

DAIRY FARM MANAGEMENT BASICS

A Farm Management Course by
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Herd Management Strategies and Budgets - Article 10

Plan to succeed, then manage to succeed

As you develop a budget for your dairy, use realistic and conservative figures. Make sure your plan cash flows, even when purchased feed costs or interest rates go up or milk prices drop. If it doesn't cash flow, don't fool yourself by simply changing the numbers to make them look good on paper. Search for more profitable alternatives.

When the numbers cash flow well enough to meet your needs, put the plan into action and make it work in real life. If you have a good plan and used realistic numbers, if you keep your focus and pursue the plan with dogged determination, staying on course and meeting all the timetables, and if you make the figures work as planned, you will succeed.

As you think about managing your herd, keep some of these basic thoughts in mind

- Your dairy herd is a big investment. Cows are living, working assets. They are your primary source of income. You depend upon them as you go about your business of converting feed to milk. So, protect your investment. Protect your income base. Manage your cows so they can do the job you expect of them and reward you with a decent profit.
- Produce the maximum amount of the cheapest increment of milk possible.
 - Stall costs. Every stall in your barn has a cost, whether filled or not. We refer to these as the DIRTY 5 costs of depreciation, interest, repairs, taxes and insurance. See Table 1.
 - Basic cow costs. Once you put a cow in the stall, you incur another group of costs that are somewhat fixed. They remain about the same, no matter how much milk the cow gives. Some of these costs are labor, herd replacements, breeding, testing, veterinary and medical costs, dairy supplies and feed for that cow's maintenance and pregnancy if she is carrying a calf. It takes a certain amount of milk to cover these basic cow costs. The amount required will vary from farm to farm and from year to year, depending on milk prices and production costs. Then you have the cost of feeding the cow to produce this first amount of break-even milk, and all we've done so far is just break even.
 - Least cost, maximum profit increment. The next 10, 20, 30 or more lb of milk is THE CHEAPEST MILK YOU WILL EVER PRODUCE. GO FOR IT! About the only cost associated with this additional increment of production is the extra feed needed to produce the extra milk, all the other costs have already been paid for! One lb of feed dry matter has the capability of producing about 2-2.5 lb of milk, that is, IF the cow is given the opportunity to do it. This increment of milk production can provide a VERY GOOD RETURN on the feed.

dollar! Many times you do not have to feed expensive feed to get this milk just more of what the cow is already getting, assuming the ration is properly balanced

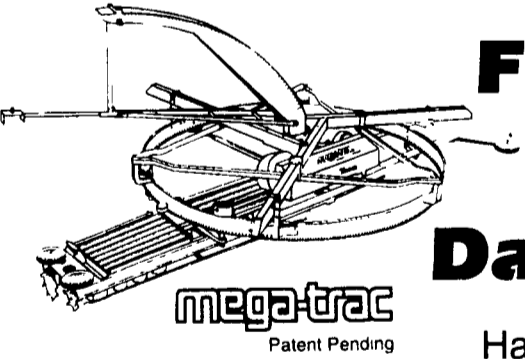
- The point of diminishing returns. At some point in time, the milk response to the added feed may start to diminish, not because of the cow, but because the ration is too low in fiber and too "rich" for the rumen, the feed may be of inferior quality, or maybe we are incapable of managing high producing cows. So, monitor milk weights, feed intakes, body flesh, cow health, etc. to determine where this cutoff point is for you.
- Feed profitable cows only
 - Don't waste scarce and expensive feeds on unprofitable cows.
 - Don't short change profitable cows, even when feed is expensive (see Table 1). Push the pencil and compare incremental responses to incremental costs.
 - Stretch available feed supplies by culling unprofitable cows, by drying low producers off early, by not raising excess heifers, by contracting heifers or buying replacements.
 - Young stock
 - Young stock are your cows of tomorrow, and tomorrow's cows will never be any better than the young stock you raise or purchase.
 - Manage your heifers, and your cows, to protect their lungs, their gut linings, their feet and legs, and their udders so you do not seriously nor permanently impair their future performance and your profits. Give them a chance to get into the profit zone.
 - Cost control measures and herd management practices that will help keep the herd in the profit zone. Some of these areas of management are listed below, and will be addressed in future articles.
 - Feeding and nutrition
 - Cow comfort and housing
 - Reproduction and genetics
 - Herd health
 - Culling and merchandising cattle
 - Herd replacements
 - The use of records to monitor herd situations and your progress.

Table 1 Incremental Costs and Returns

Last 10 lb. (1 lb DM) (produces) (1-2 lb Milk)	Extra costs include - Additional feed for additional milk - Costlier feeds & health care - maybe - Increased culling - maybe	REDUCED incremental profits		
Next 10-?? lb. (1 lb DM) (produces) (2-2.5 lb Milk)	CHEAPEST MILK TO MAKE !! Basic costs have already been covered About the only extra cost is - Additional feed for additional milk	BEST incremental profits		
F i r s t	B a s i c	Feed for the first milk (to break even)	NO PROFIT	
	M i l k	C o s t s	Feed for maintenance and pregnancy Labor Vet, medicine Herd replacements Breeding, testing Supplies	All income from this first milk is needed to cover all basic costs - just to break even
		Depreciation Interest (mortgage) Repairs Taxes Insurance	or Rent or Rent or Rent or Rent or Rent	The amount of milk needed to do this varies with prices and production costs

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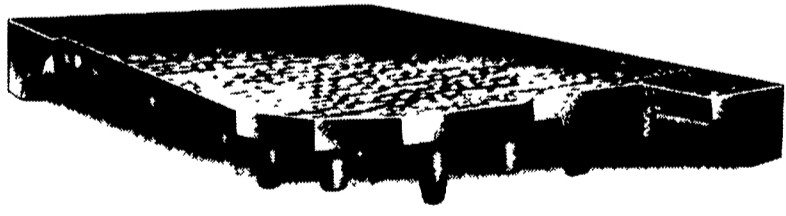


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