Nutritionists Role in Economic Success in Difficult Times

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Overview

- Economic Shift
- Representative Dairy Implications
- Overall Implications
Nutritionists Role in Economic Success in Difficult Times?

• More Important Than Ever
Economic Shift

• Today, It’s Cheaper to Grow Feed Than to Buy
  - Huge change in economics of livestock production
  - Built industry on cheap feed
  - Can this revert back to the way it used to be?
Cost of Production Changes over Time

- California
- Wisconsin
Increase in Purchased Feed Costs/ cwt, NM

- 2002: 6
- 2012: 12

The graph shows a significant increase in purchased feed costs from 2002 to 2012.
Economic Shift

• Economics of Structural Change
  - Large economies of size and scale
  - Used to be many small dairies
  - They aren’t around anymore
  - Much tougher environment for everyone else
Representative Dairies
Location of AFPC Representative Dairies

WA
ID
CA
TXE
TXC
MO
FLS
FLN
WI
VT
NYC
NYW
TXN

## Economic Viability of Representative Dairies, January 2013 Baseline

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<th>Farm Name</th>
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<th>P(Negative Ending Cash)</th>
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Feed Costs

- At Least 60 Percent of Costs
- Cost Variation, or Volatility:
  - Standard deviation more than 10% of feed costs
- Change in Feed Costs of ONLY 3 Percent or Less
  - Enough to turn Ending Cash Balance negative for 2013 on Texas representative dairies
  - Small change, large difference
Milk Production

- Smaller Changes in Milk Production
  - Enough to turn Ending Cash Balance negative
- More Efficient Feeds, More Effective Feeds
  - Significantly effect profitability
Implications
Implications

• Marginal Economics
  - Key in economics
  - Value of one more pound of milk versus the cost to produce it

• Maximizing Production Versus Maximizing Profit
  - Profit is more important
  - May be able to increase production, but not profitable to do so
Implications (cont.)

• Can We Affect Feed Value or Quality Through Production Practices?
  - Optimal Fertilizer?
  - Optimal Harvest?
  - Need better knowledge or input on production side?
Observations From Representative Dairies

• Over 25 Years of Analysis, A Few Observations
• Fewer Feeds in Ration
  - More consistency
  - Easier to manage
• Less Waste
  - Costs savings
• Regional Differences Remain in Rations
  - Wheat silage, sorghum silage, for example
• Locking in, or Hedging, Feed Cost Considerations
  - Feed market outlook? Are prices likely to be higher or lower?
  - Can profitable feed be locked in?
  - Feed costs and milk price go together
  - Very careful – locking in milk price but not feed costs, or locking in feed price but not milk price
• M.S. Student Melissa Marsh’s Research
• Study, Survey of Dairies on Labor and Immigration
• Labor Turnover and Production Efficiency
• Five Areas of Efficiency
  – Milk production
  – Calf Loss
  – Cow Death
  – Overall Herd Health
  – Feed Efficiency
• Labor Turnover Rate Found to Have Statistically Significant Effect on Each Efficiency Measure

• The Average Turnover Rate Cost the Total Industry Almost $500 million (2008)

• Increased Turnover Rate:
  - Reduced Feed Efficiency
  - Reduced Milk Production
  - Reduced Overall Herd Health
  - Increased Death Loss
Implications (cont.)

• Creativity
  – One of the best tools for difficult times

• National Market for Feed
  – Price changes in one feed affect all the others, but still opportunities and time lags
  – For example: corn, ddgs

• Feed Market is Really Pricing Energy, Protein, Other Nutrients
Summary

• Feed Side of Production Has the Greatest Ability to Effect the Bottom Line

• Small Changes in Feed Costs = Big Changes in Bottom Line
  – Difference between profit and loss

• Small Changes in Feed Productivity = Bigger Changes in Bottom Line