

Ideas to Survive and Prosper During Low Milk Prices

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Editor's Note: Following is a checklist of items to review during this time of depressed milk prices as compiled by MSU Extension. We plan to include similar information and articles in upcoming issues of the Michigan Milk Messenger. For more information and tools, visit the following Web sites: www.msue.msu.edu/ottawa/ then click on the "Dairy" link on the left hand section of the Web page; www.msu.edu/user/betz/ and <http://dairyteam.msu.edu/>

Contact your MSU Extension educator or consultant to do a whole farm economic analysis to identify strengths and weakness of the business. Attack the weakness and improve on the strengths with a business plan.

Are you attempting to pay off debt too fast for today's cash flow crunch? Analyze the farms debt structure and then talk to your lender about refinance and other options.

Utilize vendors' discounts and delayed payment plans where appropriate. Amortize unpaid operating balances rather than accumulate interest at 18% or greater per year. Talk to your lender in advance of expected cash flow shortages.

Seek income opportunities by selling assets that are not generating income, such as unproductive land, unused or under utilized equipment and timber and scrap metal sales.

To keep pace with inflation, consider options for increasing income without significant expenditures, like sales of breeding stock, increasing herd size or production i.e. 3X milking.

Consider a forward contracting program to remove some price risk from your operation.

Evaluate and set goals for optimum milk production for your cows and facilities.

Maximize quality premiums for both somatic cell (SCC) and bacteria counts. Evaluate high cell count cows, and consider culling if they are preventing quality premiums. This is especially important for smaller herds where one cow can impact the bulk tank counts.

Cull cows that are not bred back, have chronic problems, or

low production. Do you have low production cows eating feed you might need next year?

Evaluate feed additives in cow and heifer rations where they may not be needed or show results. **Do not short change the milking groups**, especially the dry, fresh and high producing groups. Reduce phosphorus levels to save money and reduce required land base.

Eliminate feed wasting. Collect weigh backs from production groups and feed to yearling or bred heifer groups where it matches your Johnes' control program. Manage bunk silos properly. Clean up feed spillage daily around upright silos, conveyors, and mixers.

Perform a feed inventory and plan ahead for needs in the next 7 to 8 months and secure grain and forage sources. Try to secure delayed payments or pay-as-you-go arrangements for feed purchases. Consider advance booking feed grains to remove price increase risks.

Develop relationships with neighboring grain farmers for feed purchases. Consider swapping the value of manure nutrients for current or future grain. Get it in writing!

Optimize the nutrient value in livestock manures to cut fertilizer cost in the cropping program.

Wean calves earlier to save labor and feed costs on milk replacer, and retain income on saleable milk.

Evaluate the cost effectiveness of contracting heifer raising, forage chopping, breeding programs or other segments of your business.

Evaluate your heifer raising costs and consider contract-raising heifers if you are short of facilities, labor and/or feed.

Is the sale of heifers an option in your farm business plan? Consider

the long range impact.

Save veterinary expense by doing some of the simple tasks yourself. Are you administering IV's yourself or training employees for some of these tasks that allow early intervention of disease and injury?

Begin your tax management strategies now by discussing the current year with your tax preparer. Low income years can still result in a tax liability.

Control machinery and equipment purchases to optimize profits, not taxable income.

Plan to take advantage of the MILC, EQUIP and other USDA programs.

Consider volume purchasing or a buying group for small herds to obtain discounts.

Scrutinize labor requirements on your farm. Is your labor force efficient? Is your parlor running as efficiently as possible? Could you make do without an employee's extra hours?

Properly train and monitor employees to reach the above selected goals. Hold regular management and/or employee meetings to stay focused on goals.

Train an employee in emergency hoof trimming and care to immediately address costly lame cows due to hoof disease or injury. This should not replace regular hoof health maintenance by a professional hoof trimmer.

Do not cut out management services like DHI, mating or breeding services but rather put them to better use.