

Cost of Feed heads higher

Drought conditions spell higher feed costs for upcoming year

Maximizing production continues to be one of the best ways to deal with rising feed costs.

After the rise in grain prices of 2007 and 2008, livestock producers had seen a bit of a reprieve. Well, prices are estimated to rise again through the end of 2012 and into 2013. To blame: a hot and very dry summer through most of North America.

For livestock producers, higher feed costs mean smaller margins and working with their advisors and 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.

When evaluating alternatives, producers should remember that keeping feed costs low is not the objective – profitability is. When feed prices are rising, 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 or per kg of fat,



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.

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. 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.

What about milk components? Where is your herd at and do you know which cow is producing component rich milk and more importantly which cows are not? Selling milk at higher components and best possible ratio can really add to your bottom line. 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. Of course, protein to fat and SNF ratios also has to be considered in order to maximize your milk cheque.

Higher feed costs may become the new normal, as weather patterns become more unpredictable and feedstuffs are used for ethanol and other uses. 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.

Chairman's Comments



This summer was certainly a reminder of how we, as farmers, are at the mercy of Mother Nature. Severe drought conditions in many parts of North America will make it a devastating year for many cash crop producers and a challenging year for livestock producers.

For us in the dairy business, our revenues are likely to remain stable, but our production costs will increase significantly, resulting in shrinking margins. The name of the game will be to maintain production while improving our

efficiencies, in particular feed efficiency. Over time I believe the dairy industry will be under increasing scrutiny and pressure to improve our feed efficiency, and in turn reduce or minimize our carbon footprint.

A few years ago I heard a speaker say, "A dairy farmer has two opportunities a year to be more profitable. When we make first cut and when we make second cut. The better job we do with making forages the lower our feed costs will be for the year." That is very true and producing high quality forages is where efficient feeding starts.

On the genetic side of things, our ability to select for improved feed efficiency is difficult. In the future we may see some progress on this front, but nothing is eminent. It then comes down to what we can do from a management perspective.

As well as we do today, I think improvements are not only possible, but necessary. I encourage all producers to work closely with their team of advisors and make feed efficiency a priority. Use all available tools and expertise. DHI offers many tools that you can take advantage of. From base milk testing, to MUN testing, to FeedWatch TMR software, to lowering your SCC, making full use of what is available from DHI can help.

We have no influence on Mother Nature, but we do control how we manage and feed our herds. Driving for improved feed efficiency not only helps our industry as a whole make better use of feedstuffs and reduce our carbon footprint, but also means improved profitability. That's a win-win opportunity we should not pass.

Best of luck with your fall harvest and with the feeding challenges that lie ahead.

Ed Friesen, Chairman, CanWest DHI

Ed Friesen is a dairy producer from Kleefeld, Manitoba.

Optimize Feeding with TMR Software

FeedWatch can help reduce waste and improve your bottom line. With rising costs, measuring and managing the feeding process is critical. That's where a tool like FeedWatch can pay off in a big way.

FeedWatch feed management software is a simple, yet powerful tool to help improve and optimize on farm TMR feeding. The software has been in use in the U.S. and internationally and is being marketed here in Canada by CanWest DHI.

Using FeedWatch involves the installation of the software on a PC, and some hardware on the TMR box. From there, feeding pens, pen counts, ingredients, dry matters, rations can easily be created and continuously updated in the software, which then sends that information wirelessly to a scale indicator and large LED display mounted on the TMR box. The large display allows the feeder to accurately prepare the ration, ingredient by ingredient, and then assists to accurately deliver feed pen by pen as needed. Actual feeding data is then automatically recorded and transmitted back to the office computer for easy record keeping and data analysis.



The large FeedWatch display allows the feeder to accurately prepare the ration, ingredient by ingredient.

From easy Dry Matter intake monitoring (with the ability to factor in weigh backs) to complete feed costs calculation and analysis, FeedWatch provides those numbers at the touch of a key. Another important feature is the ability to track ingredient inventories and the monitoring of losses and shrink, which can be significant.

Simply put, better feeding and reduced waste is what FeedWatch is all about, and that means increased profits.

For more information on how FeedWatch can help you manage your feeding for improved profitability, call us today at 1-800-549-4373 or visit www.canwestdhi.com.