

# It Cost How Much?

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We all know that rising feed ingredient costs occur that it has a negative impact on our profitability potential. The magnitude of the impact is sometimes surprising however. It is important to recognize the relative change to the bottom line when one of these factors change:

- 1) DMI
- 2) Milk component concentration
- 3) Milk flow
- 4) Feed cost

If we view the information below and think about it as the base, we will change 1 parameter at a time and see what that change does to the bottom line.

If the DMI increases 2 pounds -

Scenerio 1		
	\$ 0.100	Feed/Lb DM
	1.40	Raw Biological Feed Conversion
	\$ 5.20	Feed Cost/Hd
<b>Current</b>	1,000	Number Hd Lact
BF%	3.60%	52.00 Lb DMI
MP%	3.20%	73.0 Milk Flow lbs
OS%	5.80%	\$ 7.12 Feed Cost/cwt (Wet)
\$/LB BF	\$ 1.93	\$14.31 Milk Price \$ /CWT
\$/Lb MP	\$ 2.21	\$ 10.45 Milk Income \$/Hd/Day
\$/LB OS	\$ 0.05	\$ 5.25 Income over Feed Cost ****
Adj/cwt	\$ -	\$ 2.80 Non Lact \$/Hd
Milk Price	\$14.31	789 Number Non-Lact
ROFC \$/\$	2.01	\$ 10.15 Milking + Dry \$/cwt
	\$ 10,446	Gross Income
	\$ 5,200	Feed Cost
	\$ 5,246	Net

Scenerio 2		
	\$ 0.100	Feed/Lb DM
	1.35	Raw Biological Feed Conversion
	\$ 5.40	Feed Cost/Hd
	1,000	Number Hd Lact
BF%	3.60%	\$4.00 Lb DMI
MP%	3.20%	73.0 Milk Flow lbs
OS%	5.80%	\$ 7.40 Feed Cost/cwt (Wet)
\$/LB BF	\$ 1.93	\$14.31 Milk Price \$ /CWT
\$/Lb MP	\$ 2.21	\$ 10.45 Milk Income \$/Hd/Day
\$/LB OS	\$ 0.05	\$ 5.05 Income over Feed Cost ****
Adj/cwt	\$ -	\$ 2.80 Non Lact \$/Hd
Milk Price	\$14.31	789 Number Non-Lact
ROFC \$/\$	1.93	\$ 10.42 Milking + Dry \$/cwt
	\$ 10,446	Gross Income
	\$ 5,400	Feed Cost
	\$ 5,046	Net

ROFC= Return on Feed Cost  
(Economic Feed Conversion)

\$ (200) per day difference  
\$ (0.20) per hd difference IOFC  
\$ (73,000) per year difference

If the only change is butterfat moving from 3.6% to 3.7% the economic impact is \$.14/hd per day

Scenerio 1		
	\$ 0.100	Feed/Lb DM
	1.40	Raw Biological Feed Conversion
	\$ 5.20	Feed Cost/Hd
<b>Current</b>	1,000	Number Hd Lact
BF%	3.60%	52.00 Lb DMI
MP%	3.20%	73.0 Milk Flow lbs
OS%	5.80%	\$ 7.12 Feed Cost/cwt (Wet)
\$/LB BF	\$ 1.93	\$14.31 Milk Price \$ /CWT
\$/Lb MP	\$ 2.21	\$ 10.45 Milk Income \$/Hd/Day
\$/LB OS	\$ 0.05	\$ 5.25 Income over Feed Cost ****
Adj/cwt	\$ -	\$ 2.80 Non Lact \$/Hd
Milk Price	\$14.31	789 Number Non-Lact
ROFC \$/\$	2.01	\$ 10.15 Milking + Dry \$/cwt
	\$ 10,446	Gross Income
	\$ 5,200	Feed Cost
	\$ 5,246	Net

Scenerio 2		
	\$ 0.100	Feed/Lb DM
	1.40	Raw Biological Feed Conversion
	\$ 5.20	Feed Cost/Hd
	1,000	Number Hd Lact
BF%	3.70%	52.00 Lb DMI
MP%	3.20%	73.0 Milk Flow lbs
OS%	5.80%	\$ 7.12 Feed Cost/cwt (Wet)
\$/LB BF	\$ 1.93	\$14.50 Milk Price \$ /CWT
\$/Lb MP	\$ 2.21	\$ 10.59 Milk Income \$/Hd/Day
\$/LB OS	\$ 0.05	\$ 5.39 Income over Feed Cost ****
Adj/cwt	\$ -	\$ 2.80 Non Lact \$/Hd
Milk Price	\$14.50	789 Number Non-Lact
ROFC \$/\$	2.04	\$ 10.15 Milking + Dry \$/cwt
	\$ 10,587	Gross Income
	\$ 5,200	Feed Cost
	\$ 5,387	Net

ROFC= Return on Feed Cost  
(Economic Feed Conversion)

\$ 141 per day difference  
\$ 0.14 per hd difference IOFC  
\$ 51,425 per year difference

If milk flow increases 2 pounds-

Scenerio 1			
		\$ 0.100	Feed/Lb DM
		1.40	Raw Biological Feed Conversion
		\$ 5.20	Feed Cost/Hd
<b>Current</b>			1,000
			Number Hd Lact
BF%	3.60%	52.00	Lb DMI
MP%	3.20%	73.0	Milk Flow lbs
OS%	5.80%	\$ 7.12	Feed Cost/cwt (Wet)
\$/LB BF	\$ 1.93	\$14.31	Milk Price \$ /CWT
\$/Lb MP	\$ 2.21	\$ 10.45	Milk Income \$/Hd/Day
\$/LB OS	\$ 0.05	\$ 5.25	Income over Feed Cost ****
Adj/cwt	\$ -	\$ 2.80	Non Lact \$/Hd
Milk Price	\$14.31	789	Number Non-Lact
ROFC \$/\$	2.01	\$ 10.15	Milking + Dry \$/cwt
		\$ 10,446	Gross Income
		\$ 5,200	Feed Cost
		\$ 5,246	Net

Scenerio 2			
		\$ 0.100	Feed/Lb DM
		1.44	Raw Biological Feed Conversion
		\$ 5.20	Feed Cost/Hd
<b>Current</b>			1,000
			Number Hd Lact
BF%	3.60%	52.00	Lb DMI
MP%	3.20%	75.0	Milk Flow lbs
OS%	5.80%	\$ 6.93	Feed Cost/cwt (Wet)
\$/LB BF	\$ 1.93	\$14.31	Milk Price \$ /CWT
\$/Lb MP	\$ 2.21	\$ 10.73	Milk Income \$/Hd/Day
\$/LB OS	\$ 0.05	\$ 5.53	Income over Feed Cost ****
Adj/cwt	\$ -	\$ 2.80	Non Lact \$/Hd
Milk Price	\$14.31	789	Number Non-Lact
ROFC \$/\$	2.06	\$ 9.88	Milking + Dry \$/cwt
		\$ 10,733	Gross Income
		\$ 5,200	Feed Cost
		\$ 5,533	Net

ROFC= Return on Feed Cost  
(Economic Feed Conversion)

\$ 286	per day difference
\$ 0.29	per hd difference IOFC
\$ 104,463	per year difference

And finally if feed cost increases a half cent per pound-

Scenerio 1			
		\$ 0.100	Feed/Lb DM
		1.40	Raw Biological Feed Conversion
		\$ 5.20	Feed Cost/Hd
<b>Current</b>			1,000
			Number Hd Lact
BF%	3.60%	52.00	Lb DMI
MP%	3.20%	73.0	Milk Flow lbs
OS%	5.80%	\$ 7.12	Feed Cost/cwt (Wet)
\$/LB BF	\$ 1.93	\$14.31	Milk Price \$ /CWT
\$/Lb MP	\$ 2.21	\$ 10.45	Milk Income \$/Hd/Day
\$/LB OS	\$ 0.05	\$ 5.25	Income over Feed Cost ****
Adj/cwt	\$ -	\$ 2.80	Non Lact \$/Hd
Milk Price	\$14.31	789	Number Non-Lact
ROFC \$/\$	2.01	\$ 10.15	Milking + Dry \$/cwt
		\$ 10,446	Gross Income
		\$ 5,200	Feed Cost
		\$ 5,246	Net

Scenerio 2			
		\$ 0.105	Feed/Lb DM
		1.40	Raw Biological Feed Conversion
		\$ 5.46	Feed Cost/Hd
<b>Current</b>			1,000
			Number Hd Lact
BF%	3.60%	52.00	Lb DMI
MP%	3.20%	73.0	Milk Flow lbs
OS%	5.80%	\$ 7.48	Feed Cost/cwt (Wet)
\$/LB BF	\$ 1.93	\$14.31	Milk Price \$ /CWT
\$/Lb MP	\$ 2.21	\$ 10.45	Milk Income \$/Hd/Day
\$/LB OS	\$ 0.05	\$ 4.99	Income over Feed Cost ****
Adj/cwt	\$ -	\$ 2.80	Non Lact \$/Hd
Milk Price	\$14.31	789	Number Non-Lact
ROFC \$/\$	1.91	\$ 10.51	Milking + Dry \$/cwt
		\$ 10,446	Gross Income
		\$ 5,460	Feed Cost
		\$ 4,986	Net

ROFC= Return on Feed Cost  
(Economic Feed Conversion)

\$ (260)	per day difference
\$ (0.26)	per hd difference IOFC
\$ (94,900)	per year difference

Obviously it very rarely happens when only one of these changes at a time, normally all the parts are moving simultaneously. But, it is important to understand the impact that each individual aspect has – because they are all important and absolutely go Straight To The Bottom Line.