

Making The Right Business Decision

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As an industry we strive to do what is right. With the most current information available we implement protocols and standards to do what is right for the animals that we care for, what is right for our families, and what is right for the industry. At the same time, we must acknowledge that the information and standards that exist today will evolve in response to pressure from society and new information from other farms and industry funded research. Change is part of doing what is right.

At the farm level, doing what is right has to generate sufficient revenue to allow the farm to continue to function. On many dairies there is a tendency to focus on the expense side of the ledger because there is a belief that expenses are controllable. It is crucial that we do not get caught up in the least cost mentality to the point that we negatively impact revenue.

To quote John Fetrow and Steve Eiker “Fishing without bait is lower cost fishing.”

Every dairy can think of protocols that could be altered to reduce cost: on the veterinary side changing a vaccination protocol, or altering a fresh cow protocol could represent potential opportunities. While controlling feed costs could have a very large impact on reducing expense on the entire dairy operation. To properly estimate the impact of each of these decisions we need to have a formal approach to properly estimate the potential impact of the change.

When an advisor or salesman approaches you with a solution your first question should be: What problem are we solving? Is this a priority on my farm? Once you have agreed that this is a priority having a strategy to measure the results is critical. What measures will be used, how long will it take to see a response? Finally, what is the cost of returning to the current strategy should the proposed solution not result in the desired outcome?

For example potential control points for feed cost might be:

1. Feed less feed.
 - a. Reduce refusals or feeding to a clean feedbunk
 - b. Increase milk per cow to permit feeding fewer cows
2. Feed lower cost ingredients
 - a. Feed less expensive ingredients – reduce mineral cost or remove additives
 - b. Sort cows based on production and use a “low group” ration

Next we need to consider what the outcome that we are going to measure will be. In this example tracking the monthly feed expense is top of mind. In reality we need to measure the change in expense associated with producing milk, because every cow’s daily ration is composed of the amount of feed to maintain the cow and the additional feed that produces milk. This marginal feed cost is the correct measure of feed cost to measure the implication of any change to your ration.

In addition to monitoring expense we need to measure the return on investment. Reducing feed expense will only make sense as long as there is no decrease in milk production and there is no change in reproductive efficiency, udder health and transition cow success. With current technology daily milk measurements are available, fat and protein are available with every bulk tank shipped such that within 30 days of any change we can measure the change in milk production. The time frame for measuring any change in reproduction of udder health will be several months.

As a rule of thumb getting more feed into cows results in more milk. In the summer heat stress drives intakes down and milk production follows. Strategies designed to reduce dry matter intake such as feeding to an empty bunk, or increasing fibre concentration in a low group ration will result in a corresponding decrease in production. The revenue from milk is available from DFO twice per month, calculating the marginal cost of feed per litre of milk will allow an accurate estimate of the return on the proposed change.

Finally how long will it take to recover from a change that does not give the desired outcome? For contrast let's consider two scenarios. First, adding a feed additive to increase milk components. The additive will impact butterfat percent within 2 weeks of making the change. If and when you decide to remove the same additive the result will be evident within the next 2 weeks. There is a very short lag to realizing the impact of this type of change.

In contrast regrouping cows at 250 days in milk to a "low group" ration will decrease your daily feed cost for these animals on the day you move them to the next group. Measuring change in milk production will be possible daily. However once this cow has been moved and her lactation curve altered you will not be able to move her back up to her previous lactation curve. Therefore you will have risked losing milk revenue for the duration of the current lactation. The cost of reversing this decision is much larger than the addition of a feed additive.

Doing the right thing has to make sense. Ask your advisors for their input and critically assess all assumptions before implementing any change. Avoiding lost revenue will benefit your business much whereas focusing on reduced expenses can have negative consequences. Formalize a strategy to evaluate recommendations for your dairy business that will make the process simple and will help ensure that you make the right decision for your business.