



DAIRY NEWSLETTER

JANUARY 2012

Repeat Users to Receive Price Discount

Due to the success of the program, and to reward repeat users, Profit Profiler will have a lower price for those who do more than one analysis in a 3-year period. Effective October 1, 2011, any herd that had done an analysis for either of the previous two fiscal years will receive a \$100 discount from the price of their next analysis, regardless of who does the analysis.

For example, if you plan to do 2011 fiscal year and your previous analysis was either for the fiscal year 2010 or 2009, then you will

automatically receive the discounted price. If it was 2008, it does not apply.

The advantage of doing it at least every other year is that you can see the progress you have made and know if the changes you implemented had a positive effect.

If you have done an analysis in the previous two years, DHI will be contacting you after your fiscal year end just to remind you of your options with respect to another Profit Profiler analysis.

Feed is your largest cost – how can savings be made?

For most herds, feed is the single largest cow expense. The average feed cost of the 55 herds which completed either the 2010 or 2011 Profit Profiler analysis to date was 24.8% of milk revenue (or about \$1,790 per cow per year). However there is such a wide range in feed cost across herds, 18-28% for all herds (25-90 PCTL), and even wider for smaller herds (17-31% of milk revenue).

For the complete group, feed cost breakdown was 66% purchased feed and 34% home grown feed. Every herd is different in their makeup, but the average overall feed cost amounts to about 45% of total cow costs. With that amount of investment in feed, making sure it is fed accurately and properly should be a high priority. On many farms it is not.

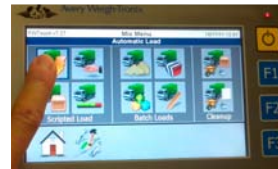
“Experts” say that between the field and the cow’s mouth is a 15-25% loss in feed volume and value. Capturing some of that back seems to be a reasonable goal. So what can a dairyman do about this that will have a financial impact?

One thing to remember about an expense is this: feed, like any other cost, is really an INVESTMENT to produce profit. If money is invested in something like feed that brings a greater return than the cost of the investment, then that is a good strategy. From that perspective, there are two ways to improve profitability; reduce the expense with no detrimental impact on the revenue, OR, increase the revenue with the same or slightly higher investment.

How can we safely reduce costs or increase revenues? Making sure you are monitoring your feeding program to assure that accurate weights and dry matters are being fed, making timely adjustments, recording

and checking what was done compared to what was expected is the basis of these systems. This can be done by the herd manager developing a SOP for feeding, recording key measurements on paper and using a spreadsheet to do “the math”. It takes a bit of time to set up the process and the discipline to record daily what is happening but it will help identify when things go wrong. Any size of herd can do this.

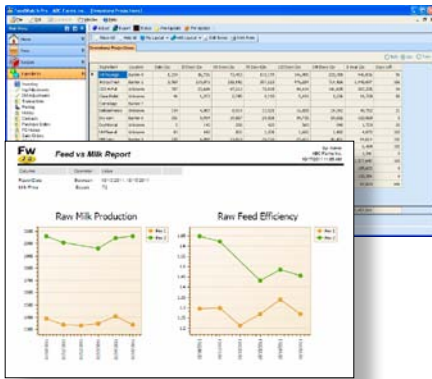
Technology may hold an easier solution for some larger herds. New products like VAS’s FeedWatch™ (available from CanWest DHI), and other similar computerized systems allow a dairyman to set the recipe for the ration and the computer monitors the weights of the feeds going into the mixer, providing a more consistent ration delivered each day. More consistency means less waste as well as higher production, because the worst thing for a cow is delivering rations that are always different.



The **FeedWatch™** system attaches to mobile mixers or stationary mixers and provides complete control over what is mixed, how it is loaded into the mixer and how it is fed. In addition the reports allow the manager to see what has happened compared what was supposed to happen. The herd manager enters the rations and feeding criteria

into the computer program and the feeder indicates which group is to be fed. The computer program shows the feeder which feed is next to be added and how much is to be added to the mixer box. The display

This newsletter outlines some of the results and issues we have found with Profit Profiler. To discuss anything, please contact Bill Grexton at 1-800-549-4373 ext 254. For more information about the program, visit www.profitprofiler.ca.



on the side of the mixer counts down the weight as the feed is loaded, resulting in more accurate mixes and more efficient use of time and resources.

Technology costs money, but if used wisely, can save a lot, or provide the opportunity for greater production

Thomas Wynker, a dairyman in the Fraser Valley of British Columbia, has installed two FeedWatch™ systems, one for cows, and one for heifers. When asked how long the payback period was on the investment, he said "Only a couple of months. With the feed savings and production response, it was one of my best investments."

Ringia Farms at Lakeside, Ontario installed the Jamesway computerized batch system last year. It consists of a stationary mixer, a conveyer system and the computer controller. Rations are loaded into the computer by the advisor or manager and all the feeder has to do is enter



which ration and how many cows are to be fed.

Family member Jan Mulder says they have seen three key benefits: **Convenience**; they just punch in that 'Ration X' is next, and with no human input, the system selects all the feeds and mixes them while they are delivering the last

load. **Less waste**; one of the first things they noticed was that a load of Soymeal went farther. As Jan says "A load used to last 8 weeks, now it lasts 9 or 10 weeks with the same number of cows. I didn't realize how inaccurate we were with the mixing process or the waste we had. We thought we were very close with our weights, but apparently we were not." **Consistency**; they now have a consistent ration and see consistent milk tank weights. "Tank weights don't fluctuate the way they used to. In addition, overall milk produced and sold per cow has increased significantly."

Every nutritionist will tell you that the two keys to getting maximum production is to feed the right ration, and to feed it consistently. When feeds change or conditions (like rain) modify the feeds, the ration needs to be adjusted. Most computerized programs like these two can make those adjustments. Some do a lot more! When asked what they like, most users talk about the ease of use with these types of programs as well as "not having to do the math" when cow count or dry-matter changes. The computer handles all of that.

What does this mean?

Let's look at some math for a minute. 150 cows X \$1,790 per cow is a feed bill of \$268,500/year. If there was a 5% savings because of the use of technology, that amounts to \$13,425/year. Over a 5 year investment

window, an initial outlay of \$12,000 (FeedWatch™ cost) would yield 550% /year return on the investment. That is a pretty good investment!

What is the other impact? More consistent rations will usually result in more milk. How much would an extra ½ kg more milk-per-cow amount to? (most people report more than ½ kg increase). With a milk revenue of \$76.60/hl, and a margin of 45% over all cow costs (Profit Profiler averages), that 1 kg would amount to additional profit of \$25/day for that 150 cow herd (or \$9,100 per year).

What else do you get from these systems? **More control!** Reports generated show what is actually happening during feeding compared to what was supposed to happen. In addition, they can show intake, return over feed costs based on production, etc. The farm manager now has control over a part of the business where there was almost no previous control. Managers need to manage. Now they can.

It is a good investment in time to look into what this technology could mean to your farm. Even smaller herds can achieve some of these advantages with pen and paper.

Changing Your Chart of Accounts

With a new fiscal year starting for a lot of dairymen, now is the time to modify your chart of accounts. Make sure the way things are recorded in your bookkeeping program allows you to get back information that in turn will help you to make good management decisions.

If interested, you can download a suggested Chart of accounts from the Information Page on the Profit Profiler website.

INVOLVEMENT WITH PROFIT PROFILER

In addition to CanWest DHI, the Advisors listed below can provide this service to you. Their personnel have been trained to collect the information and explain the results in accordance with DHI requirements. ALL INFORMATION RECEIVED IS STRICTLY CONFIDENTIAL and is not shared with any other person other than your specific program certified advisor. For more advisor information, please visit www.profitprofiler.ca.



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