

The BovLine

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Matters of fact:

- Cheddar is the most popular cheese in America, followed by Swiss
- There are an estimated 920 different cow breeds in the world
- It takes about 1 1/2 gallons of milk to make 1 gallon of ice cream
- An average mastitis flareup costs \$107, a majority of which is from discarded and reduced milk
- True protein is about .02 – 0.3% less than total protein. True protein is now the basis for payment by most processors for milk protein
- 1st lactation animals produce about 80 to 85% of the total milk of mature cows
- The Jersey breed originated on the Island of Jersey. Today, Jerseys remain the only breed of cows on the island

Financial Benchmarks

- #/cow/yr (305 day)22,000
- #/cow/day.....70
- Feed exp/CWT.....3.09
- Vet exp/CWT.....0.50
- Legal & Acc fees/CWT.....0.27
- DHI exp/CWT.....0.10
- Milking sup/CWT..0.25
- Interest/yr/CWT...2.00

Provided by Agri-Smart Consulting, Ltd.

Howdy from Oklahoma!



As most of you know, much has changed since the last issue of The BovLine was published! My husband received a job offer that relocated us to the Oklahoma Panhandle, aka No Man's Land. I live close to Colorado, Kansas, New Mexico and Texas and I have quite a collection of veterinary state licenses! Dr. Johanns asked that I continue to put together the newsletter for distribution to his clients. I gladly accepted the chance to "stay connected" to the many new folks I met. Many of you will begin to see a new face on your farms beginning in May, Dr. Don Forthman will be joining Dr. Johanns. Dr. Forthman has a wealth of dairy production knowledge and experience and is a natural fit for the position.

Welcome!



Economics - Profitability Starts With Better Financial Planning

"When the milk price drops, folks make decisions to cut costs, what they really do is cut profits"

It has been called the paradox of the dairy industry—maximizing milk production in the face of low prices. Yet it is the same push for production that triggered low milk prices for the industry.

Business management, when boiled down, has the following components: generate sufficient revenues to pay expenses, service debt, and retain earnings in the form of equity. When the value of our production decreases (i.e. milk price drops), the first response is to decrease expenses (via culling, feed price changes,

layoffs, etc.) in order to meet other demands on revenues (debt, family living, etc.). However, this knee jerk response may not be the most profitable long term due to interactions with other parts of the cost and revenue structure.

For the period of time a cow is in the herd she must generate sufficient revenues to pay off the value of herself, contribute to all other expenses (personnel, purchased feed, crops, live-stock, real estate, milk marketing, depreciation, etc.) and service debt (principal and interest). As the cull

On-Line



Check out these websites on financial planning:

www.aers.psu.edu/dairyoutlook (Ken Bailey's Dairy Outlook site)

www.agecon.ag.ohio-state.edu/dairyRME (OSU's Risk Management Agency site)

We can be reached on-line @ cattlelac@ptsi.net or cjohanns@ames.net

www.agrisk.umn.edu (U of Minn's Farm Financial Management site)

Here's an interesting one!

www.dairyman.com (dairyman's guide to the internet)

Subscribe to these magazines over the web!

www.hoards.com

www.dairyherd.com

www.agweb.com



Research Update

Are you using cow-side ketone tests in milk to determine if your cows have subclinical ketosis? The Journal of Dairy Science, vol 83, just published an article comparing such test kits. Two tests were found to be useful when screening milk — Ketolac test strips (not available in the U.S.) and Pink test liquid. The Ketostix, Ketur-Test and Medi-Test-Keton test strips and Acetonreagenz test tablets were insensitive for indicating subclinical ketosis when used on milk. Pink test liquid is made by profs-products.com and is distributed through Butler Animal Health, U.S.A.

Johne's

Corner Testing

“Experience teaches us that a diagnosis is often an imperfect process resulting in a probability rather than a certainty of being right.” One challenge in dealing with Johne’s disease is to intervene prior to the development of clinical signs. With any testing procedure important questions to ask are—How accurate is this test? and How much confidence can I have in a positive or negative test result? Two terms used to reflect the accuracy of diagnostic testing are sensitivity and specificity. Sensitivity is the ability of a test to detect infected animals with a positive result. In contrast, specificity is the ability of the test to detect noninfected animals with a negative result. The higher the sensitivity and specificity, the greater the accuracy. The fecal culture test detects the Johne’s organism. Feces are collected and placed on special plates that allow *M. avium* to grow but not other organisms that may be in the feces. While this test is extremely specific, major disadvantages are its speed and cost. The Johne’s organism takes 8 to 12 weeks to grow. Another set of tests available are serological tests. Blood samples are collected and allowed to clot. The liquid portion of the blood is called serum. The ELISA looks for antibodies to the Johne’s organism rather than the agent itself. The advantage of this test is its ability to provide rapid results at a low cost. The disadvantage as compared to the culture is less accuracy. Complement fixation is another serological test required by many counties for import and export. It is less accurate than the ELISA and much laboratory variation exists as it is not well standardized. New tests are being developed that focus on detecting Johne’s in the earliest stages of disease. These tests measure an immune response to Johne’s rather than the agent itself. The first test is called gamma interferon and it uses blood samples. Currently no commercial diagnostic lab is running this test as it is not licensed for use in the U.S. The second test under development is a skin test very similar to tuberculosis (TB) testing once done in cattle. Since each test has pros and cons and identifies animals in different stages of the disease process, the best current recommendation is to use combinations of tests to arrive at a herd diagnosis.

Next issue — Critical Management Points for Prevention and Control of Johne’s

economics cont.

rate increases, the pressure on the cow’s revenue generating capacity to meet these demands also increases because the time frame is shortened. Thus, cull rate not only reduces the revenue generating capacity of the business, it increases the pressure on the remaining cows to generate sufficient revenues (which is already challenged due to the reduced prices).

Consistently profitable dairies are concerned with continually improving operating efficiency and cash flow margins. Given the current dynamics of the feed market, it does not seem appropriate to reduce feed expenses. It is not the size of the feed bill that matters, it is the income over feed costs that is important. The focus is really on returns, not expenses. However, expenses should not be ignored. A majority of expenses on dairies are fixed costs or “volume costs”. University of Florida Economist, Marvin Hoekema says that volume costs have more influence in determining the variation in profitability than any other expenses. Profitable dairies are the ones that continue to grow in volume despite external conditions like market price and weather changes.

Financial planning is an essential tool in managing expenses. Careful annual planning will guide dairy business managers through the temptation to cut back when prices are low. Another tool to use along the side of financial planning is break even point. Even careful financial planners may have not anticipated that prices would drop so drastically. How low can prices go before you see red? Given that most dairies measure financial performance at best every month or quarter or year, it is easy to see where one could error in thinking their financial situation is better or worse than reality by just relying on break even measures. Therefore, these tools must be used together.

Where do you begin? The objective to budgeting and planning is to set a realistic and achievable goal and develop a management plan to reach those goals. Easier said than done, especially in the face of low prices. Many tools are available to assist you with this task. See the On-Line section for some web sites. Once a plan is established it must be implemented and monitored. Again, easier said than done. Monitoring expenses on a monthly basis can be difficult when feed is involved, for example. One must know feed costs and monitor intakes to arrive at the figures. Comparison between cumulative numbers for actual and budgeted numbers is important. Part of this planning process will involve new ways of thinking about your dairy operation.

Not much can be done about low milk prices outside of improving milk quality and receiving as many premiums as possible. Cutting back on expenses is an instinct that can do more harm than good. Good sound decisions arrive by careful financial planning, financial monitoring and thoughtful intervention when figures indicate a need for readjustment.

Resources: Ken Bailey, Feedstuffs, March 13, 2000; Marvin Hoekema, Dairy-L communications; Brian Perkins, Dairy-L communications