

CENTRAL
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DAIRY
NEWS

INSIDE THIS ISSUE:

Article	Page
Are We at the	1
Feed a Big Item	2-3

**Management
 Check-off List**

- Don't miss early 1st cutting harvest window. Monitor the team web site to track hay crop maturity this Spring.
- If forage quality is high be sure to use it to your advantage.
- Improve feeding accuracy & minimize feed shrink.
- Compare feed costs properly.
- Improving cow comfort pays. Review your situation.

Are We at the Bottom Yet?

by Dave Balbian

That's the question many dairy producers are asking themselves. This time it's not so much the bottom of the milk price, but the bottom of the dairy profitability cycle. 2007 brought us record high milk prices and record high profits. For some it may not have seemed that way because much of the profits were used to pay for past due bills from a very dismal 2006.

In fact, if we compare 2006 to 2007 with the limited 2007 data we have its quite contrasting. These comparisons are done on an accrual basis. Cornell's first 116 Dairy Farm Business Summary farms that participated in 2006 and 2007 show us the following information: 2006 average milk price received = \$13.85, 2007 price = \$20.41. Rate of return on equity capital wo/appreciation for 2006 = -1.1%, 2007 return = 19.1%. Net farm income per cow wo/appreciation for 2006 = \$127, 2007 income per cow = \$1,217. The high profit group for 2007 (top 20% by rate of return on all capital without appreciation) had a net farm income per cow of \$1,659! Their grain & concentrate costs were higher than average at \$1,228 per cow vs. \$1,153 for the average, but they sold 1,785 more pounds of milk per cow than the average. These grain & concentrate costs also include all milk replacer, calf & heifer feed, and any minerals purchased.

Since the year 2000 if you look at the Statistical Uniform Price at Boston (I know your individual farm price will be different) it has been in a range of \$11.43 - \$17.76 through 2006, with the exception of 2 months in 2004 when it spiked up into the \$19 range. Your costs have been in a narrower range during that period resulting in periods of good margins and periods of losses.

We are now in a different place. The 2007 price peaked at \$23.14 at Boston. I know some of you got actual prices in the \$24 and \$25 range because of market premiums, quality & quantity premiums, and high components. Now the price is sliding downward into the high teens. Recent history might indicate we're still in pretty good shape. However, you all know that is not the case. Feed and fertilizer prices have basically doubled. Fuel and other energy related items are at record levels. I think that \$19.00 milk is like the \$15.00 milk of a few years ago, at least as far as profitability is concerned.

Feed a Big Item, What to do?

Feed is the big item for most dairy producers. Purchased grain prices have skyrocketed (and milk price is getting softer). Many people have been looking at the old Milk-Feed Price Ratio as an indicator of profitability in the dairy industry. Since 1985 up to the present period of time the Milk-Feed Price Ratio has been at a high of 4.34 in December of 1998 and a low of 2.05 for March of 2008! It may provide some indication of profitability, but it shouldn't be a signal to short change your cows on grain. The most important thing is the margin per cow after feed costs, not the Milk-Feed Price Ratio. The same ratio with \$20 milk leaves you a better margin per cow than when the milk price was \$12. However, we all know that most all other expenses (besides feed) have also gone up. In addition, when the Milk-Feed Price Ratio is 2.05 the margin per cow becomes quite slim even if milk is \$20/cwt. So, what can/should you do in response? There are a number of things to look at, but be sure you don't nutritionally short change your cows.

- 1. Forage quality** – I know you've all heard this one before, but its number one on the list. If these record high grain prices don't get you to harvest your hay crop early this Spring I don't know what will. Check out the numbers below:

1,350 lb. cow producing 75 lbs. of 3.7% fat, 3.0% protein. DMI = 49.5 lbs.

<u>Ration</u>	<u>Lbs. of DM</u>
C.S. (42% NDF)	15.5
Mixed Hylge(45% NDF)	15.5
Grain Mix	18.5 (as fed = 20.79 lbs)
C.S. (42% NDF)	13.9
Mixed Hylge(55% NDF)	13.9
Grain Mix	21.7 (as fed = 24.38 lbs)
C.S. (42% NDF)	12.6
Mixed Hylge (65% NDF)	12.6
Grain Mix	24.3 (as fed = 27.30 lbs)
Mixed Hylge(65% NDF)	20.8
Grain Mix	28.7 (as fed = 32.25 lbs)

Same level of milk production with grain required ranging from 20.8 lbs. per head per day up to 32.25 lbs. per head per day!

If intensive rotational grazing is feasible for your herd and you have not used it, now is the time to give it a second look!

- 2. Check out our Team Website**— we will again be taking forage samples from grass and legume fields from around our region as the hay crop matures. Results are often on the site within 24 hours of sampling. Use this data to help you decide when to harvest.
- 3. Preserve Forage Well** – with fermented feeds in a bunker silo you need to PACK, PACK, and PACK some more. Cover it immediately with high quality plastic and old tires to hold it down. Dry hay should be put under cover as soon as possible.
- 4. Take Advantage of High Quality Forage** – if you have high quality forage be sure you are taking advantage of it. Too often we see people producing high quality forage but they are feeding as much grain as when quality was lower. Pounds of forage NDF should equal 0.9% of body weight or higher and forage levels of 60% + of dry matter intake should be achievable.

- 5. Improve Feeding Accuracy** – with a TMR be sure your forage dry matters are correct. Check them frequently and adjust your as fed weights accordingly. Reduce shrink; don't let that extra 100 lbs. of grain drop into the mixer wagon because it's easier than going back to the commodity bay.
- 6. Feed Availability** – cows should have feed available to them most all the time. If cows are without feed more than 1 – 2 hours per day (during the entire 24 hour period) you are probably giving up some low cost production. How often do you push feed up with a free stall system? In your tie stall barn how long after you leave the barn at night are cows without feed? Do some checking.
- 7. Be sure your supplier is competitive** - during times of high feed prices we see producers changing suppliers more frequently. Feed suppliers are all experiencing the same market forces. Also, good service can be quite valuable, so be sure to take that into account.
- 8. Compare Costs Correctly** – don't get into the cost per ton mentality of comparing one feeding program to another. If you have to feed more of a cheaper feed it may actually cost you more in the long run. Look at costs per cow per day. Too often I've seen producers pressuring their supplier into making a cheaper feed (pellets especially) and then they end up adding flaked corn or corn meal to the diet to make up for the shortfall of the cheaper feed they had made up originally. With TMR feeding be sure the feeding programs being compared use the same dry matter intake when comparing rations.

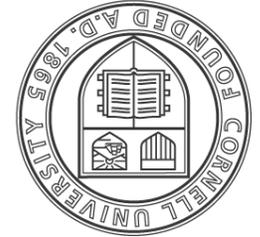
Here's an example of what can happen when making comparisons if you're not paying attention. Cows are actually consuming 50 lb. of DM per cow.

Ration 1 - 50 lbs. DMI – ration is 40% grain, 20 lbs. of grain DM = 22.22 lbs. as fed at \$315/ton. – cow/day cost = \$3.50

Ration 2 – assumed to be 47 lbs. DMI – ration is 40% grain , 18.8 lbs. of grain DM = 20.89 lbs. as fed at \$325/ton – cow/day cost = \$3.39

Ration 2 corrected to 50 lbs. DMI – ration is still 40% grain, now 20.0 lbs. of grain DM = 22.22 lbs. as fed at \$325/ton - cow/day cost = \$3.61!

- 9. Scrutinize the Extras** – give a critical eye to the additives and extras you may have put into the ration when times were good. They may still pay, but be sure.
- 10. Get Cows Pregnant** – what I mean is to get them pregnant on time. Herds with high average days in milk are often loosing lots of money. For every 10 days past 180 that the average days in milk is, your herd will be down by 1.0 – 1.5 lbs. per cow per day. That adds up to some real big money!
- 11. Stay on Top of Your Transition Program** – nothing hurts production more than all kinds of fresh cow problems. Even though some problems are unavoidable, a well managed dry, pre-fresh, and fresh cow program can really keep problems to a minimum.
- 12. Look at Milk Components** – balancing diets for amino acids may cost a bit more per cow per day, but its milk income after feed cost that's most important! What are they paying for milk protein now, somewhere in the \$4.00 to \$4.50 per pound range?
- 13. BST** – the payback when milk is near or above \$20 has never been better. Lots of controversy. You handler may say no. Premiums to not use it should be over \$1.00/cwt when compared to using it per the label on healthy cows. You decide.
- 14. Don't Forget Cow Comfort** – other factors can have a big impact. Review stall comfort, resting time, udder health, lighting, water availability, ventilation, feed bunk surface, and other items.



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