



Dairy Keeper's Barn Report

July 14, 2009 Report #17

Reference Source: Joe Horner, dairy economist with the University of Missouri Extension Commercial Agriculture Program.

Barn Report Topic: Letting dairy cows graze in fields rather than feeding them in centralized facilities might seem old-fashioned, yet for a growing number Missouri farmers it makes good economic sense

Since 2004, producers have invested more than \$100 million in capital into pasture-based dairies. During that time, the number of cows on Missouri pasture-based dairies has grown from about 5,000 to almost 20,000.

In the 1970s, dairies started to rely less on grazing and more on purchased feedstock, which was relatively cheap at the time. However, many of Missouri's family-run dairies saw their profit margins erode when feed prices shot up. Family farms couldn't compete against the huge dairies springing up in western states, where abundant, sparsely populated land and more lenient environmental regulations let producers take advantage of economies of scale unavailable to smaller dairies. Missouri's dairy herd fell from a peak of more than one million cows in the 1940s to about 110,000 cows today.

Why is pasture-based dairying bucking that trend? After all, you can get a lot more milk per cow at a conventional feedlot dairy, where producers can closely monitor cow growth and precisely manage the herd's diet.

While pasture-based dairies, or grazing dairies, may not be able to compete on quantity, they can compete on cost. The feedstock, infrastructure and labor needs of conventional dairies make them expensive to run. Grazing dairies can operate profitably on a smaller scale because it's cheaper to feed cows with forage than with purchased feedstock.

"A conventional-type dairy delivers most of the feed to the cow. We're delivering the cow to the feed," said Eric Hoffman, who owns a 160-cow pasture-based dairy in Grundy County.

Dairy grazers rotate herds through intensively managed pastures. The cows distribute their manure across the land in the natural course of things. This puts nutrients back into the soil, reduces the human workload and avoids the environmental issues presented by large concentrations of animal waste. Horner said producers have seen fewer animal-health issues on grazing dairies, which is good for the animals and the producer's bottom line.

Startup costs are lower in pasture-based dairying, and it's easier to obtain financing for a new a grazing dairy than a conventional operation, which requires a big upfront investment in equipment and facilities-assets that, as Horner puts it, "rust, rot and depreciate."

For grazing dairies, the main investment is in land and cattle. "Most of your assets either reproduce or appreciate," Horner said. Lenders see that as a much better risk than specialized structures that may not have much resale value if the operation goes under.

Disclaimer notice. Dairy Keeper Co. is providing the enclosed information to you, which is intended solely for information purposes only and does not necessarily represent the opinion, policies, practices or decisions of Dairy Keeper Co. Information is obtained from sources believed to be reliable, but is in no way guaranteed