

Focus on Management When Milk Prices Are Lower

by Jack McAllister

An often quoted principle of management is that “we should manage those things over which we have control and manage around those which we don’t”. It is generally accepted that two things farmers have little or no control over are milk price and the weather. Thus according to this principle they will have to manage around these situations. Milk prices have now fallen for the last several months. What might managing around this situation involve?

The first instinct many of us might have is to cut cost if we expect our dairy income to go down because of lower prices. Certainly, trying to lower costs is a good idea and want to focus on that but an avenue that we might try first is to try to increase income. Many milk handlers pay premiums for milk that meets certain quality standards. That premium is paid on all the milk that is shipped. There may be a few cows in the herd that are keeping the whole herd from meeting that quality standard. These cows need to be identified. The Dairy Herd Improvement or DHI recordkeeping program is an avenue for testing milk samples from individual cows to determine what contribution each is making to the quality of all the milk the herd is producing. The 25 cents it costs to test the sample of an individual cow may provide the information that removal of one cow might allow the whole herd’s out put of milk to earn a quality premium of 25cents. Depending on the size of the herd and the production level, this could amount to hundreds of dollars of additional income in a month. Further, the DHI program provides information on the production level of each cow. This information can contribute to cutting costs if it helps identify cows whose production level is not sufficient to cover the cost of the feed they are eating. Feed cost is about 50% of the total cost of producing milk in a dairy herd and would be a logical place to begin to examine ways to reduce costs. The implication here is that a set of up to date financial records which tracks the various kinds of expenses which contribute to the cost of producing milk could help identify areas where cost cutting could have a beneficial financial effect. DHI records can cost from \$1 - \$2 per cow per month depending on whether only the producer or a technician are involved in collecting the records on cow and herd performance. While there is this cost, they can provide important performance information on cows which can have financial implications for both costs and returns. That there is a linkage between animal performance and financial performance of the dairy is important to understand and that the manager is responsible for both has always been important. In times of lower milk price, it can be even more important.