Dairy Pipeline

By Glenn A. Shirk
Extension Dairy Agent

As a dairy farm business manager, one of your major concerns may be cash flow. If that is the case you are probably interested in getting a good, quick return on the dollar spent; if not, you should be - you should also be concerned about income generation and cost control.

I emphasized a good, quick return, and let me illustrate this with a few examples. When dollars are scarce, invest them in good milking cows first. As a dairyman, they are your best investment. They return a good income quickly; they usually increase in value as they mature and hold their value; they reproduce and so, your assets grow. What other investment can do all of this!?

A dollar spent on a heifer continues to cost you more dollars, and may not start earning you an income until a year or two later. That's a slow return when you need cash now. It's also a good reason why heifers should be grown well, bred early and brought into production at good size in 22-24 months.

By 30 months of age, a good, well-grown, early calving heifer will have earned almost enough milk income over her feed costs to almost recover all the costs of feeding her up to time of calving. On the other hand, a 30-month old calver may still be $800 or more in the hole. Which would you rather have? If you delay breeding your heifers because you want them to calve at a different time of the year or you want them to have more size, consider getting them into production first, as early as practical for your situation, and then delay breeding them once they are in production, while they are earning you an income.

To avoid problems at calving time the heifers must be well-grown! Be sure they are proper size for breeding, and keep them growing after conception. Also, choose a bull known for siring small calves and transmitting "easy calving" characteristics. Try to use a plus proven bull, too, because that calf from your first-calf heifers has the potential of being your best cow of tomorrow; don't pass up this opportunity.

As mentioned earlier, it costs a lot to raise heifers. Therefore, only keep heifers out of your better cows. To cut down on the number of replacements needed, do everything possible to keep those good cows, the mortgage-payers, in your herd as long as possible. If your culling rate is too high, look for the reasons why these cows have to leave the herd just about the time they are starting to really make a profit for you. Pay attention to details, and correct the problems that cause premature culling.

Machinery, land and buildings are necessary items for dairying, but it may be cheaper to rent land, facilities and equipment or hire custom operators than to own them. Mortgage payments on an acre of ground, for example, may be $400 to $500 per year, compared to $100 or so for rent. That's a big difference, especially when you are in a tight cash flow situation! Machinery is also expensive to own and operate. Unlike cows, it depreciates in value. Also, when you are running machinery you are not in the barn with the cows, where the major income is being produced. When you hire a custom operator, you do not tie up scarce capital; you also hire an extra hand in the process, which may free you to do other productive work or prevent you from hiring someone else to help you operate your own machinery.

Deciding which machinery to own and which to rent or custom hire should receive a lot of careful consideration. Consider the value of the timeliness of the job to be performed and the efficiencies to be gained by you owning and operating the machinery. Weigh this against the added cost of owning and operating machinery - the total annual cost may be 20 to 25% or more of the purchase price.

I'll be the first to admit that high quality forages are very important for a productive dairy herd, and the quality of the forage is affected greatly by the timeliness of the harvesting operation. You can harvest the crop at the proper maturity and get it in storage to protect it from adverse weather when you have your own machinery, if you have time and manpower to operate it. But, do you really gain enough to make it worthwhile, especially if you have to borrow a lot of capital and if the field work competes too much with time that needs to be spent with the herd? Sometimes, the added interest payments, the lost milk production, the missed heats, the increased vet bills and the rapid cow turnover can buy a lot of custom work and purchase some of the quality feeds that may be in short supply. It's something to think about.

High quality feeds are needed especially by the high producing cows in the herd. The mid-to-late lactation cows, dry cows and heifers can effectively use lower quality forages in properly balanced rations. In other words, you might be able to tolerate some more mature first cutting hay and some weather damaged forages. In addition to being concerned about producing high quality forages, it's just as important to think about how you can store different quality forages separately so you can readily get access to them, permitting you to feed the right forages to the right cows for maximum utilization and production.

How much land do you farm and how much extra ground are you renting? Excess acreage can sometimes force you into tight financial and labor situations. It may require additional, expensive machinery and custom-hired services, or it may pull valuable labor away from the herd. Or, if labor is tight, you may not get the field work performed on time; crop yields and feed quality will suffer.

Now that you've just filed your income taxes, and the income and expense figures are fresh in your mind, look to see where you can cut costs. Don't let Uncle Sam be the only person that benefits from the records you keep. Scrutinize your figures closely to help you analyze your own business, to help you find its strengths and weaknesses. What does it really cost you to raise feed? Can you do a more efficient job? Consider ALL you land-related, machinery-related and storage-related costs, including related interest, tax, rent and labor costs when you try to estimate your actual costs.

First, allocate these costs to crops in general. Then, determine

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