

Straight to the bottom line

By: Steve Martin

9/3/12

## The Influence of Negative Margins on Dairy Ration Formulation

These are most certainly interesting times in this business. The environment we find ourselves in with record high feed cost and inadequate income from milk is challenging this industry to the core. The stress and concern is palpable. It has been interesting to watch how the current situation is impacting the way we feed cows. There is certainly an emphasis on saving feed cost, but with milk approaching \$20, we must keep soundly formulated rations in front of the cows. Are there angles that can help moderate the situation? Are there fundamental shifts necessary in the way we feed cows in our industry? In view of these and similar questions, I wanted to lay out a few principles that can help guide us through these times.

First, every pound of extra milk we get is very valuable. We can't deny the importance of the marginal value of extra milk sold. Due to the cost necessary to produce that extra pound of milk, this margin is less than ideal for sure, but still positive. When milk prices are fairly strong, we can't afford to leave milk on the table. And, for our second principle, we can't afford to over feed any animal on the farm. It is this principle that gives us a little extra wiggle room. If we are sure of true intake, body condition and milk solids production, perhaps there is some feed cost that can be saved in cows that are post peak in production. This same principle applies to non-lactating animals on the dairy as well. Maybe it is considering a limit fed program for heifers or maybe pushing the limits on how many pounds of ground corn stalks you can successfully feed to far off dry cows. All avenues must be explored.

A third principle relates to reproductive success and culling. In these economics, you cannot afford to milk unprofitable cows. Frequent milk testing, with components, will allow for a close analysis of how late lactation cows are generating income compared to the variable costs for keeping them in the herd. Cull cow prices are off some for sure, but still historically good. A comparison of culling longer DIM cows and purchasing replacements that will milk more, eat less and have a brighter future may be in order. As it relates to reproduction, success here is crucial. Dairies that have better success getting cows pregnant on time will have lower DIM, more voluntary culling, better feed conversions and the list goes on.

My third and last principle relates to the diets we formulate to feed dairy cows. This process is well-grounded in an abundance of good research. The requirements are well established and defensible. It is from this base that diets are built. In a pure sense, much of that is insulated from economics. So, what has to be done is to take that basic science, apply it to the current economic situation and develop a diet to feed the cows. No level of extreme economics can change the basic science that guides what we do. The requirements of nutrient building blocks to make milk are the same at \$8 corn as they are at \$4 corn. As well, the requirement of keeping roughage levels adequate no matter if alfalfa hay costs \$300/ton or \$150/ton is the same.

So, as we look for angles to moderate feed cost to help the bottom line even a little, know that the principles that guide us in diet formulation don't disappear during times of negative margins. As well, the strides that really need to be made to improve dairy margins may not even be possible within the feed cost piece. With the exception of the obvious advantage of owning your own ground to grow your

feed, there is not enough creativity in formulation available to fix the overall margin problem. We may be able to find a nickel, a dime or maybe even a quarter by changing from one protein meal to the other or from one corn byproduct to another. But it is not 5, 10 or 25 cents that you need; it is a few dollars! So, we will continue to look for those savings while feeding cows correctly and wait for the overall situation of the bigger picture to change. Have hope though, it will get better!