



DIBS

Dairy Issue Briefs



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Plummeting prices in the dairy industry are creating critical cash-flow and long-term survivability issues on Ohio's 3,328 dairy farms. Cost-cutting decisions must be made with full awareness of both short and long-term production and economic consequences. OSU Extension's Dairy Working Group, a collaboration of OSU Extension Educators and Specialists discuss:

Reducing costs to improve short term cash flow

Is it time for Daisy to go on a truck ride?

Low milk prices, high feed costs: what to do? For one thing, re-evaluate your culling policy. Cows that were profitable to milk 6 months ago may not be anymore. As a quick rule of thumb, a Holstein eats 25 pounds of dry matter (DM) per day to maintain herself plus 1 pound for each 3 pounds of milk produced. So a cow producing 30 lbs/day would eat about 35 pounds of DM per day. A pound of DM in a lactating cow ration costs you 9 to 10¢. Thus, if Daisy produces 30 lbs of milk per day, she is costing you around \$3.15 per day in feed alone. At \$11 per cwt, her milk is worth \$3.10, an amount that doesn't even cover her feed costs. If Daisy is more than 100 days from calving she should go for a truck ride...

When all cash costs are considered, milk revenues must generally exceed feed costs by at least 20% to cover all variable costs. In most herds, cows under 35 lbs/day are cash drains and money losers. Also, if your pens are over-crowded (20 to 30% more cows than the number of stalls), culling some cows often increases the amount of milk given by the rest of the cows. You might get just as much milk out of 90 cows in your 80 stall pen as what you are getting from 100 cows right now.



Bottom Line: Unless your lender says otherwise, look at culling the bottom 5-10% of your lactating cows. Your feed bill will drop, milk shipped may not change, and cash flow will improve.

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