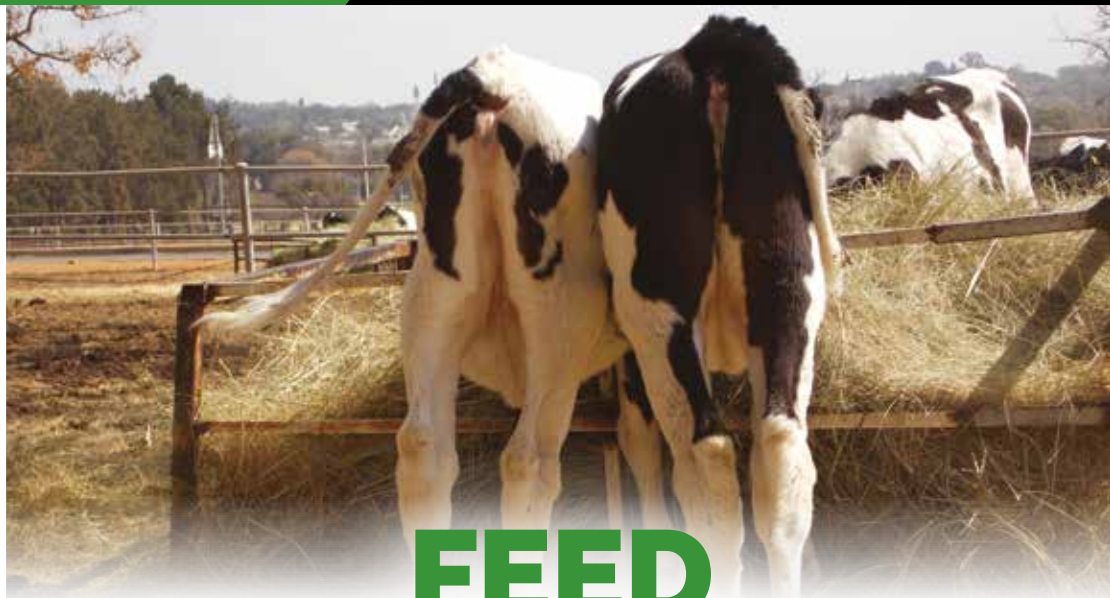


ECONOMIC OUTLOOK

BY TINEIL HURTER



FEED MANAGEMENT ECONOMICS

Photograph by Tineil Hurter.

I do not want to reduce dairy cows to cash cow status, but dairy farmers milk cows for no other reason than the bottom line. If profitability is not the goal in the farm management decision-making process, then what is? Profitability is impacted by many different factors, one of which is feed. Understanding the principles of feeding dairy cows is one of the tools of a farmer's trade. Then the most important job is converting this knowledge into money.

To become successful business managers, dairy farmers need to develop many new skills. Not only must they be able to budget their cash outflow to match their cash inflow during the different seasons of the year, but they must also be able to invest wisely. The availability and quality of dry season

feed supplies are generally the primary limiting factor in the way of increased farm milk production and profitability.

Every effort should be made to ensure a reliable supply of quality forages to supplement wet season forages during the dry season. For example, dairy

farmers may consider contracting nearby crop farmers to grow whole crop maize for silage and then store it rather than depending on low-quality forages as the main dry season feed.

QUANTIFY

Quantifying the day-to-day profits from correct feeding practices is one of the critical skills dairy business managers need to develop. Feed costs make up 50–60% of the entire variable (or the day-to-day) costs in smallholder dairies, and are an essential contributor to the overall production cost. A valuable measure of feed management economics is ‘milk income less feed costs’ (MIFC). This quantifies the margin available to cover all other costs and leave a profit. It can be defined as:

**MIFC = (INCOME FROM MILK SALES) LESS
(TOTAL FEED COSTS)**

**Where, MILK INCOME = MILK VOLUME (P)
MULTIPLIED BY THE UNIT
PRICE IN RAND/P**

INCREASE INCOME

Milk income can be influenced in several ways. Firstly, milk volume increases with better feeding practices. Secondly, the unit price can be increased by producing milk that contains more milk fat and/or protein. This, in turn, is the result of providing additional feed nutrients, mainly by increasing milk protein content. Reducing bacterial contamination,

or improving milk quality should also, in theory, increase the unit price.

CALCULATE REAL MONEY SPENT

Total feed costs are the real money spent on feeding milking cows daily. The costs of feeding dry cows and young stock are not taken into account, although these are part of the total dairy feed costs, because every milking cow must spend part of its life as a growing heifer or a dry cow. Total feed costs are for all the feed consumed, both forages and concentrate. Much of the forage may be home-grown, but it still has a cost. There are many definitions of the cost of home-grown forages, but the simplest explanation is its ‘opportunity cost’ or what it would cost to purchase directly from another farmer.

FORMULATE A SATISFYING RATION

The ultimate goal of profitable ration formulation is to formulate a ration to satisfy the animal’s nutrient requirements in order to achieve a target production level over a specific time (day, month, or year) at the minimum feed cost. This is called a ‘least-cost ration’ and is used routinely by commercial feed mills to formulate concentrate.

Cows are herbivores and so production rations should be based on feeding as much good-quality forage as possible, than supplementing with concentrates. Ideally, the forage’s unit cost reduces as more of it is grown to feed the milking herd. That is certainly the case with grazing herds in Australia, although it may not always hold good for all smallholder farms in South Africa. 

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