

Milk, not cows, is the key

How dairymen can beat inflation

BY DON CUNNION
LANCASTER — Thinking about adding a few more cows to your dairy herd as a way to bring in more dollars and stave off some of the inroads of inflation?

Before you do, maybe you'd better stop and do a little figuring, suggest dairy management experts. You'll probably find it makes more sense to pay more attention to increasing the production level of the cows you've got already.

Dick Denison, who heads up the Farm Management and Business Analysis Service for the Pennsylvania Farmers Association, says there are four simple reasons why you should carefully consider "getting better before you get bigger":

1. High costs for new housing and animals
2. High interest rates.

They've never been higher.

3. Additional labor costs
4. Additional feed costs

By way of example, Denison picks a dairyman who has an 80-cow herd and feels the need to increase his gross farm income by about \$30,000. The present herd averages \$12,000 pounds for a total output of 960,000 pounds. At \$13 per cwt., the gross return totals \$124,800. By adding 20 more cows and getting the same output per cow this farmer will produce 240,000 pounds more milk and take in an additional \$31,200.

What will it cost to make this move? Dick says the tab will look like this.

20 cows @ \$1,500 per cow \$30,000, Additional housing for 20 cows \$10,000, Interest on capital costs @12% \$4,800; Additional labor required \$5,000; Additional

feed required \$7,000, Total cost \$56,800

That means spending an additional \$56,800 to add \$30,000 more gross per year.

But, Denison says, you get a completely different picture when you think about doing a better management job and increasing the yield of your present herd.

"Nearly every dairy cow in Pennsylvania has the genetic potential to produce 15,000 pounds of milk," he says, "so let's take a look at what it would mean to get another 3000 pounds a year out of the herd that's now averaging only 12,000

"That herd of 80 cows producing 15,000 pounds of milk per cow will produce a total of 1,200,000 pounds for the year, instead of just 960,000 pounds. At \$13 cwt., that comes to a total gross of \$156,000 - or \$31,500 more

than before. And what will it cost?"

"It won't cost more for housing. We already have capacity for 80 cows

"It won't cost any more for cows. We've already got 80

"It won't increase any bank payments we're already making

"It won't cost any more labor. We'll still be handling the same number of cows.

"It will cost more for feed, but not the \$7000 we'd need by adding 20 more cows. Better than 60 percent of a cow's feed goes for body maintenance alone."

Glenn Shirk, dairy specialist in Lancaster County, the state's number one milk county, warns that "a wide margin of profit is necessary for survival in these times of rapidly rising costs" and adds that the only way to obtain adequately-

sized profits is to increase output per cow - not add more cows

Adjusting 1978-79 DHIA figure to take into account the inflationary spiral of 1979-80, and putting the value of milk as \$13 cwt., Shirk shows that the profit per cow at 10,123 pounds came to only \$83

But the profit jumps to \$382 per cow when production went up to 12,687 pounds. At 15,339 pounds the profit level hit \$706 and at \$19,245 it came to a whopping \$1104.

The answer, of course, lies in the fact that the cost of feed and other inputs does not go up in direct proportion to milk output.

As you'd expect, the most dramatic example came in the boost from 10,123 pounds to 12,687 pounds, showing an increase of 25 percent in

output versus an increase of only 10 percent in costs. But even going from an average of 15,339 pounds to 19,245 pounds paid off. That represents an increase in production of about 25 percent with added costs of 18 percent.

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What higher cow production can do for you

Glenn A Shirk, Lancaster County dairy specialist, took 1978-79 DHIA figures and adjusted them for 1979-80 inflation. He valued milk at \$13 per cwt for a herd of 60 cows.

He allowed \$15,000 for family living expenses

HERD AVERAGES	10,123	12,687	15,339	19,245
Milk sales	\$1,316	\$1,650	\$1,994	\$2,502
Cattle sales	150	250	400	600
Total income per cow	1,466	1,900	2,394	3,102
Feed costs	830	911	1,013	1,199
Other costs	553	607	675	799
Total costs per cow	1,383	1,518	1,688	1,998
Profit per cow	83	382	706	1,104
Profit for 60 cows	4,980	22,920	42,360	66,240
Margin after Living (\$15,000)	-10,020	7,920	27,360	51,240
Cost of 15% inflation	12,447	13,662	15,192	17,982
Margin after inflation	-22,467	-5,742	12,168	33,258
Debt servicing ability	0	0	83,917	229,366

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