Dairy Issue Briefs

DIBS

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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

Will changing from a confinement system to a grazing system reduce my short term costs?

The short answer is, yes, *but*...

1. The costs associated with installing fencing, water lines, lanes, etc. will take several years to recover. If you need to make a substantial investment in infrastructure, the savings in feed costs for a year or two will probably not cover those costs.

2. Grazing reduces the amount of stored forage needed. To avoid the cost of establishing a pasture, the most reasonable short term option would be to graze land that would have provided hay crop (grass and legume) silage and hay, and not to graze land that was going to be used to grow corn silage. The short term cost savings will come from not having to harvest and store hay crop forage. It will not come from not having to grow, harvest, and store as much corn silage as usual. If you harvest your own forage, the fixed costs of harvesting and storage have to be paid whether you actually harvest anything or not, so the only savings will be from the variable costs of storage and harvest which usually range from $20 to 25/ton of dry matter. If grazing supplies all of the hay crop consumed by a cow from April through October, about 2.5 tons/cow of hay crop dry matter would not have to be harvested, potentially saving about $60/head over the year. If you pay someone to harvest your forage, your savings will be greater.

3. Feed costs for concentrates should be lower for grazing cows than for confinement cows because you will not need as much supplemental protein and typically less concentrate is fed in grazing systems. Based on research conducted in the U.S., concentrate costs average about $1.20/cow per day (adjusted based on current feed costs) less for grazing herds than for confinement herds but grazing herds produce 10 to 20% less milk (averages about 8 lbs./day). When milk sells for $10/cwt, grazing will increase income over concentrate costs (IOCC) by about $0.40/day per cow, when milk sells for

$12/cwt, grazing increases IOCC by about $0.25/day per cow and when milk sells for $15/cwt the average IOCC is about the same for grazing and confinement cows. Even though grazing can increase IOCC, especially at low milk prices, you will also have less milk income to pay the non-feed bills.

Bottom Line: If you have the infrastructure in place (fencing, water, etc), using management intensive grazing this summer will reduce cash costs and probably increase income over feed costs. However, it will likely reduce total income. A safer option would be to use grazing to replace the hay crop silage and hay currently in your diet and continue feeding corn silage and concentrate. Milk production probably will not change and you will save the cost of harvesting and storing the hay crop forage.

Author: Bill Weiss, Dairy Specialist, OARDC, Wooster.

Contact at weiss.6@osu.edu, 330-263-3622.

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