

# Coping With Lower Milk Prices

**GEORGE F.W. HAENLEIN**  
**Extension Dairy Specialist**  
**University of Delaware**  
**NEWARK, Del.** — Cheese on the National Cheese Exchange is Wisconsin recently dropped 20 cents per pound, resulting a price decline at the farm gate in this area of about \$2 per 100 pounds of fluid milk.

This translates into different income losses per 100-cow herd per month, depending on the level of milk production per cow per year as shown on DHIA reports. For an 18,000 milk pounds per cow herd the monthly income loss will be \$3,600.

Delaware DHIA dairy herds milked on average 19,127 pounds per cow per year in 1993. The highest herd had 25,911 pounds and the lowest 14,680 pounds — all Holsteins! — a considerable spread in the efficiency of producing milk and in cost per pound of milk.

Obviously, one cow with more milk has a lower maintenance plus production cost per pound of milk than the other cow with less milk.

The first way to cope with lower milk prices may be to increase milk level per cow.

What increase in milk production will make up for a certain drop in milk price? Given a \$2 drop, and if all other costs remain the same, it's necessary to increase milk per cow by 4,000 pounds in order to maintain the same level of income and profit.

This is an enormous increase, and one hard to achieve, except maybe through 3X milking or other extraordinary means, heavy culling, a much shorter calving interval, better heat detection or better sires.

The temptation on many farms is instead to add cows. But this never lowers cost of milk per cow! It only adds gross income per farm, while at the same time increasing feed costs, labor costs and veterinary expenses, and requires more room and facilities, including more feed bunk space. All of this could put a strain on the production level of the existing herd and lower it, thus increasing cost of milk per cow.

Because feed is the largest expense item in total milk production, it's important to evaluate on a regular basis the feed ingredients and their prices to find new cost savings without decreasing the daily level of required nutrient supply to each cow.

Regardless of the other tricky

details of ration formulation, the main concerns are and will be energy, protein, fiber and calcium. These can be supplied equally well and interchangeably by various feed sources, which will have different prices attached to them.

The following ration ingredients usually are bargains per pound of protein: brewers grain dry or wet, corn gluten feed, whole cottonseed, soy hulls, wheat middlings, and often alfalfa hay and high-quality grazing.

By dividing the price of feed per ton by its protein content or energy content, you can determine the price per pound of protein or energy unit for that particular feed. This gives you the opportunity to compare bargain feed buys.

The feed's fiber content must be low for the digestible energy content to be effectively high. But on many farms, the hay feeding is so little and the fiber length of the haylage or silage chopped so short that it becomes necessary to feed extra fiber length to avoid low fat content in the milk and displaced abomasum cases.

Whatever the situation, it is generally folly to decrease grain and protein feeding in order to reduce feed costs and maintain profitability. Even if the milk price was to drop to \$10 per hundred pounds and the grain supplement price was to rise to \$11 per hundred pounds, the milk income above total feed costs would still favor normal supplement feeding required to keep up high milk production levels.

The second way to deal with lower milk prices may be to continue to feed for high production but to shop for bargain feed ingredients.

What else can be done to cope with lower milk prices?

Count how many cows are milked by one person per hour on your farm. To calculate this, divide the total pounds of milk sold per day by the hours per day it took to milk that amount. Then apply the price of milk and the salary per hour to those totals.

You may be surprised at the figures you get on your farm and compare them to those on your neighbors' farms.

Some of these figures could be embarrassing when you consider that on some farms more than 100 cows are milked per person per hour, or more than 7,000 pounds milk per person per hour.

I have made these calculations for the DHIA herds in Delaware.

The third way for making more money may be to improve the milking labor efficiency.

And in the category of labor, what about feeding your calves? How many hours of labor does feeding calves cost per day?

We have reduced the costs here at the University of Delaware's dairy farm from two hours to 15 minutes per day just by converting to computer nursing. The result has been better nutrition, healthier calves and better weight gains. If you would like to know more about our automated system, ask for a video we've made. Just send me \$8 to cover the cost of the half-hour video, we have no financial interest or involvement in the electronic nursing system.

So the fourth way may be to take advantage of a profit opportunity by converting to computer nursing for calves.

Another way of coping with lower milk prices is the monthly milk and herd record-keeping ex-

penses as provided by DHIA or by computer milking systems. It doesn't make sense to try to save costs by discontinuing such record keeping systems. It's more likely the efficiency per cow will slip without the dairy farmer's knowing when, where, who and why.

It's a good idea to divide the monthly cost of DHIA by the number of cows (or by the pounds of milk per day) to determine your farms' record-keeping cost per cow and per hundred pounds of milk.

I have made this calculation for all our Delaware dairy farms on DHIA. Some of them pay almost twice as much per cow than some of their neighbors, and not necessarily for any good reason or benefit.

There are alternatives. If you don't milk your cows to sell dairy offspring or if you are interested only in a good milk income, then the bargain record-keeping system that still comes with an "official" tag is the so-called AM/PM system. You pay only for the milk tester to come once to your farm instead of both morning and night.

Is it less accurate than the traditional system of two tests per day? Not really, neither in fat tests

nor in milk pounds.

Most of my Delaware DHIA members on AM/PM claim the fat test is more on target than when two samples per day are taken. And milk yield varies from day to day per cow as much as any inaccuracy from AM/PM factor calculations. So, thinking you can feed your cows more accurately from two milk yield records per day than from one AM/PM record is also not true.

Thus, the fifth way may be to switch from regular DHIA to AM/PM. This can mean greater cost savings without sacrificing production efficiency and validity of record information. At least switch to APCS, which is two milk records but only one milk sample per day tested for fat.

Of course, changing from wholesaling your milk to retailing some or all of your milk is one more avenue for coping with lower milk prices.

Another is making value-added products, such as yogurt and cheese, for retail sale from your farm.

Still another way is alternative milking animals such as dairy sheep and dairy goats.

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