



DEALING WITH HIGH FEED COSTS

Maximizing production continues to be the best way to deal with rising feed costs

By now dairy producers are all too aware that feed costs have increased dramatically. We all know that ethanol production is driving corn prices higher and other feed ingredients with it. For livestock producers, higher feed costs are squeezing margins, and almost every producer and their advisor are reevaluating feeding programs.

Since feed is the single largest variable expense on the farm, it is logical that lower cost alternatives are being considered. Many wonder if lower cost feeds would be more profitable, even if it resulted in a decrease in milk production.

Profit is the goal, not low feed costs.

When evaluating alternatives, producers should remember that keeping feed costs low is not the objective—profitability is. When feed prices are rising like they have been, it is critical for producers to think of Return Over Feed costs (ROF) versus feed costs on its own. DHI data (ROF program) as well as other published data clearly show that the best way to lower average feed costs per litre is to increase production. Herds with the highest return over feed almost always have higher feed costs per cow, but also have offsetting higher production per cow. Obviously price paid for feed is important, but not the major factor in feed cost and feed efficiency.

Regardless of feed prices, (and even more so when prices are high), managing for high production will almost always have a positive impact on the bottom line. Despite some debate that higher production results in higher costs in other areas, when comparing high production herds to average herds, data from CanWest DHI shows little difference in health and reproduction but a definite advantage in net revenue.

Why is that? Every cow has a maintenance feed cost. The first milk produced must cover that cost before any profit



is made. Does higher production (with its higher costs) provide more profit? Consider the return of the different production levels in Table 1. Higher production dramatically improves returns.

TABLE 1: REVENUE OVER COST OF PRODUCTION - PER COW
Assuming 3.8% Fat, 3.3% Protein

305 Milk (kg)	Revenue	Std Cost *	Net
5,000	\$3,146	\$2,496	\$650
7,000	\$4,404	\$2,900	\$1,503
9,000	\$5,662	\$3,305	\$2,357
11,000	\$6,920	\$3,709	\$3,211

* Standard cost includes feed, overhead and interest on quota – excludes debt, depreciation, management/owner salary and profit.

What happens when feed costs rise? Yes, profit is reduced for everyone, regardless of production level. However, high producing herds continue to be the most profitable as demonstrated in Table 2. While higher production cows have a greater cost difference as prices rise (since they consume more feed), they still make considerably more return than lower producers.

Continued on Page 2

Feed Costs (Continued from page 1)

What about milk components? Where is your herd at and do you know which cow is producing component rich milk? How much additional profit do higher components bring to the operation? Table 3 shows the return over costs based on various component percentages. Within SNF ratio limitations, every 0.1% of Protein adds \$50+ per cow per year. Every 0.2% of Fat (taking into account all the quota implications) adds \$65+ per cow per year.

TABLE 2: REVENUE OVER COST OF PRODUCTION - PER COW
Assuming 3.8% Fat, 3.3% Protein

305 Milk (kg)	Revenue	Std Cost *	Net
5,000	\$3,146	\$2,613	\$532
7,000	\$4,404	\$3,064	\$1,340
9,000	\$5,662	\$3,515	\$2,147
11,000	\$6,920	\$3,967	\$2,954

* Assuming grain price increase by \$100 a ton.

How many cows does it take to fill your quota, assuming you know how much fat each cow produces? A herd with 100 kg of quota requires 100 cows at 1.0 kg fat per cow/day; 91 cows at 1.1 kg fat per cow; and 84 cows at 1.2 kg fat per cow to fill their quota. Higher production will lead to fewer cows to feed and therefore, less of the feed going to cow maintenance and more for milk production. This leads to increase feed efficiency and the best way to reduce feed costs per litre, and increase profit.

TABLE 3: REVENUE OVER COSTS - PER COW
Assuming 9,000 kg at various component levels

% Protein	% Fat			
	4.0	3.8	3.6	3.4
3.0	\$2,265	\$2,197	\$2,130	\$2,062
3.1	\$2,318	\$2,251	\$2,183	\$2,116
3.2	\$2,372	\$2,304	\$2,237	\$2,169
3.3	\$2,425	\$2,357	\$2,290	\$2,222
3.4	\$2,478	\$2,411	\$2,343	\$2,276

The ethanol craze and high feed costs are likely here to stay for awhile. Remember that low feed cost is not what it's about - profitability is the name of the game. With feed, one of the keys to success is driving for high production so maintenance feed costs can be diluted as much as possible. Resist the urge to cut back on feed and discuss options with your feed advisor. Your cows and your bank account will thank you for it.



LATE IN REGISTRATIONS? WE CAN HELP!

We can register your calves/cows with Holstein Canada electronically on test day. If you already provide your breeding information to DHI, your DHI staff will only need the name of the calf, the NLID tag number and the management number of the calf to complete the registration application. Benefits include: Accurate, timely registrations at any purity level; No more paperwork for registrations; No more late fees for registrations; A \$3.00 Per-Application discount from Holstein Canada. Detailed information and DHI fees for this service are available from DHI staff.



For high production and the best return on your feed investment

Use DHI information to it's fullest:

- Identify and replace low component cows. Even with higher cattle prices, replacing a poor producer will pay off
- Identify udder health issues and improve where possible
- Use MUN information to monitor ration balance and rumen health
- If you're not on DHI, this is a great time to start!

Maximize dry matter intake. More dry matter intake usually means more milk produced. To do that, keep a close eye on:

- Cow comfort and stocking density
- Feed preparation, delivery and bunk management
- Heat stress management
- Disease incidence
- An adequate supply of quality, fresh water

Other suggestions:

- Consider 3 times-a-day milking to increase production and improve feed efficiency. Of course, labour costs and/or quality of life should also be considered
- Manage your breeding program so your herd is at a good average days in milk (DIM), which will help sustain a good herd average production
- Manage for calving heifers at 24 months. Past that point they are eating expensive feed with no return to you. Data clearly show that calving heifers past 24 months does not contribute to higher 1st lactation production or increased lifetime production
- Optimize the quality of home-grown forages and reduce storage waste
- Test your forages regularly and adjust the ration accordingly
- In consultation with your advisors, consider the use of less expensive by-products
- Consider feed-grouping your animals to avoid over/under feeding
- To improve accuracy and reduce waste, consider the use of on-farm feed management software such as *FeedWatch*®

Each farm is different, so work closely with your advisors to identify your farm specific bottlenecks and opportunities.

CHAIRMAN'S MESSAGE

Challenges and Opportunities



John Bongers, Chairman

Running your own business involves a series of challenges and opportunities on a daily and yearly basis. Dairy farming is certainly no exception to this. This year some of us faced the challenge of extremely dry periods while I'm sure others had problems with too much rain or rain at the wrong time. None of this is new. We deal with it every year to some extent and we've all learned to adapt and find strategies to lessen this challenge.

This was also a year with opportunities. Those of us in the cash crop business have seen prices that have not been attained in a long while. Those of us in the dairy business have seen several quota increases and incentive days. However, in this opportunity lies a challenge, how do we respond to this growing milk market while at the same time try to manage feed costs in an era of record high grain prices? Challenges and opportunities, they seem to go hand in hand.

As dairy farmers, we have a great asset to help us manage this challenge. As you read through this article of the Catalyst you will find tools and suggestions that will assist in managing this challenge. The team at DHI have spent years compiling data on feed cost versus milk production. The knowledge gained from this data along with feed testing, milk testing, and solid advice from your nutritionist will ensure that you will get the most out of your feed dollar by maintaining optimal milk production.

As fall folds into winter and time spent harvesting turns into more time spent with family and friends, we at CanWest DHI wish you the best the upcoming season has to offer, particularly health and happiness to you and your family.

A handwritten signature in black ink that reads "John Bongers". The signature is fluid and cursive, written in a professional style.

John Bongers is a Dairy producer from Leeds county in eastern Ontario

Health Information (Continued from page 6)

lactation. This information is valuable to determine if there are trends in the occurrence of a particular health event.

Treatment information can be added to the health event when entered in Dairy Comp, which can provide the benefit of tracking withhold times for treated animals in the herd.

The health information entered into Dairy Comp on the farm can also be accessed by the herd's dairy advisors using Dairy Comp. They can make valuable use of health event records to gain a better picture of overall herd health or to help monitor the quality of health and nutrition programs.

One key component of health data recording is to use consistent definitions of the health events that are recorded as well as recording ALL of the health events occurring in the herd. Producers have received a laminated sheet providing definitions of the key diseases and we recommend everyone use these to allow better benchmarking. They are encouraged to work with the herd veterinarian to ensure consistent and on-going data collection.



Good health event recording in your dairy herd provides valuable information that can be used to make better herd management decisions in your herd today. Genetic evaluation will also use these records to provide future benefits to the dairy industry. Dairy Comp is an effective tool to manage the health event information in your herd.

REGIONAL NEWS

ONTARIO

2008 Herd Management Conference

January 15, 2008
Winchester Community Hall
Winchester, Ontario

January 16, 2008
Tavistock Memorial Hall
Tavistock, Ontario

January 17, 2008
PMD Community Centre
Drayton, Ontario

Regular Price: \$45.00

Early Bird Price: \$35.00 (Plus GST)*

Pre-registration required by January 7, 2008

*\$20.00 fee will be charged for 'no-shows'

PRICE INCLUDES ADMISSION,
LUNCH AND CONFERENCE PROCEEDINGS

For more information, please call 1-800-549-4373

CanWest DHI Ontario Region Annual Meeting

Tuesday, January 8, 2008
1:00 PM to 5:00 PM
(Registration at 12:00 PM)

The Fairmont Royal York,
100 Front Street West, Toronto, ON

Joint DFO/DHI Technical Session:
Wednesday, January 9, 2008

*The DHI Annual Meeting is attended by DHI delegates,
however, it is open to all Ontario dairy producers.*



Monitor your Herd's Health

Maintain a healthy herd and improve profitability. Milk test for Johne's and Leukosis disease available from DHI.

MAKE SURE IT'S RIGHT.



Milk Urea Nitrogen (MUN)

For more information on how MUN analysis can improve your bottom line, talk to your nutritionist, veterinarian, DHI staff or call DHI Customer Service.



CanWest DHI wishes
you and your family
a happy holiday season, and a
prosperous and happy new year!

Use your **SCC AND** Linear Score Results

EWEN FERGUSON, DVM

On your DHI SCC reports, the somatic cell count (SCC) and Linear score (LS) for every cow is reported. Your bulk tank (or herd average) SCC and LS is estimated using a weighted average of SCC contribution by individuals. The fact that both measures are reported suggests that they should be useful, but how many of us struggle with the interpretation of these numbers?

Linear Scores were introduced to address two specific short-comings of SCC. First, the average LS makes interpretation and comparison of overall milk quality much easier by smoothing out the impact of a few high SCC contributing cows. Second, LS are strongly associated with milk loss, making it easier to estimate the financial consequences of your udder health status (Table 1).

Table 1

Milk loss/lactation (kg/cow)	Cow SCC Midpoint range (000's)	Cow Linear Score	Herd LS
0	0-25	1	1
0	25-50	2	2
180	50-100	3	3
360	100-200	4	4
540	200-400	5	5
720	400-800	6	6
900	800-1,600	7	7

From (Shook, Proceedings of the NMC 1982 Arlington VA) & (Fetrow et al. J Dairy Sc. 1988)

Linear Scores are compared to SCC using a mathematical formula. Each time the Linear Score increases by one, the SCC doubles. Investigation by Fetrow et al. found that the Linear Score scale, for individual cows, is offset by one point, when compared to a Herd LS.

For example, if we use a SCC of 200,000 as a cutpoint, cows below this level are considered to have good udder health, cows above 200,000 are at risk of subclinical mastitis. Similarly, we can use a cow LS of 4 or a Herd LS of 3.0 as an indicator of udder health, but now we have the added advantage of measuring milk loss from scores above our target level. In this example, the estimated milk loss of 360 kg in a lactation applies to an individual animal with a LS of 4.0 or as an estimate of the average loss to expect from each animal in a herd with a herd average LS of 3.0.

When discussing changes in udder health between months or comparing between herds, we generally talk about bulk tank SCC. This number is susceptible to large SCC contributions from individual cows and does not accurately reflect the majority of your herd.

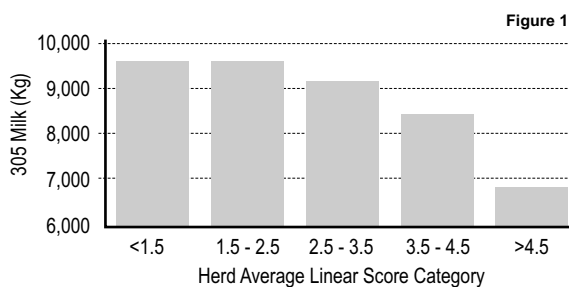
Take for example a pen of 10 fresh cows (Table 2). At both their first and second test, the average SCC is 400,000. After the first test, this producer investigated

the cause of the elevated SCC and decided to treat cows as required. Comparing the two tests, the estimated average SCC would suggest that this producer's investment did not pay-off. However, looking at the change in average LS for the herd, (5.0 and 4.1) we would conclude that the intervention resulted in a potential increase of 180 kg milk/cow. This interpretation would support continued focus on udder health.

Table 2

Cow	SCC (000's)	LS	SCC (000's)	LS
A.....	400	5	100	3
B.....	400	5	100	3
C.....	400	5	100	3
D.....	400	5	100	3
E.....	400	5	100	3
F.....	400	5	100	3
G.....	400	5	200	4
H.....	400	5	800	6
I.....	400	5	800	6
J.....	400	5	1,600	7
Average	400	5	400	4.1

If we extrapolate these principles to 4200 CanWest DHI herds in 2006 and compare raw 305 Milk values with herd average Linear score, the correlation between increased LS and decreased milk production is apparent (Figure 1).



Notice that the herds with LS average 2.5 and above have lower production. This graph does not show a causal relationship, however it does support the association between high producing herds doing a lot of things right, including maintaining high udder health.

From a regulatory point of view we are aware of the consequences of elevated Bulk Tank SCC. In many herds, and at certain times of the year in all herds, we have accepted any SCC below the penalty range as satisfactory without further investigation. Understanding that LS ties udder health to potential profit, should serve to motivate each of us to monitor and improve udder health. It's more than treating individual cows – it's having a top udder health management program.

Good Recordkeeping – How DHI can Help

One of the frequent chores of the Customer Help staff and Data Edit Staff is correcting dates for cows. That is, calving dates, breeding dates, sold or died dates. The inaccurate recording of these events is a source of frustration for both dairy producers and DHI alike and can cost you money if you are registering calves late, having to make changes to registrations or feeding your cows based on incorrect information.

Changing the pattern of having half a dozen different books and pieces of paper floating around with information for test day is as simple as asking your DHI representative for a CanWest DHI Herd Event Log Book or Herd Event Recording Calendar.



Distributed by your DHI Field Staff, the Log Book and Calendar contain recording sections that meet the requirements and standards for record keeping set by the Canadian Dairy Breeds, Canadian Quality Milk Program (CQM) and the National Livestock Identification Program (NLID).

Each of these record keeping tools contains space for entries concerning Calving and Functional Traits, Purchased Animals, Breeding and Pregnancies, Sold or Died Cows, Health and Treatments, and Dry

Cow and Dry Treatments. The Calendar shows you the current, previous and coming months while the Log Book enables you to enter information sequentially as it happened in specific sections.

Having your herd's events recorded in a single place helps you, your DHI Field Staff, your A.I. representative and your herd health specialist by keeping information accessible and consistently in the same format. The chance of error is lower when data is maintained in this reliable manner. Properly maintained records can also reduce the time spent on farm by some of your herd's advisors which may result in a reduction of the cost of these services as well.

Speak to your DHI Field Staff about how you can benefit from these record keeping tools.

2008 HERD EVENT RECORDING

The 2008 CanWest DHI Herd Recording Calendar/Herd Event Log Book are great ways to record herd events such as calvings, breedings and dry dates. These recording tools provide space to record all health treatments in the herd, a requirement of the Dairy Farmers of Canada's Canadian Quality Milk (CQM) program. Both the Calendar and Log Book are approved recording systems for the CQM program in all provinces.

Customers will soon be receiving calendars or Log Books from their DHI Field Staff. All non-DHI producers can contact their provincial milk agencies to inquire about Log Books.

Managing the Health Information of Your Dairy Herd

Health event information can be used by dairy producers and their advisors to make important herd management and culling decisions. The National Health project is placing emphasis of health event recording for genetic evaluation purposes which in the future will allow producers to breed for healthier animals. The DHI system has been updated to include the calculation of health benchmarks and the creation of a herd health summary report

Using Dairy Comp software is an excellent way to record and monitor herd health and disease incidence in herds. Dairy Comp allows producers to enter many types of health events for animals in the herd. Entry of this information into your computer is menu driven, making the recording process quick and easy. Dairy Comp stores the health event information entered on the animal's record for life.

Complete health event records will allow producers to effectively monitor incidence of disease over time. Dairy Comp compiles all the health information recorded into a summary table, where total number of occurrences of all health events recorded for the past year is shown. Health event records are broken down by occurrences per month or stage of

Continued on Page 3



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