



## Dairy Keeper's Barn Report

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**Reference Source:** South Dakota Cooperative Extension Dairy Specialist Alvaro Garcia.

**Barn Report Topic:** Dairy producers may want to identify the areas of the farm in which the greatest expenses are incurred and act accordingly to minimize them

They may take this approach to help cope with the current economic crunch, said South Dakota Cooperative Extension Dairy Specialist Alvaro Garcia.

"The current economic situation of the dairy sector has producers looking at ways to improve returns, and milk prices are currently under \$10 per 100 pounds," Garcia said. "Operating costs to produce that milk are at best at \$15. In simple terms, a producer loses at least \$5 every time he produces 100 pounds of milk."

Garcia said the forecast for milk prices is not promising.

"Looking at milk prices for the next year, we are predicting milk prices will be less than \$14 for most of the year," said Garcia. "The best-case scenario seems to be break even by May 2010 with milk at \$15."

Garcia said it is important for producers to act in areas that will not directly affect herds in the near-term.

"Feed continues to be the greatest fraction of cost for producers, since nearly 70 percent or more of operating costs, or 44 to 50 percent of total costs of production, go to feed," he said. "In South Dakota, nearly half of feed costs correspond to homegrown feeds whereas the rest is purchased feed."

Producers who increase the quality of feed produced on the farm can decrease the expense of purchased feed. Producers need to make sure forages are harvested at the right maturity to maximize quality and stored for properly for optimum preservation.

"This is a key component, because if not executed properly, the purchased feed cost will outweigh homegrown feed investment," Garcia said.

Veterinary and medicine expenses constitute about 8 percent of operating costs, and Garcia said this is an area where producer actions can reduce costs.

"It is very important, considering that 8 percent, to put special emphasis in detecting problems early to increase treatment effectiveness," said Garcia. "Cow comfort is a critical component of the savings in this area. Bedding constitutes only 2 percent of operating costs, so it makes very little sense to try to save money there because in doing so, we are going to compromise cow well-being and increase veterinary expenses."

Garcia said both lameness and mastitis - ailments highly correlated to bedding - continue to be the main health issues in dairies across the U.S.

Since roughly 8 percent of operating costs are repairs and energy use, Garcia said it is important to identify areas that need maintenance.

"To minimize the need of ulterior, costly repairs, identify maintenance issues quickly, repair them, and in doing so, also consider those areas that use the most electricity in the dairy," Garcia said. "Milk cooling, lighting, and air movement fans use the most electricity, and there are alternative methods a producer can use to save money."

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