Glenn Carstens Peters / Unsplash

AGRI-BASICS, INC.

54 Brown Street • Elizabethtown PA 17022 • Vol. 23 No. 2 • June 2022

The Little Things Add Up In Profitable Dairy Management

Pay Attention to the Many Details of the Herd

by Mark Moore, *Successful Farming*

If you are managing your dairy herd solely from the farm's financial statements, you may be missing opportunities to maximize profitability.

"Dairy farm finances come as a result of managing the biology of the dairy cow well," explains Mike Lormore, head of U.S. cattle technical services for Zoetis. "That doesn't mean you don't need to have a good financial plan. In today's market, you absolutely need to understand how to use risk management tools. Ultimately, your financial outcome is going to be the result of the performance of your herd."

Lormore says today's producers don't need to be 20% better than their competitors. "To have a profitability improvement, sometimes you need to only be 1% to 3% better in several different key areas. Because that percentage is all at the margin in terms of your production, those are the most profitable outputs," he says.

Kevin Bernhardt, farm management specialist at the Center for Dairy Profitability at the University of Wisconsin, points to data collected from 2015 to 2018 throughout the state showing the significance of cost of production on a dairy farm's bottom line.

The information reveals a wide range between the costs of production for the top and bottom third of profitable dairies. For a herd size above 338 milking cows, the average cost of production in the top third of producers was $14.84/cwt. The average for the bottom third was $18.96/cwt, a whopping $4.12/cwt difference. In herd sizes from 73 to 129 cows, the average cost of production was $6.68 lower for the top third of producers compared to the bottom third.

"The difference is tremendous," Bernhardt says. "This means the top third of producers are putting a substantial additional amount of money in their pocket."

So why do the returns differ so significantly? "When looking at all the data, it was clear the producers who were doing the best job at lowering their cost of production were doing so across the board, indicating meticulous attention to detail," he says.

PROFITABILITY DRIVERS

To understand how dairy production measures correlate with the financial health of a dairy, Zoetis and Compeer Financial launched an ambitious study in 2014 that collected financial and production data from as far back as 2006 to determine exactly which metrics have the highest correlation to profitability. The ongoing study has collected 702 farm-year records from clients in the Upper Midwest, representing 118 farms, 90 total production variables, and an average of nearly six year-end records per farm. The average number of lactating cows per farm in the study is 1,217.

Initially, Lormore was a bit skeptical about exactly what the data would show. "We all know the factors that make money on dairies: get a lot of milk out of your cows, keep your cows healthy, get your cows bred, and get your heifers bred," he says. "What the study really has called out is the interrelationships between production variables and how they ultimately roll up to financial success or lack of financial success.

"Milk production is more than just what happens today in the milking parlor and at the feed bunk. It is the culmination of genetics management and breeding, excellent calf and heifer rearing, great health management, a focus on husbandry, and

continued on the back

continued from the front

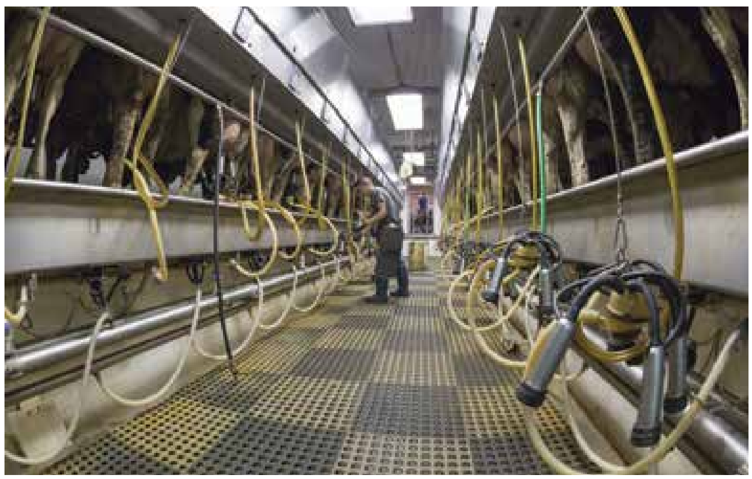
how to repeat those processes successfully over and over, every day of the cow's life," Lormore says.

Take heifer survival rate, for example. "If your heifer survival rate on one farm is 94% and on another farm it's 93%, that difference is not that big of a deal on a single-year basis. But if that performance level is maintained over a 10-year period, the dairy with the higher survival rate would have 11% more animals to deal with, and that means more total production power and more selection options," Lormore says.

The most recent data analysis has identified the drivers that directly impact net farm income. "What I need to stress is that all these factors are closely interrelated, so there's not one single action that's going to boost the bottom line," he says.

Aggressively managing bulk tank somatic cell counts (SCC) was a major factor in net farm profitability. For every 100,000 cells/ml increase in bulk tank SCC, milk yield declines 5.7 pounds per cow per day on all cows in the herd, according to the research. Herds with elevated bulk tank SCC had lower milk production, reduced pregnancy rates, and greater death loss.

IMPACT OF HEIFER MANAGEMENT



Healthy cows are more profitable cows, and the longer they stay in the herd, the more milk they produce. "The last pound of milk is always the most profitable," Lormore says. "High ECM (energy-corrected milk) herds also had an improved 21-day pregnancy rate, lower feed cost per cwt of milk, fewer days open, lower death losses, and reduced bulk tank SCC."

The study also indicates that both the top and bottom one-third of herds had impressive heifer survival rates. Lormore says paying close attention to heifer management impacts the farm in both the short and long term. Pregnancy rate is a key performance indicator for the reproductive performance in dairy herds. Herds with better milk quality had improved pregnancy rates and fewer days open, according to the study.

Lormore says the cost of cow turnover isn't just the difference between replacement heifer costs and the value of a cull cow. "You also have to consider the productivity potential of the cow being removed," he says. "First-lactation cows produce 15% less milk than second-lactation cows and 25% less than third-lactation cows. That means replacing an older cow with a first-lactation animal just because you have extra heifers represents a significant loss in productivity. It can be a huge drain on profits."

Having an active, engaged, and qualified workforce is imperative. "All data point to net farm income being positively influenced by a qualified, invested workforce capable of maintaining healthy lactating and replacement animals, maintaining efficient reproduction, and limiting involuntary culling and death loss," Lormore says. **The bottom line: Taking care of your most valuable asset – the cow – is critical in determining farm profitability.**

"There probably isn't a lot of information here that hasn't been shared before," Lormore says. "What really jumps out in our study is that each of these factors can have an impact on the others. Paying close attention to each aspect of the cow's production cycle can have a significant impact on a farm's long-term profitability."

Reprinted with permission from *Successful Farming magazine/Agriculture.com.*

Nutritionists

Herbert Bonnice Jr. **Tunkhannock, PA**
570.351.2724
hbonnice@gmail.com

Robert Davis **Christiana, PA**
610.470.5226
davisrobert243@gmail.com

Homer Eberly **Stevens, PA**
717.587.2581
hoeberly@windstream.net

Wilson Eberly **Ephrata, PA**
717.405.2397
wilsone@emypeople.net

Tom Good **Lititz, PA**
717.314.1638
tcgood5400@gmail.com

Dan Hillyer **Dover, PA**
717.891.5692
hillyerdan@comcast.net

Dare Lightner **Alexandria, PA**
434.294.6117
dare.lightner@gmail.com

Jim Longenecker **Christiana, PA**
717.278.3121
abjnklong@epix.net

Bob Nichols, DVM **Waynesboro, PA**
717.262.5013
bndvm300@gmail.com

Tim Rutledge **Reinholds, PA**
717.371.7667
abtim@dejazzd.com

Adam Zurin **Manheim, PA**
717.682.5103
azurin5001@gmail.com