



# FORAGE NEWS

Research & Education Center  
Princeton, KY 42445

For more forage information, visit our UK Forage Extension Website at: <http://www.uky.edu/Ag/Forage>

## January 2012

*Garry D. Lacefield and S. Ray Smith, Extension Forage Specialists • Christi Forsythe, Secretary*

### HAPPY NEW YEAR

I am optimistic that this is going to be a great forage year. I know you are saying – you say that every year and we have had some tough forage years. Yes, I know and hope you agree “we are due a good one”. Let’s get this year started off on a Forage Note. Join us in Louisville January 9-10 for the American Forage & Grassland Council Annual Meeting, then on Thursday of that same week, the KCA Convention in Lexington. Our Forages at KCA will be January 13 beginning at 1:10pm. The Heart of America Grazing Conference will be in Mt. Vernon, Illinois January 25-26 at the NCBA will start the last week of January in Nashville. Hope to see you at some of or all of these important Forage events.

### KFGC NEEDS YOU!

The Kentucky Forage and Grassland Council (KFGC) is your state-wide forage organization which promotes the use of forages. One of the primary goals of KFGC is to increase the productivity and profitability of KY’s forage producers. Some of the ways this can be done is by increasing forage yield and quality and by improving forage utilization and marketing. To address these and other forage-related issues, KFGC sponsors educational programs such as the KY Grazing Conference, Alfalfa Conference, Master Grazer Programs, Master Grazer School, forage field days and tours.

If you have not already done so, please consider becoming or renewing your membership in KFGC for 2012. Annual membership dues are \$20 for individual members. KFGC members receive the Forage News, The Forage Leader and Hay and Forage Grower. These publications will help keep you informed about the latest forage research and upcoming forage educational programs. Membership forms can be printed off the KFGC website listed below. If you don’t have access to the KFGC website you can send your name and address, with your dues. Please send all dues to Tom Keene at N222-B Ag. Science North, University of Kentucky, Lexington, KY 40546. For information on forages and upcoming forage programs go to [www.kfgc.org](http://www.kfgc.org) or UK’s forage website at [www.uky.edu/Ag/Forage](http://www.uky.edu/Ag/Forage).

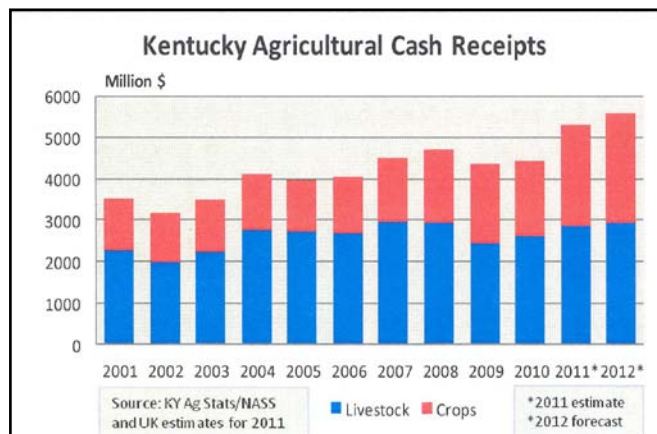
### KENTUCKY AGRICULTURAL ECONOMY

**2012 Outlook:** The economic outlook for Kentucky agriculture next year is dependent on weather patterns, trade/global economies, and the responsiveness of U.S./world agriculture to tight supply levels. While the weather is a constant risk, it seems clear that the boom in trade has lost steam. USDA is forecasting “steady” ag exports for the next fiscal year. While there is strong growth predicted for India, China, and Russia, the Euro-Zone, Japan, and Canada will experience more modest growth, reflecting continuing economic recovery. A wildcard is the chance that the value of the U.S. dollar remains weak in international currency markets, continuing to enhance the attractiveness of U.S. exports.

On the livestock side, drought in Texas and Oklahoma coupled with competition for grazing and hay ground will likely result in fewer beef cows in 2012 and further support feeder cattle prices. Strong equine sales in 2011 were partially the result of pent-up demand, tax incentives, and some very large dispersals, so continued strength in sales and stud fees will be needed to sustain that level in 2012. Steady poultry production and a modest improvement in prices should result in higher poultry receipts in 2012. On a national level, expansion appears to be under way in the dairy sector, which will likely put pressure on farm-level milk prices next year.

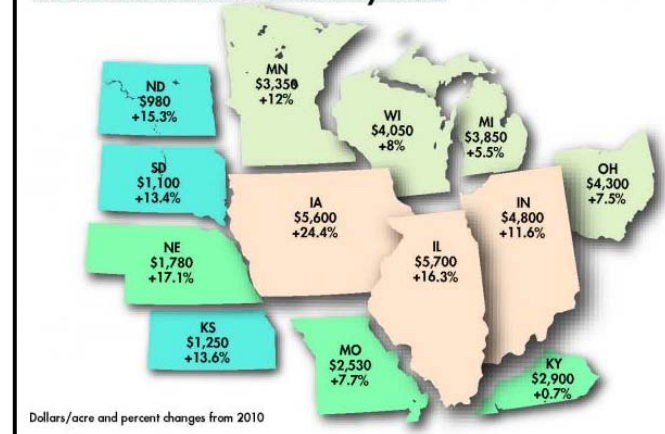
On the crop side, tight grain supplies, energy mandates, and export demand are expected to keep grain prices relatively high, encouraging additional grain acreage out of other crops and pasture. Tobacco contract poundage offered may stabilize given growing dark consumption and limited quality burley stocks, but acreage could continue to decline given more profitable opportunities in other enterprises. Decent weather will enable cash receipts for fruits and vegetables to increase given increasing demands of local consumers. Collectively, crop receipts are expected to exceed \$2.5 billion in 2012, compared to averaging \$1.7 billion during the 2006-2010 period.

Given reasonable weather, continued economic recovery in the U.S., and a sustained high level of exports, there is every reason to forecast farm cash receipts in the range of \$5.3 to \$5.7 billion in 2012 – another record-high. (SOURCE: Will Snell, Craig Infanger, Kenny Burdine, UK Dept. of Ag. Economics IN The Kentucky Agricultural Economic Outlook for 2012))



### CORN BELT FARMLAND PRICES HIT RECORD LEVELS

#### 2011 farm real estate value by state



(SOURCE: Adapted from David Hest IN Crop News Weekly, Dec. 1, 2011)

## 2010 KFBM DAIRY ENTERPRISE RESULTS

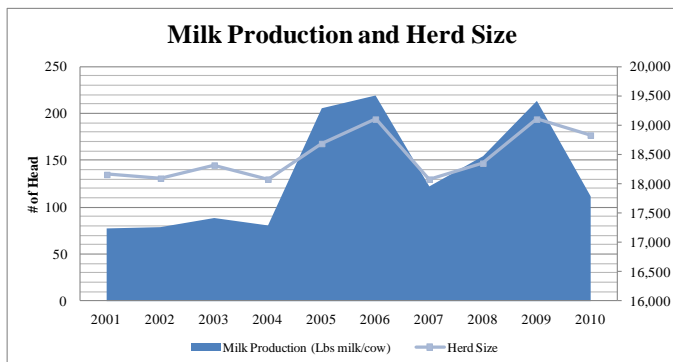
For the year 2010, dairy enterprise studies were conducted on 29 farms in the Kentucky Farm Business Management (KFBM) program. In comparing 2010 farms against farms in the 2008 dairy enterprise analysis study, it is evident that the dairy industry in Kentucky has experienced changes in the past two years. Average herd size of KFBM dairy cooperators has increased from 147 to 191 cows per farm. Total dairy farm returns for 2010 were \$449 per cow less than in 2008; the price of milk accounted for most of this decrease in returns. In 2008, the price of milk was \$21.10 per cwt, compared to \$19.05 in 2010. Milk per cow dropped from 18,467 pounds in 2008 to 18,163 pounds in 2010. However, total milk production per farm increased 28% from 2008 levels to 34,780 cwt. due to the larger herd size.

Although total dairy returns were lower in 2010, the total costs were also lower. Total non-feed costs dropped from \$2,354 per cow in 2008 to \$1,797 per cow in 2010. That was a decrease of \$557 per cow. This confirms that Kentucky dairies learned how to cut costs and continue operation. Feed costs dropped \$39 per cow from 2008. Management Returns per cow were slightly improved with returns at a negative \$118 in 2010, compared to a negative \$265 in 2008.

Table 2 looks at size comparisons with economic and production variables between the herd sizes. Total dairy returns increased from \$3,580 per cow for the smaller dairies to \$3,907 for the dairies with over 200 cows. However, the mid-sized group had total dairy returns of only \$3,449 per cow. Although the returns for the mid-sized group were the lowest, this group experienced lower total cost of production than the small group, and thus higher management returns over all costs. The total non-feed costs varied drastically across the different herd sizes, ranging from \$2,344 per cow for the small dairies to \$1,658 per cow for the large dairies. The non-cash costs incurred by the dairies, such as unpaid labor and depreciation, are spread across fewer cows for the smaller dairies and thus have a larger impact on the bottom line.

When looking at the costs and returns of the different size groups of dairies, the advantages of the larger dairies are obvious. Management Returns per cow were over \$1,000 higher for the large dairies compared to the small dairies. Management returns for the dairies with less than 100 cows were negative \$889 per cow, while dairies with 100 to 199 cows had management returns per cow of negative \$284. Meanwhile, management returns for dairies having more than 200 cows were positive, at \$120 per cow.

In studying data on costs and returns, it becomes apparent that the larger dairies have captured some economies of scale and are separating themselves from the smaller dairies with cost efficiencies. The larger dairies are receiving slightly better production per cow and a slightly better price for their milk. When all of these factors are combined, it is evident that the larger dairies are positioning themselves to be more profitable in the future. For more information, see the complete 2010 Dairy Enterprise Study on our website <http://www.uky.edu/Ag/KFBM/pubs.php>. (SOURCE: Rush H Midkiff and Lauren Omer, UK Dept. of Ag. Economics)



**Table 1. Averages for Economic and Production Variables**

Averages for Economic and Production Variables			
	Units	2008	2010
<b>Number of Herds</b>	Herds	50	29
Total Dairy Returns	\$	4,204	3,755
Total Feed Costs	\$	2,115	2,076
Returns Above Feed	\$	2,089	1,679
Total Non-Feed Costs	\$	2,354	1,797
Management Returns Over All Costs	\$	-265	-118
<b>Other Economic Variables</b>			
Returns/\$100 Feed Fed	\$	199	181
Price Received/CWT of Milk	\$	21.10	19.05
<b>Other Production Variables</b>			
Average Number of Cows	Cows	147	191
Total Milk Production	CWT	27,125	34,780

**Table 2. Size Comparisons-Economic and Production Variables**

Size Comparisons-Economic and Production Variables					
		<100	100-200	>200	Average
Number of Herds	Units	11	9	9	29
Total Dairy Returns	\$	3,580	3,449	3,907	3,755
Total Feed Costs	\$	2,125	1,899	2,129	2,076
Returns Above Feed	\$	1,455	1,550	1,777	1,679
Total Non-Feed Costs	\$	2,344	1,834	1,658	1,797
Management Returns Over All Costs	\$	-889	-284	120	-118
<b>Other Economic Variables</b>					
Returns/\$100 Feed Fed	\$	168	182	183	181
Price Received/CWT of Milk	\$	18.45	18.26	19.44	19.05
<b>Other Production Variables</b>					
Average Number of Cows	Cows	73	140	388	191
Total Milk Production	CWT	12,498	24,289	72,504	34,780
Milk/Cow	Lbs.	17,163	17,322	18,697	18,163
Value of Feed Fed/CWT M.E.	\$	12.38	10.96	11.39	11.43

## PENNINGTON SEEDS TO EXPAND FORAGE PROGRAM IN KENTUCKY

Pennington Seeds announced an expansion of their Forage Program in Kentucky with a new position. The position offers greater local interaction, both in retail stores and on-farm. This allows more farmer meetings, farm calls, field days and in-store educational opportunities than previously offered.

Katie Harver has been hired in this position. She received both a B.S. and M.S. in Agronomy from Virginia Tech. Her master's research and coursework focused on forages and soil fertility. After graduating in May, she spent the summer in Maryland working as an intern for Pioneer Hi-Bred.

Her goal is "to establish a trusted working relationship with each county extension agent to further increase your knowledge about our forage and wildlife lines of products and to assist with your forage and wildlife educational efforts."

Her contact information is cell 615-574-5147 and e-mail is [khurder@penningtonseed.com](mailto:khurder@penningtonseed.com).

## UPCOMING EVENTS

- JAN 9-11 American Forage & Grassland Council Annual Conference, Crowne Plaza Hotel, Louisville
- JAN 13 Forages at KCA, Lexington
- JAN 25-26 Heart of America Grazing Conference, Mt. Vernon, IL
- FEB 23 32<sup>nd</sup> Kentucky Alfalfa Conference, Cave City Convention Center, Cave City

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