have been hoping for higher milk prices because of this local milk demand. Milk used for yogurt is Class II milk. More Class II utilization tends to actually drop the blend price (or if you prefer to call it the Statistical Uniform Price) a bit. More Class I use (for fluid consumption) would increase the blend price. However, even though milk used for yogurt is Class II milk, think about where prices would be if Greek yogurt demand did not exist? Perhaps around 100 tractor trailer loads of milk that is now being used in our area for Greek yogurt production would need to find a home! If that went into butter and powder (Class VI) we would see on-farm milk prices that would be much lower than we have now!

The call for more milk production in the Northeast to meet the new local demand for Greek yogurt production creates great hesitancy on the part of New York dairy producers. Because the economic scars of 2009 and 2006 (along with the current downturn in milk price) are all too recent, this call for additional production is being met with hesitation and caution. Many producers have not completely recovered from the economic calamity of 2009 and are not in a position to borrow more money to expand their operations even if they wanted to. We have seen some expansions on individual farms, but many others who may be in a position to expand are being cautious and conservative. And who can blame them? The volatility in milk prices certainly creates an atmosphere of economic uncertainty.

On a similar note, a report published in June 2012 by Farm Credit East and Cornell's Pro-Dairy program provides some insight into the financial implications that a New York dairy farm would face when expanding from 190 to 290 cows.

200 cows is the threshold at which a dairy farm in NYS becomes a Medium CAFO (Confined Animal Feeding Operation) and is required to meet all the regulations that go along with that designation. If you would like to read the complete report simply email or call me and I will get a copy to you.

When making projections like this a number of assumptions need to be made about the future. Because a listing of these assumptions would take up much of this newsletter I will simply say that I believe the authors took great pains to make realistic assumptions. These assumptions are outlined in the report. (wo/CAFO exp. = without CAFO expenses. w/CAFO exp. = with CAFO expenses)

The bottom line is that the CAFO designation most often requires substantial investments in a manure storage and the associated equipment. Additional debt payments need to be met along with some additional annual expenses that did not occur prior to the CAFO designation.

To give you an idea of the financial impact I will use “cash margin” as the indicator of the financial impacts of this hypothetical situation. Cash margin is the amount of cash available, after operations, and after making loan principal and interest payments.

| | 2011 | 2012 | 2014 | 2012 | 2014 |
|-------------------|----------|----------------|----------------|---------------|---------------|
| | | (wo/CAFO exp.) | (wo/CAFO exp.) | (w/CAFO exp.) | (w/CAFO exp.) |
| Cow numbers | 190 | 290 | 290 | 290 | 290 |
| Cash margin | \$35,991 | \$18,465 | \$27,921 | (\$13,395) | \$12,296 |
| Percent net worth | 75% | 64% | 68% | 59% | 64% |

As you can see, the additional debt taken on for this expansion does have a negative effect for a few years on the cash margin. That negative effect is even greater when the investment and expenses to meet the CAFO requirements are factored in. One would expect that if these projections were carried forward the cash margin would eventually recover and overtake the cash margin with fewer cows (2011). However, it's a much steeper hill to climb when the CAFO requirements need to be met. The lower percent net worth and the associated lower cash margin (for several years at least) along with risks associated with market volatility (which are not factored into this report) are an additional burden that many are not willing to take on. This illustrates an additional factor inhibiting dairy expansions in New York State.

So, what is the bottom line here for dairy producers in our region?

I believe it comes down to a case by case situation. If you are milking 20, 200, or 2,000 cows I think the same basic questions and issues apply. What do you and your family want to achieve with the business? Do you want to spend more time being a manager and less time working with the dairy herd? Herd expansion moves you in that direction. What is your tolerance to economic risk? Are you comfortable with the higher levels of debt that expansion usually brings? Larger herds do have the opportunity to make more money, but additional tolerance for risk is one of the tradeoffs.

You may be satisfied staying at your current herd size, whatever that is. It usually pays to get better before you get bigger. For many people simply making improvements and getting better may be the goal. Perhaps you enjoy having the cows out on grass and have a passion for grazing (intensive or not). That may (or may not) limit your ability to expand. Perhaps you have chosen to produce organic milk. The price is higher and more stable, but it does cost more to produce organic milk. There are actually some people who are now marketing milk from grass fed dairy animals and receiving a price higher than the organic milk price. Perhaps you want to take on a value added enterprise, such as producing yogurt, cheese, or other dairy products. That's a whole additional enterprise with it's own set of challenges. The bottom line is that you need to do what is best for you (and your family, if they are involved in the business). Don't worry about the industry as a whole. The industry will do what the industry does. Your individual farm decisions will not change the industry. You need to do what is best for you.

David Balbian, Dairy Management Specialist

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