



PRESS RELEASE

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Penn State Dairy Alliance

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Managing Price Volatility

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The one constant right now is the daily volatility of the grain market. Add to that the increasing expenses across the board because of high fuel costs and it is no surprise the increased challenges dairy producers face to maintain profitability. Now more than ever is the time to focus on the details of nutrition, feed management and forage quality. There are no easy answers on how to curb escalating feed prices. It always goes back to the basics.

There are some basic steps producers can take to help manage price volatility. It does require extra time and commitment, but the payback can be substantial. The following are a few areas to evaluate.

1. Monitor income over feed costs (IOFC). This simple calculation can help answer some very important questions: Is the feed cost per cow appropriate for the current level of milk production? Does my IOFC fall within the recommended range? Where does my IOFC need to be to maintain profitability? How does a price spike on an individual ingredient affect my IOFC? The table below lists the recommended range for IOFC per cow based on gross milk price/cwt over \$18.50.

Gross Milk Price/cwt	Goal - IOFC Range (per cow)	
\$18.50	\$8.33	\$9.62
\$19.00	\$8.55	\$9.88
\$19.50	\$8.78	\$10.14
\$20.00	\$9.00	\$10.40
\$20.50	\$9.23	\$10.66
\$21.00	\$9.45	\$10.92

2. Maximize forage inclusion levels. If forage quality is good, then now may be the time to incorporate higher levels of forage into the lactating cow ration. There are



- many farms successfully feeding 60 to 65% forage rations. However, to do this, forage quality needs to be highly digestible and properly fermented. Pay attention to details during the 2008 harvest season on when to cut, moisture content and filling practices.
3. Critically evaluate feed additives in the ration. There are a lot of extras that go into concentrate mixtures. The question is: Are they working for me? It is never a good idea to remove several additives at one time, but if there are one or two that are difficult to justify why they are being fed, then maybe they can be removed. Monitor animal performance to document any positive or negative responses.
 4. Monitor dry matter intake. This can tell you if intakes are appropriate for the level of milk production. If cows are consuming more dry matter than what is being produced, this is not good. Dry matter intake efficiency is a tool to monitor how efficient cows are using nutrients to make milk. This can be calculated by taking energy corrected milk (ECM) divided by dry matter intake. The equation for $ECM = (12.82 \times \text{fat (lbs)}) + (7.13 \times \text{protein (lbs)}) + (0.323 \times \text{milk (lbs)})$. The recommended range for intake efficiency is 1.40 to 1.60. Example: a herd producing 85 lbs, 3.6% fat and 3.1% protein and consuming 58 lbs of dry matter would have an intake efficiency of 1.47.
 5. Don't overlook feed costs on dry cows and heifers. These groups of animals are not currently contributing to farm income, however, they could be "eating" into your profits. The same basic feed management practices that apply to lactating cows should apply to these animals as well. Know what and how much these animals are consuming. Evaluate the benefits of the extras being fed. It is important not to take short cuts with these animals as they are the future money makers. However, there may be opportunities to fine tune.

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Dairy Alliance is a Penn State Cooperative Extension initiative.