

# Five Steps to Controlling Feed Costs

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## 1. Know your costs

To gain an accurate picture of your costs, you should **monitor feed use, cow numbers**, and the milk cheque every month. These numbers will not only give you what you need to **calculate feed costs**, but you can also **monitor feed inventories and plan your feed requirements for the next cropping season**.

Don't be misled by methods of calculating feed costs. Spartan Dairy Ration Formulator (Michigan State University), for example, calculates dollars/100 kilograms of milk, based on cow description and kilograms of milk per day. **This figure is only accurate for cows producing close to the quantity of milk described, and does not take into account maximised dry matter intakes.**

**Don't lie to yourself.** Price all ingredients accurately, including your homegrown forages; update ingredient prices regularly. Remember, most feed ingredients are priced on the commodity market: when grain prices go up, by-product feeds such as distillers' grains follow; if oilseed values go up, protein meals won't be far behind.

There are really no-good feed-costing guides out there. Many progressive producers track feed and production costs, but there is little consistency in their methods of calculation. This, along with differences in feed quality and input prices, make it very difficult to compare productivity and costs between farms.

Some promising work is currently being done by the Canadian Farm Business Bureau, but our financial institutions and accountants should be showing much more leadership in this area.

If you have trouble estimating your current feed costs, why not ask your banker or accountant for some help? They should have the skills to develop a comprehensive spreadsheet that you can maintain to come up with the final figures.

**Until you have a handle on what your feed costs of production really are, you have little hope of reducing them.**

## 2. Feed smart, not cheap

Getting the most for your feed buck often involves fine-tuning herd management, not just seeking cheap feeds:

- 🕒 **Cull the losers.** Of all the changes that should be made, culling unprofitable cows should be first on the list. Many producers keep loser cows around in the hope that they will do better. *With high feed costs, keeping break-even cows around is a luxury nobody can afford.*

**Remember the higher producing animals are the ones that save you money because the cost of nutrients for body maintenance per kilogram of milk goes down as production goes up.**

***In simpler terms, it would pay you to feed a smaller herd of high producers than a larger herd with several losers.***

- 🕒 **Track the costs of your milk components.** Unfortunately, the nutrients required to boost component production are not free; they must be fed to your cows.

Milk protein is usually the most expensive component because of its high requirement for absorbable protein, which is often “expensive protein”.

- 🕒 **Feeding fewer nutrients can be costly.** Be sure that you know what it costs in lost milk before you make the choice to intentionally reduce the nutrient density in your herds’ ration. Often, the cost of lost production far exceeds any savings in feed.

In addition, many cows, once they are “told” to slow down in milk production, will not pick up again during that lactation. **This is a costly experiment.**

- 🕒 **Feed additives are there for a reason.** When feed costs rise, one of the first ingredients to get tossed are additives going into the ration, such as buffers, yeast cultures, niacin, anionic salts, and chelates. A feed additive is in a ration because we have determined it has a beneficial effect on production, animal health or both. In addition, that additive must be offering us a cost return, be it in higher milk or milk components, better feed efficiency, or lower vet bills.

With this in mind, can you afford to remove the additive? If all of the previous criteria have been met, the answer would obviously be “no”.

- 🕒 **There are other ways to reduce feed costs:**

- **Split the herd into at least 2 milking groups**, such that you are feeding less expensive rations without the bells and whistles to low producers and late-

lactation cows, while challenging fresh and top cows with a hotter, more expensive ration.

- Feed leftovers to the heifer groups, never to dry cows!
- Ensure that there is feed and fresh water available to the cows 24 hours a day.
- Clean the mangers daily.
- Make sure that the farm's "feeder" is extremely reliable and uses accurate scales.
- Run dry matter tests on all wet ingredients once a week to ensure that you are not under-feeding or over-feeding.
- Analyse all forages; feed a well-balanced ration.

### 3. Start with forages and work up

***Bottom line: your ability to reduce feed costs will be directly related to your ability produce and make the best use of excellent "dairy forage".***

You can reduce the loss in production due to poor-quality forages by formulating rations with higher supplement levels, but it is unlikely that you will regain 100% of lost production because of the reduction in dry matter intake. The lower the quality of your forages, the longer it remains in the ruminant digestive tract, which in turn leads to depressed dry matter intake and a decrease in animal productivity. In addition, *I can guarantee that your feed costs will be considerably higher.*

Forage quality is an important management tool. Those who produce and feed high-quality forages are rewarded with increased animal performance, reduced feed costs, and a rising return on the time and money they invest in this critical feed ingredient.

It is not enough to grow quality forages; you must also preserve that quality by harvesting the plants at their optimum maturity, this is especially critical with alfalfa, to gain top productivity.

<b>Effect of Forage Quality On Predicting Forage Dry Matter Intake of Ruminants</b>		
Forage Quality	Forage NDF (DM)	DM Intake (% BW)
Excellent	38 %	3.16
	40 %	3.00
	42 %	2.86
	44 %	2.73
	46 %	2.61
	48 %	2.50

	50 %	2.40
	52 %	2.31
Poor	54 %	2.22

Analysis of alfalfa at various stages of maturity				
Stage	Percent DM			
	Protein	ADF	NDF	RFV
Bud	>19	< 30	< 40	> 140
Early bloom	16 – 19	30 – 35	40 – 45	124 – 140
Mid-bloom	13 – 15	36 – 40	46 – 50	101 – 123
Full bloom	< 13	> 40	> 50	< 100

Effect of stage of maturity on digestibility and intake of alfalfa		
Stage	% Digestible (kg/d)	Intake (kg DM)
Pre-bud	66.8	15.5
Bud	65.0	15.1
Early bloom	63.1	14.5
Mid-bloom	61.3	13.9
Full bloom	59.4	13.3
Late bloom	57.5	12.6
Mature	55.8	12.0

#### [4. Look before you leap into commodity buying](#)

Interest in commodity feeding was born primarily out of people's desire to lower feed costs in large TMR herds. Commodity feeding has been touted to save between \$25 and \$30 per tonne over traditional complete feeds. However, I think a more realistic figure is closer to \$8 per tonne.

Some points to ponder before moving into the commodity game:

- ⌚ A dairy producer considering commodity feeding must enjoy the game of buying commodities on the open market. *If you do not have time to keep current on the market prices, or you don't like the uncertainty of forward contracts, then commodity feeding is not advisable.*
- ⌚ Commodity feeding involves a *commitment in time to purchase ingredients, assess their quality, and mix them.* Basically, you are replacing for feed company and all of the services they provide.

- ⌚ *Don't buy a commodity simply because it's cheap; it has to fit into your program in a cost-effective manner.* Ask your nutritionist to run it through your program and see what opportunity, if any, it holds for you. *A nutritionist?* Yes! A dairy manager who is committed to commodity feeding will tend to move away from feeding cows to the business of purchasing commodities. This means that skilled nutritional advice becomes even more important, but your local feed company will probably be reluctant to spend nutritionist time on you because you are no longer purchasing through them.
- ⌚ Also *consider shelf life in relation to the quantities bought and the usage rate.* High-moisture feeds like brewers' grains can present challenges to smaller herds because of their perishability. Remember too, that vitamin losses in pre-mixes are at least 1% to 3% per month.
- ⌚ *Feed value can vary significantly from load to load; be prepared to perform regular feed analysis and adjust the rations before problems develop.* Unless you are buying from a feed company or broker, there are no minimum guarantees on nutrients or assurance of quality. This is your responsibility now.
- ⌚ *Is the supply of a particular commodity feed dependable at a cost-effective price?* If not, can you change your program quickly without damaging the cows (i.e. introducing fat)? Would a blend of feeds be more appropriate than a single source commodity?

## **5. Tenders and contracts can get you the best deals**

With my clients, I tender out custom feeds designed specially for their forage base and herd conditions. It is strictly the decision of those clients which feed companies are involved; we usually invite tenders from about 3 companies.

Basically, I fax the individual companies copies of the specifications of my program. I receive in return a dollar quote, a list of ingredients, and verified specs. It is always interesting to see which company is awarded the tender; it's not always the cheapest quote.

We usually settle on one company for the entire herd's requirements. This allows for more aggressive pricing and benefits both the feed company and us. Many of my clients like to book their feed at a specific price for a period of time.

What can the feed industry do to reduce your feed costs?

Primarily, they can offer advice. A qualified feed rep. should drop in for a visit at least once a month and take an active interest in the cows, their BCS, DHI, and

vet records. Your rep. should be formulating your ration, not some third party at the mill.