

FOCUS ON FEEDERS

SQUEEZE OUT MORE PROFIT BY BOOSTING EMPLOYEE ATTENTION TO INCOME OVER FEED COSTS



FYI

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With milk futures dropping in the first quarter of 2011, it's especially critical to squeeze as much profits out of your cows as possible (without jeopardizing herd health). Don't look at feed cost alone when evaluating opportunities to improve your feeding program. Instead, focus on profitability by monitoring income over feed cost (IOFC) on a monthly basis.

IOFC is measured in \$/cow/day and determines how much money is left to pay all other operating costs, plus a profit. This is the best parameter to evaluate a feeding program's profitability, and is calculated using the following equation:

$$IOFC (\$/cow/day) = \text{Milk Price} \times (\text{Milk Production} / 100) - \text{Feed Cost}$$

While reducing feed cost is essential for a dairy operation's success, focusing on maximizing IOFC is a better approach for short-term decisions. Here are 10 important actions you can take to improve IOFC:

1) Make more milk. This is the key driver of profitability under current market conditions. Work with your nutritionist to evaluate opportunities. There may be ingredients, additives or supplements to improve herd performance. However, don't implement any technology or products that will not give you an immediate investment return.

2) Improve components. Take advantage of current component prices by feeding to promote higher milk protein and butterfat yields.

3) Reduce somatic cell counts. Your milk price will increase due to quality premiums, which will consequently increase

IOFC. And, by reducing SCC, milk production per cow will also increase.

4) Promote higher dry matter intakes (DMI). A key driver of milk production, any practice that can improve DMI should be evaluated. Factors affecting intakes are cow comfort (including feedbunk space), water availability, feed quality, number of feedings per day, number of times feed is pushed up, etc.

5) Improve feed efficiency. Many factors affect feed efficiency. Milk production per cow is the main one. Also, by getting cows pregnant in time, feed efficiency can be significantly improved due to herd's lower days in milk, because cows are more efficient converting feed to milk in early lactation. Feeding good quality forages and using feed additives, like yeast culture, will also improve feed efficiency.

6) Reduce shrink losses. By better controlling feed losses, cost can be reduced and IOFC improved. Although difficult to measure, shrink losses are dollars spent that will not generate any profits. Evaluate forage storage and feedout practices and implement new technologies and practices to reduce shrink losses. Focus on proper grain storage and handling techniques. For more information, read my article "Cutting feed cost begins at home" on my website under MEDIA link (www.apndairy.com).

7) Reduce variability during feeding. Day-to-day feeding consistency is a key driver of profitability. Many factors will impact feeding consistency, such as the feeder's performance, the use of proper equipment and feeding management software. Also, new technology, like the NIR feed analyzer installed in the payloader bucket, can help reduce variability in the diets between pens and batches of feed by adjusting amounts of forages and other ingredients fed based on dry matter and nutrient content.

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8) Improve feed bunk management. Dairies with good feeding and feedbunk management can target lower feed refusals and reduce feed cost. Also, consistency and uniformity in the amount and quality of the feed dropped in the bunk will have an impact on performance.

9) Monitor feeder accuracy and consistency. It is crucial to define key performance indicators, such as loading and feeding accuracy, as well as feeding consistency and uniformity, to help your feeders stay in track. Monitor performance and communicate with your employees by giving good, productive feedback about their feeding performance at least weekly. This can be beneficial to reduce feed cost and improve profitability.

10) Spend time and money training feeders. Your feeders control more than 50% of the operating costs of your dairy. Work with your nutritionist and outside consultants who specialize in feeding management and can speak the native language of your employees. Well-trained and skilled feeders can significantly improve your profits.

Finally, act now. Evaluate if increasing milk production can have a positive impact in your IOFC and profitability. Work with your nutritionist and external consultants to benchmark and set goals on what your dairy's IOFC should look like for the next year, based on future milk and grain prices. □