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# Dairy farming success in the bioeconomy

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## Dairy farming success in the bioeconomy

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A lot of the focus on the dramatic changes in agriculture has been the rapid expansion of ethanol production in the U.S., especially Iowa and surrounding states. This expansion, and a few other factors, has led to large increases in corn and oilseed prices. The change is mostly away from a supply driven price determination to demand driven price determination. That change has dramatically increased feed costs for dairy producers. More important is whether net profit margins have declined. Of course, the answer will vary by individual farm cost and milk price. Certain management principles can help dairy owners succeed in the new environment.

As a first step, don't sweat the small stuff, yet. Ask yourself what the largest expense in milk production is. Approximately 45% of milk production cost is feed, purchased and grown. Reducing feed waste, increasing dry matter intake and improving feed quality are all items that will help reduce feed cost per hundred-weight. A periodic review, at least quarterly, can be done to make improvements. Improved feed quality will assist in more milk per cow and better cow health. Feed additives are common to a dairy cow diet, but do they add to the farm bottom line. Research, not just testimonials, should be the way to judge effectiveness. Corn has been an easy "fix" for feed problems, but other products are available to be used as an energy replacement. Another strategy could be to feed high moisture ground ear corn. Pound for pound it provides as much energy as shelled corn on a dry matter basis but one can harvest more pounds per acre.

The next largest cost on dairy farms is labor, including unpaid labor from the farm owners. Fully utilizing labor, labor efficiency, task efficiency and doing the important stuff first is important here. One of those is management and coordination. Management failures can be exceptionally costly in lost milk as well and higher expenses. Being ready for alfalfa harvest ahead

of time, can make for higher quality haylage than that of your neighbor who isn't ready. Management also looks at tasks to be accomplished and assigns them in ways that benefit profitability most. Each person on the dairy team should handle the tasks they are best at, not just the ones they like most. For instance, the person on the dairy team best at handling pre and post fresh cows should have that as their major responsibility. This improved transition in cow care reduces and improves milk production cost and increases farm profit.

Far from suggesting that the small stuff is unimportant, I am suggesting that priorities need to be made correctly to yield the most profit for dairy farms. With the bioeconomy changes, least cost producers in any commodity will survive and prosper. Find cost reductions in the big stuff first and work your way down.

*Updates, continued from page 1*

### Internet Updates

The following updates have been added to [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm).

**Estimated Costs for Production, Storage and Transportation of Switchgrass – A1-22**

**Custom Farming - A Share of the Crop – A3-13**

**Grain Harvesting Equipment and Labor in Iowa – A3-16**

**Historic Farmland Values – C2-72**

### Tools

The following profitability tools have been updated on [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm) to reflect current price data.

**Ethanol Profitability – D1-10**

**Soybean Profitability – A1-85**

**Corn Profitability – A1-85**

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