SPRING 2007

Managing high feed prices

If you've ever wanted to be part of history, now is your chance! While this won't be news to you, grain prices have reached their highest level on record for Australian farmers. On top of this the volatility in the market is also as high as we've ever seen it. So, what are the options? This newsletter covers some of the key issues with feed budgeting and planning for the next 12 months. It is very important to assess the situation early and get a plan together. You may need to get a consultant in to give you a hand. The earlier you create a plan and put it into action, the better off you will be.

Weston's 10 point plan

1. **GOALS** - Be clear about what you are trying to achieve on the farm in the short, medium and long term. You need to have a farm plan (business plan because you are running a business remember), with some desired outcomes. This will help you stay focused on getting the job done, regardless of the challenges. And, write the plan down. If it is on paper, it is far more likely to be achieved.

2. **FEED REQUIREMENTS** - Work out your feed requirements for the farm, including milkers, drys and heifers. This involves working out the numbers of stock (of each class) you are likely to have each month. Then working out how much they need to eat to meet their energy requirements (maintenance, milk production, foetal growth, walking, weight gain etc..).

3. **FEED ON-HAND** - Assess what you have on hand (homegrown or purchased hay and silage) and realistically estimate what you can grow over the next 12 months with the water that you have available. It is incredibly important to ensure that whatever water you have is growing the maximum amount of forage. Plan to grow as much surplus feed for hay and silage as you possibly can. Corn and forage sorghum are two of our most efficient water users.

4. **PURCHASE FEED** - Buy or contract any extra forage that you need. Don't procrastinate at this point. Collect as much good information as you can and play the probabilities. Waiting for prices to come down is likely to do more harm than good. Make sure that you allow for wastage and work in terms of dry matter – because that's what cows eat. Bear in mind that some of the feed options might require you to have a mixing wagon (this is discussed further later on)

5. **TEST FEEDS** - Have it all tested. If we can't measure it we can't manage it. There are a lot more unusual feeds floating around at the moment and if we are going to get the best out of them, we need to know exactly what we are working with. Feed tests also give us information about the value of the feed, not just the cost. Remember that 'cheap' feeds can turn out to be quite expensive if they don't get the right response from the cows. You need to focus on 'value' for money - $/kg MJ ME or $/kg CP etc.. But be careful that the promised energy and protein is actually available to the cow – if you have questions about this contact one of the Westons nutritionists. The cost of testing is insignificant compared to the return (Weston's clients get a limited amount of forage testing done free so talk to your local sales rep)

6. **BALANCE** - Balance the ration to ensure maximum feed conversion – use the Weston's team of nutritionists. An example of feed conversion efficiency is to consider two individual cows, both of which are producing 25 L/cow/day (components also the same). Cow 1 is eating 17 kg DM and cow 2 is eating 18 kg DM. While both cows are producing the same amount of milk, cow 1 is producing a bigger margin over feed cost because it is consuming less feed to produce the same amount of income. Make sure that you select the pellet that gives the best response in your situation. This will help ensure that feed conversion efficiency is maintained.

7. **SPLIT THE HERD** - Consider splitting the herd, allowing you to improve feed conversion efficiency by feeding the best quality feed to the highest producing cows (remember that high fibre forages never produce as much milk as low fibre forages, regardless of the amount of pellets we throw into the ration – this is to do with fibre digestibility and flow rate through the rumen). This is not suggesting that you can starve the stale cows, but they can do it a little tougher for a while as long as they still dry off in good condition for next lactation.

8. **MINIMISE WASTAGE** – the importance of minimising wastage cannot be stressed enough. If you have ever considered buying some extra hay feeders (particularly those with the hoops on the sides to minimise wastage) this year would be a good year to do it. If you are paying $300/t for hay and feeding it out in the middle of a paddock, it is costing you around $470/t dry matter down the cows throat (depending on the figure for wastage that you use – 25% in this example). Alternatively, you don't need a fancy feedpad to minimise wastage – simply feeding under a fence can halve wastage.

9. **PREG TEST AND CULL** - Preg-test and reduce the number of passengers in the herd. Any cow that isn't pregnant when she should be, and is barely making a margin over her feed cost, needs to find a new home. You will get a far better response from feeding her food to one of the fresher cows. Avoid the temptation to simply unload the young stock. The bottom third probably won't make a second lactation anyway but these are the only ones that could be on the list. If you have a long-term view of being in the industry, you will need to keep young stock. Once you are keeping them you need to feed

them to ensure that they are well grown and can hit the ground running when they enter the milking herd.

10. **SORT OUT FINANCES** - Talk to the bank and creditors and get their support – be as honest and as up-front as you can and keep them up-to-date with the plan as you go. In discussions with some farmers who fared as well as anyone over the past 18 months, one of the stand-out messages is to keep paying everyone a bit of money each month. If you lay out a plan and stick to it, most creditors are understanding about the situation. If you don't communicate with them and don't appear to be making an effort to pay the bills, they can make life a lot harder for you.

Maximising production

It is important to maximise income, and the only way to do this is to keep the cows milking to their potential. In the last newsletter we looked at peaking cows as high as possible, in order to have more options for the summer period. After peak, we can expect cows to decline at the rate of 10% per month in milk production. If we use this litreage as our target (more is better, particularly this year), we can balance rations with whatever feed sources you can get hold of to try and keep feed costs as low as possible.

The idea is to make cows milk to their potential to reduce the proportion of feed that is going to maintenance (the biggest fixed cost on any dairyfarm), but at the same time ensure that they are getting as much as possible out of the feed they're eating.

A 600 kg friesian requires 7 kg DM for maintenance, regardless of whether she produces 15 L or 30 L a day. After maintenance, every additional kg should yield 1.9-2 L of milk, assuming that the next kg DM maintains the ration balance. This means that the more milk a cow produces, the more efficient she is at converting feed into milk. Check out the numbers below:

15 L	**30 L**
7 kg DM maintenance	7 kg DM maintenance
8 kg DM milk production	15.6 kg DM milk production
1 L milk produced per kg DM eaten	1.3 L milk produced per kg DM eaten
$6.20 feed cost ($350/t less concentrates fed)	$10.60 feed cost ($400/t)
$7.05 milk income (47 cpl higher components)	$12.60 milk income (42 cpl)
$0.82 margin over feed cost (MOFC)	**$2 margin over feed cost (MOFC)**

Note: The feed cost includes 15% wastage – it is a real cost that needs to be factored in here.

Now have a think about what it costs you to run the farm outside of feed costs. Think about herd and shed costs, labour, fixed costs, finance costs etc.. If you were to add these up and divide them by the number of cows you are milking and then divide the per cow number by a 305 day lactation, you will get the margin over feed cost required to pay the other bills. What is your number? Can you afford to have cows only producing 15 L per day? If the same cow was producing 30 L you could be making a profit this year.

It is really easy to focus on the cost of feed this year, but cutting back isn't necessarily the best option. For some farms, feeding more is the only option!

Feed pellets in the whole-farm scenario

Now let's move onto a whole-farm scenario. Consider a herd of 250 friesian cows producing 7000 L/cow, eating 1.8 t grain per cow per lactation.

	2006/07	**2007/08**
Milk price	32 cpl	42 cpl
Milk income	$560,000	$735,000
Pellet cost/t	$365/t	$485/t
Total pellet cost	$164,250	$218,250
Margin over pellets	$395,750	$516,750

This means that if you maintain the same pellet feeding rate as last year, your margin will be over $100,000 more. This is due to the rising milk price. The milk price has gone up by a greater percentage than the feed price, therefore, the margin over pellet cost has actually got bigger. This is difficult to swallow when you are looking at the grain bill each month, however it is all about how you look at it. You will need to resist the temptation to simply slash the biggest bill – the feed bill. Without feed, your income-producing assets aren't going to function too well. Don't kill the goose that is laying the golden eggs!

Notes on wastage

Compare wastage on cereal hay at $300/t fed out in the middle of the paddock (typically what we see) vs pellets at $500/t fed in the dairy.

Cereal hay	Pellets
8.5 MJ ME/kg DM	12.5-13 MJ ME/kg DM
8% crude protein	12-18% crude protein
60% NDF	14-26%
25% wastage	5% wastage
$450/t DM down the throat (45 c/kg)	$590/t DM down the throat (59 c/kg)
5.3 cents per MJ ME	4.6 cents per MJ ME
0.56 cents per g crude protein	0.42 cents per g crude protein (14% CP)

Other considerations include:

- degree of difficulty in feeding out - hay = time feeding out with side-winder etc.., pellets = pull cord or push button in the dairy
- ability to source – hay = make many phone calls and deal with carriers and merchants vs pellets = one phone call to customer service
- feed quality variability – hay = need to feed test because it's all different vs pellets = quality assurance programs ensure you get what you paid for
- technical assistance – hay = limited chance of being offered technical assistance vs pellets = nutritionists available on the phone and for farm visits

This is not suggesting that you can feed only pellets. Clearly there is a need for both physically effective and fermentable fibre, so we need to ensure the diet is always balanced. However if you are making a decision simply on price, rather than on balance, you need to think about what is going to provide you with the greatest bang for your buck. Ie. what is the best value? Remember it isn't always going to be the cheapest option.

Options for feeding more pellets safely

If you have prepared the feed budget and want to feed more pellets, consider the following options:

1. Split the herd and only feed more pellets to the fresh cows and high producers that are working for it. Feed the bottom end and stale cows to their level of production. Remember if they aren't producing very well and aren't in-calf they might need to find a new home. They are eating feed that could be going into the fresh and high producing herd to make more milk. The trick to making the most of the money spent on pellets is in balancing the ration.

2. There will come a point when feeding any extra pellets in the dairy is too much for two slugs (AM and PM). There are several options in this case. These include, bringing the cows into the dairy in the middle of the day just to be fed some more pellets, taking pellets to the cows in the paddock in a mobile troughing system (or using mobile grain feeder that you might have for feeding calves and springers and feeding it under a fence), feeding some of the pellets in a mixing wagon (if you are using one), or milking 3 times per day (this will increase milk production by 12% on average, but you will also need some extra feed – this needs to be seriously discussed with a consultant/advisor before taking on. Don't attempt to do all three milkings yourself. It is not sustainable).

Feed budgeting

If you would like help with feed budgeting give your local Weston's rep a call. One of our nutritionists can come and sit down with you for a couple of hours and help work out a feed plan for the next 12 months. Most people feel relieved once they have a plan to work to, even though they may have to spend a significant amount of money on fodder, they know how much it is likely to be. If you are interested please contact Tim Huggins on 0437 997 925. This is an extra service that Westons want to extend to our clients to help get you through the season ahead.