

## Straight to Your Bottom Line

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### Efficiency of Dollars

Here we are again looking at a new year and wondering what it has in store for us. Milk prices are weak due to weak component prices. Feed prices are in check, but uncertainty remains high about the direction those prices will be moving. What, if anything, should we be doing differently based on those two observations?

Is there a difference between feeding cows to minimize losses versus feeding cows to maximize profits? If the answer is yes – Why? What is the difference? If the answer is no – Shouldn't there be?

On the feed side, there are always opportunities that a nutrition consultant has to feed one ingredient instead of another based on the value that particular ingredient brings to the overall ration at a certain price point. For example, if a particular dairy is limited in the amount of corn silage it can feed because of inventory constraints, flaked corn may be more valuable to the ration than a dairy that can feed corn silage unrestricted, because it can bring the fermented grain in the corn silage into the ration and not rely so heavily on buying grain. But the question is more about the overall cost of feed, not individual feed ingredients that ebb and flow with the market. Do cows have a different requirement for amino acids or energy, or vitamins and minerals when those ingredients cost more?

When would it not make sense to try and maximize the components of the product that we produce that bring the most value? Do we expect the cows to make the same amount butterfat and milk protein using lower quality ingredients, or because we need more BF and MP to cash flow? The simple fact is this – the cows just don't care what prices are doing. They have the same requirements regardless of our need, or the cost of their needs involved.

It does make sense to evaluate ingredients, additives and practices that may have been implemented when prices were higher and the return on investment justified that decision being made in the first place. For example, when butterfat is \$3.25/ lb we might make the decision that investing in a feed additive that helps us increase butterfat production .15% was a sound economic decision. If that product cost \$.15/hd/day and production was at 70lbs – we were producing an extra  $(70 \times .0015) = .105$ lbs of BF.  $(.105\text{lbs} \times \$3.25 = \$0.34/\text{hd}/\text{day})$  So for an investment of \$.15 we were getting a return of \$.34. Smart investment. Now Instead of \$3.25/lb let's say that butterfat is worth \$2.00/lb.  $(.105\text{lbs} \times \$2.00 = \$0.21/\text{hd}/\text{day})$ . So our return is only netting \$.06 on a \$.15 investment. Still positive, but less room for error and not nearly as lucrative. Leave it in or take it out? What other decisions could be reevaluated to insure that only the practices that have the highest ROI make the cut to remain in place through difficult economic times.

Maximizing the differential between feed cost and milk income is the goal, but doing so while also maximizing the most efficient use of our dollars absolutely goes Straight to Your Bottom Line.