

Straight to the Bottom Line- Feb 2012

By: Steve Martin

Title- If Data Doesn't Reflect Dollars, it's just Numbers

In last month's column, we discussed the different types of data and records we routinely summarize on dairy farms and how often to evaluate each. It's hard to believe that this data collection process in the dairy business is now approaching 100 years of effort! From back in the 1930s when my grandfather travelled across Alabama weighing milk for DHIA to today when I stay up late some nights to take a quick look at how the 3rd shift milk ended up over the internet, this effort to measure things on dairy farms just keeps going. I had a dairyman challenge me recently that maybe we spent too much time looking at numbers. In one sense, he might be right. If we are generating numbers just for the sake of numbers, we are missing the mark. To make these numbers real and meaningful for the business, we have to attach dollars to the data.

Industry publications are full of information on how many dollars a milk fever or an RP costs, and certainly a case of mastitis. These data are easy to handle and attach the dollars. If you have a fresh cow metabolic issue that costs \$500/cow in medicine, longer days open, lost production, etc, it is easy to keep count of how many of those you have in a week and just do the math. Using round numbers, you can probably even do that in your head! Now, I want to dig into an example that is a little harder to sort out. I suppose the primary measurement tracked on the dairy each week is total milk production. Most every dairy producer can tell you every day how much milk the cows are producing. We need to take that a step further and be just as aware of how much true income over feed cost the cows are producing. This is a little tougher math problem, and you can't do this one in your head.

As nutritionists, we focus mostly on the economics of gross milk sales and total feed cost. Not that we ignore the dollar value associated with cow health and reproduction, but the feed and milk economics garnish most of my time. In order to start with the dairy producer's knowledge of milk production and take that all the way to true income, we need to know a few important facts. Interestingly enough, the tracking of these additional pieces of information are just as important as the lbs of milk that we already know. The first thing you need to know is what the actual feed cost is. This is not the cost listed on a two month old fax copy of a diet from the nutritionist. This is a value based on up to date ingredient costs including shrink and interest. As well, to really know the cost, you need to know exactly what the cows actually ate in recent days. The aid of a good feed tracking program can help with that. These costs should be tracked weekly at every dairy. We now know the true cost of the feed, and we know how many pounds of milk, but we don't yet know gross income.

With the help of a recent milk check stub, or the current information available at www.milkpay.com, you need to gather the price per pound of butter, protein and other solids. Using these numbers, along with your tank average and recent components, you can arrive at a very close estimate of the true price for a pound of milk sold. You can get as technical as you want by including PPD, quality bonus, hauling, etc. This is the best estimate available, though market changes and class utilization will determine the actual value of the milk you are producing today. If you are shipping to an independent cheese plant, you will have some different math to tackle but the point is the same. You have to know what your milk is worth.

You now have all the information that you need to know current, true milk income vs true feed cost. As things change like an increase in intake, a change in components or even a change in a commodity price,

you can know if your income is increasing or decreasing. After doing the math, you might be surprised in either direction. The point is, you have to do the math! Your many years of dairy experience are not enough to do this one in your head! You need to set up a system to track these things on a routine basis. I would be willing to bet that nearly every other business with the same size and scope of a large dairy has similar numbers tracked on a very frequent basis. The dairy producer needs to be no less “in the know” about the true income over feed cost on a weekly basis.