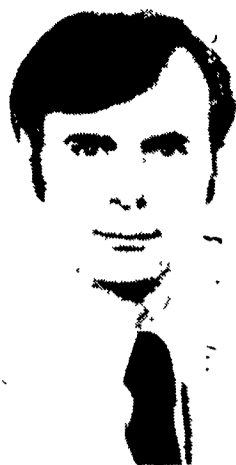


Dairy Pipeline

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Whether or not the whole herd buyout program will be effective remains to be seen, but one thing it did do was catch people's attention. It forced them to think about the future and to evaluate their own situation as they prepare to meet that future.

A lot of people did a lot of soul searching and a lot of pencil pushing. I was pleased at the number of dairymen who took the time to calculate their costs. That is something all of need to do as we prepare to meet our future.

In the dairy business, we need to know how much it costs us to produce milk, the nature of these costs, and how to change these costs or improve income if we don't like what we see.

On most farms, the single largest item of expense is feed. However, just because feed is the largest item of expense, we have to

be careful that we don't focus our attention on feed alone; other costs also deserve our serious attention. Nevertheless this article will focus on feed costs.

Determining Costs

As we attempt to determine our feed costs, we need to look beyond just the cost of purchasing feeds. We need to be concerned about our total, actual feed and feed-related costs, including those which pertain to the heifers, and to any feed that is wasted or spoiled.

To do this, we can't simply rely on market values. Instead, we need to consider all costs that are associated with the growing, harvesting, storing and handling of feed crops.

This includes a share of the mortgage, rent, real estate taxes, insurance, depreciation, interest, fuel, labor, repairs, utilities, etc.

Reducing Costs

There are numerous things we can do to reduce feed costs per cwt of milk produced.

1. Maximize the use of high quality, home-grown forages. Concentrates are necessary for supporting high levels of production, but so are high quality forages. Of the two, I'm most concerned about forage intake. Our goal is to maintain a normal rumen that functions at peak efficiency 24 hours a day. We also want to preserve dry matter intake. That requires a lot of high quality forage, such as young alfalfa, a balanced ration, and proper feeding techniques - more on that later.

2. Reducing feed purchases. In addition to helping maintain a more efficient rumen, one that produces more milk per pound of feed fed, the liberal use of good quality forages may also enable you to reduce feed purchases. However, be careful not to carry this concept too far; you don't want to short change the herd - and yourself - in the long run for the sake of saving a few dollars now. Purchase what is necessary to balance the ration, and to maintain herd health and reasonable levels of production.

3. Feed for reasonably high levels of efficient production. The precise level to shoot for will vary from farm to farm. Generally speaking, higher producing cows convert feed to milk more efficiently. The trick is to accomplish this while holding feed costs in line.

4. Cull low producers, avoid long dry periods and feed no more heifers than necessary. Low producers and non-producers run

up your feed costs per cwt of milk produced.

5. Raise only those heifers that have the genetic potential for improving your herd, and raise them in such a manner that will enable them to be growthy enough to calve at 23-24 months of age, weighing 1200 pounds (Holsteins). This requires a good heifer management program. It's better to do a good job with fewer heifers than to do a poor job with more.

This accomplishes several things. Larger heifers will calve with less stress and will produce more in their first lactation, and possibly in succeeding lactations. By calving earlier and producing more, heifers start making a profit much sooner in their life, they'll probably be in the herd longer, and they'll have greater returns over feed costs.

6. Balanced rations and feeding techniques also affect feed efficiency. Test forages frequently enough to pick up changes in quality, including moisture. Every dairyman should have his own moisture tester so he can adjust rations and control DM intakes.

A balanced ration and a recommended feed program is of little value unless the cows consume what is prescribed. And, the manner in which feeds are presented to the cow is very important to the rumen. TMR's have helped many dairymen overcome the inconveniences of keeping a mixture of fresh forages in front of the cows most of the day, and of offering concentrates to cows at frequent intervals.

As forage quality increases, fiber content decreases. So, as we feed high quality, finely chopped, ensiled forages, we may need to feed more of it to ensure adequate

fiber intake, or else add more fiber to the grain mix.

Feeding poorer quality, higher fiber forages to good milking, low testing cows isn't the answer. The fiber is less digestible. DM intake will be less and production will fall.

Save the best quality feed for the best producing cows; that's where it will generate the most returns.

7. Reduce the cost of purchased feeds by taking advantage of "good buys," bulk discounts, early payment discounts, etc. However, be careful not to forsake quality for price.

Consider the use of lower-cost by-products, as appropriate, and consult the services of a qualified nutritionist to advise you on how to use these products in your dairy ration.

Reducing Production and Storage Costs

1. Strive for reasonably high crop yields while also attempting to control production costs. Higher yields and longer-lived stands help to spread the overhead costs of land, crop establishment, and machinery over more tonage.

2. Reduce fertilizer expenditure by making full use of available manure.

3. Keep a lid on machinery costs. Consider leasing machinery or hiring custom operators, if appropriate, as an alternative to owning and operating your own machinery.

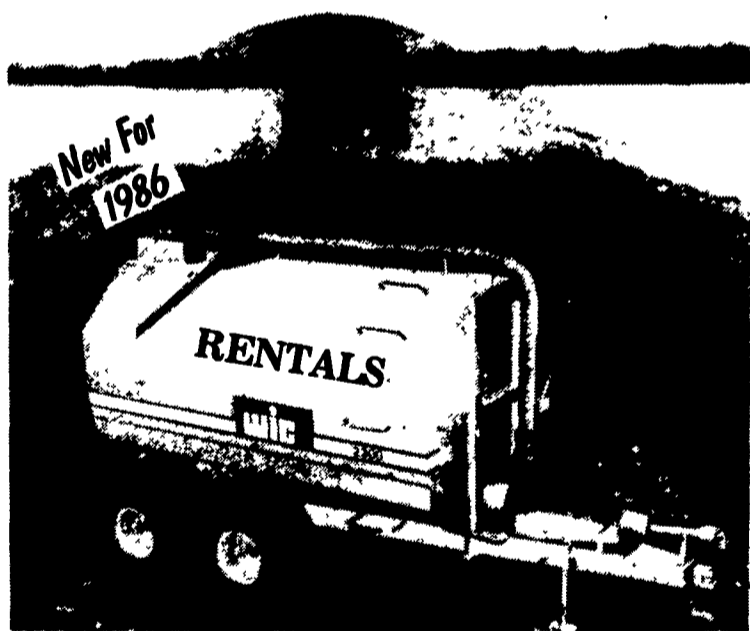
4. Evaluate the economics of leasing or farming a lot of acreage to harvest grain that might be cheaper to purchase.

5. Evaluate carefully, the costs and returns of new storage facilities. Are present facilities being used to their fullest poten-

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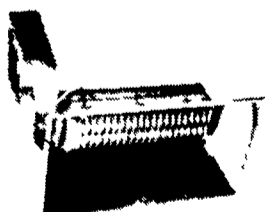
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