Are Feed Additives Worth the Cost?

Maximizing production is a high priority on most dairy farms. Feed additives can boost production, but at what cost? Now, more than ever, dairy producers must closely watch every penny that is spent. So, if you are considering using a feed additive, or if you already use them, how can you be sure that you are getting what you pay for?

- **Evaluate the current feeding program:** Make sure that your ration is balanced correctly and that the cows are eating that ration. Check mixer wagons for potential problems, provide adequate bunk space, and test forages frequently. Variations in a cow’s diet can reduce an additive’s effectiveness and if feeding management improves, you may determine that an additive isn’t needed after all.

- **Review research:** Most companies offer research results for their product, but you may need to dig a little deeper to get the real story. Research should be conducted by an independent and unbiased group. Studies should have statistically analyzed results and they should be carried out under conditions that are similar to “real world” situations. It’s also a good idea to talk to other farmers who have used the additive.

- **Calculate your return:** An additive may be very successful in research studies, but it also needs to be economical. For example, if an additive costs $0.10/cow/day and milk is $0.12/lb, then each cow must give an additional 0.8 lb milk/day in order to just break even. Also, if all cows are fed the additive, but it only works in fresh cows, the fresh cows must produce enough additional milk to cover the cost of the additive for the entire herd (even for those cows that don’t respond). It is extremely important to figure the additive’s benefits in comparison to its cost. If you are just breaking even, the additive may not be worth feeding.

- **Monitor the results:** If you decide to include a feed additive, you must have a way to measure its success. Some expected outcomes are easily monitored, such as milk yield, while others, like rumen health, may be more difficult. It is also important to give the additive enough time before making a decision on its effectiveness. Some additives should cause a response fairly quickly and other can take months to work.

There are a lot of additives on the market that promise great results. Before you decide to use one, do your homework and find out what is best for your situation and your bottom line. If you have questions about additives, call me at 336-679-2061. This article was written using information from Dr. Mike Hutjens, University of Illinois, and Dr. Limin Kung, University of Delaware.
Dealing With Milk Prices

Everyone, not just producers, is aware of the current milk price situation. Farmer’s cannot survive on $10 milk for long, so the majority of analysts are speculating that milk prices will increase, but to levels that are nowhere near what we saw last year. Dr. Geoff Benson with NCSU offers his advice for managing cash flow and coping with the current situation.

Net cash flow (income minus expense) should be calculated for each of these 4 categories: operating income and expense, capital asset sales and purchases, new loans and credit/debt repayments, and non farm income and expenses. In normal months, net cash flow for operating income and expenses should be positive and net cash flow for the other categories is usually negative. This is due to replacing assets, paying down debt and contributions for family (non farm) use. While there are not many new ways to manage cash flow during tough times, you may consider drawing money from savings, selling non farm assets, postponing nonessential maintenance and investments and rescheduling debt payments.

There are few things the manager of a well run dairy farm can do differently in the face of a price downturn and higher costs. Recommended herd management practices are not much different than when prices and margins are healthier. Managing farm finances to cope with reduced income and higher expenses is essential. This requires having a good handle on profitability, cash flow and solvency. This requires taking time to understand and monitor what is going on with the farm finances in a timely manner.

The future will look a lot like the past -- volatility and low average returns will remain – but milk prices will (must) be higher, on average, in the long term to cover higher production costs. Financial management must be continuous – Plan for the bad times during the good times. Some farm families will decide not to continue. For those who will leave dairy farming, a quick but well thought out and promptly executed exit plan, including tax planning, may help preserve the family’s equity in the farm.

Small Grain Silage Meeting

An educational program on small grain silage will be held on Tuesday, March 10 at 10:30 am in Union Grove. Topics to be discussed include: agronomic management of small grains, small grains in dairy cattle diets, inoculants, grazing small grains, and a review of small grain test plots. Watch your mailbox for more details. Please call 336-679-2061 if you plan on attending or have questions.

Dairy Feed Cost Webinar Series

The Penn State Dairy Alliance and Cooperative Extension are hosting a series of webinars focusing on income over feed costs. The focus of the program will be how to use income over feed cost as a tool to make decisions and how to implement feeding strategies to help control costs. They will also discuss an income over feed cost (IOFC) computer tool that their group has developed.

Part 1: Managing Risk During Difficult Times: Milk Futures, Feed Costs, and Nutritional Strategies. This session will be on Tuesday, March 17 from 10:30 am -12:00 pm. It will cover the current economic state of the dairy industry and offer predictions for this year. You will also learn more about the IOFC tool and how it can be used to make feeding decisions.

Part 2: Using IOFC As A Tool To Control Costs. This session will be offered three times, March 20, 24, and 27. Each session will run from 10:30 am – 12:00 pm. It will offer an in depth overview on how to calculate IOFC. Feeding strategies will be evaluated as a means for increasing animal performance and/or bringing feed costs more into line.

A webinar is simply a live seminar that is presented over the internet. During a webinar, participants can ask presenters questions about their topic. In order to participate in a webinar, you must have a computer with a high speed internet connection and speakers. For more information on these webinars, you can call the Dairy Alliance Office at 1-888-373-7232 or visit http://dairyalliance.psu.edu/education/managing-feed-costs. I will be viewing the webinars here at my office, so if anyone wants to participate, please give me a call. I encourage you to take advantage of this opportunity. This allows us to gain information from dairy professionals across the country, without too much effort on our part. Once again, if you do not want to worry with the technology, drop by my office to watch the webinar with me and I’ll take care of the computer! If you plan on attending, please give me a call at 336-679-2061.