

Lower milk prices – options for this season

Tuesday July 28th 2009 at the Macalister Demonstration Farm – Information kit

INFORMATION KIT

Selling Colostrum	2
Milk Price : Grain ratio	3
RISK	
Minor Adjustments	4
Major Adjustments	7
Farmer Panel:	
Bill Jessep	11
Michael Thorn	11
Malcolm Sellen	12
Damien Birss	12
Once A Day Milking	13

Who is the MEG? A committee of local dairy farmers and service providers:

Andrea Killeen, Dale Scott, Matt Cropley, Hans van Wees, Brad Missen, Leo van den Broek, Peter Neaves, Jeannette Howie, Malcolm Sellen, Mark Humphris, Neil Baker, Frank Tyndall, Craig McCrae, Bree Walshe, Jason McAinch, Gavan Lamb, Maria Rose and Colin Waters

We meet approximately 6-8 times a year to discuss and coordinate our response to issues.

To contact the MEG please call DPI Maffra on 5147 0800 and ask for Jason or Bree.

These notes are general in nature and not necessarily completely accurate and designed to support the presentations. They are an attempt to make you think about the possibilities within your system and business. You have arrived and operating your farming system for a reason, changes no matter how minor need careful consideration on their impact now and into the future. Please discuss any changes to your system with business partners, advisors, bankers, accountants etc.

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The Colostrum Checklist

An option for cash flow this spring

Supplying colostrum this spring could provide a welcome increase in milk payments given the predicted milk price. A report of \$90/cow for 2 days of colostrum is worth thinking about. It is a practice that is associated with risk, due to its potential to impact on calf health and on going mastitis/dry cow treatment (see below).

If you are considering supplying colostrum this season, – ask yourself the following questions, if you answer YES to these questions – colostrum could be suitable for your system!

1. Do you have a compact calving? (at least 4 fresh cows per day) Y / N
2. Have **NOT** used a long acting dry cow product? (Cepravin DC or Bovaclox DC) Y / N
3. Have not had calf health problems in the past? Y / N
4. Have not had salmonella outbreaks in calves? Y / N
5. Have access to an extra refrigerated vat? Y / N
6. Are you willing to collect the first 4-5 milkings from the suitable cows? Y / N

There may be a little extra work in collecting colostrum. You may only wish to do it for a few weeks. Discuss the risks to your business with an advisor and your vet, to ensure the short term increase in cash flow is really a profitable return.

Colostrum a farmers perspective

Dairy farmer Anthony Cliff from Stratford has sold their farms colostrum since 2001, the decision was made to diversify their income and stop wasting calf milk/colostrum early in the season. There has been no real change to the management of fresh cows, as previously each cow was tested for mastitis and blood for a few days anyway. They collect colostrum for 3 milkings from the cows and 2 milkings from the heifers. The number of milkings can be increased per cow, but this has a detrimental effect on IgG (the protein in colostrum) percentage. If it is too low the tanker can reject the pickup. The cows/calves are collected from the paddock twice a day, before milking, fresh cows are milked first, then followed by the 'fresh herd' which these cows now join. Cows are individually marked per group, eg Tuesday am = red dot, they will be milked Tuesday am, pm, Wednesday am, then go into calf milk for another two milkings before they join the main milking herd. They have had no calf health issues. Accurate records of calving cows is essential. They have a refrigerated 2300 litre vat, an air purge on the milking plant, an air compressor and a portable milk pump. The colostrum collection occurs from August to September, a 5 week period in 08/09, with 11 pick ups. During this time they have 470 cows calve, with an average of 12 – 15 calves per day and a peak of 30 calves a day. Dry cow treatments need to be considered, Anthony uses Orbenin Enduro, Juraclox, Bovaclox. They experienced an issue with withholds in 2006, but all cows were outside withhold period. Milk was tested in conjunction with the factory before pick up, after a few days the problem settled down. The colostrum was financially beneficial, receiving \$4.08 per litre, or \$25 per cow. The estimated price for the 09/10 season is to be the same as last year!

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Tuesday July 28th 2009 at the Macalister Demonstration Farm – Information kit

Milk price: grain price ratio

	\$/MS	c/L	grain	Milk/grain Ratio	Fodder
96/97	3.70	27.5	207	1.33	120
97/98	3.46	25.9	205	1.26	189
98/99	3.59	26.7	148	1.80	159
99/00	3.21	24.2	187	1.29	153
00/01	4.07	31.4	236	1.33	133
01/02	4.23	32.4	288	1.13	164
02/03	3.33	24.5	298	0.82	192
03/04	3.55	27.1	240	1.13	190
04/05	4.15	31.9	215	1.48	190
05/06	4.95	36.5	260	1.40	220
06/07	4.75	35.3	351	1.00	220
07/08	6.90	55.4	485	1.14	400
08/09	5.15	39.0	380	1.02	320
09/10					
opening	3.55	27.0	250	1.08	??

Is it a time to feed grain? Answer is not so simple!

What does the 27c/l average price mean on a monthly basis? What does it mean to cashflow?

	Factory 1		Factory 2
July	35 - 38	c/L	34 - 37
August	25 - 28	c/L	25 - 28
September	20 - 22	c/L	24 - 26
October	20 - 22	c/L	24 - 26
November	20 - 22	c/L	24 - 26
December	20 - 22	c/L	24 - 26
January	25 - 27	c/L	25 - 27
February	27 - 29	c/L	26 - 28
March	29 - 31	c/L	29 - 31
April	38 - 39	c/L	31 - 34
May	40 - 42	c/L	38 - 40
June	40 - 44	c/L	39 - 43

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This section is provided by Jason McAinch Dairy Advisor DPI Maffra

Risk!

Minor Adjustments

Bobby Calves

Bobby Calves – What is your plan this season?

The new season, means assessing all options on the farm. Let us investigate the options around Bobby calves:

Option 1, Maintain the current practice -sale of bobby calves at 5 days

Option 2, dispose of calf immediately or

Option 3, rear bobby calf to 80+ kilograms.

What are some of the 'known's and considerations'?

- Milk price - August milk is roughly \$0.24, September and October \$0.20.
- Colostrum milk is worth around \$2.00 a litre from milkings 1-4. (If you have not used dry cow treatment – Cepravin or Bovaclox and have facilities to sell it)
- Labour for collection of calf from calving paddock required for all options
- Labour per bobby calf is estimated as approximately 30 minutes (feeding for 5 days).
- Some other imputed (non-cash) costs may include pens, feeders and collection /monitoring of non- antibiotic milk.

1. Current practice

Bobby calves ready for sale at 5 days require 4 litres high quality colostrum at birth and 4 days of 4 litres (16 litres). Let us say 8 litres which would be saleable as colostrum and 8 litres is non-saleable colostrum. NLIS ear tag \$1.65.

Cash costs if able to sell colostrum (i.e. have chilled vat) – High quality colostrum (4 litres) plus saleable colostrum (8 litres) (12 times \$2.00 = \$24.00) plus NLIS tag total cash cost is \$25.65.

2. Dispose of calf immediately

As suggested, dispose of calf immediately, within guidelines of 12 hours. Cost is \$0.20 with captive bolt gun a bit less for a rifle.

3. Rear bobby calf to 80+ kilograms

Let us assume the same feeding as the bobby calf for sale at 5 days. The small change maybe that the colostrum being fed does not need to be "saleable", able to feed antibiotic milk, as we are not concerned about residue in these calves until 21-30 days before sale. (Please check with your antibiotic distributor). Therefore 5 day costs are \$8.00 colostrum and NLIS tag \$1.65. Assume calf is 30kg at 5 days and takes 6 - 8 weeks to raise to 80+ kg, 4 litre per day (4litres times 7 days times 7 weeks) is about 200 litres. Let us assume half of this milk is not able to be sold to the factory and is fed to the calf. This calf is then fed "bulk tank" milk for 21 to 30 days depending on which antibiotic was fed previously to ensure that this calf is then able to be sold at 8 weeks. Therefore, 100 litres at \$0.20 is \$20.00. Assume the cost of this rearing is minimised, so only minimum grain and hay will equate to \$25.00.

Total cost (assuming the colostrum fed could have been sold) is \$54.65. Added cost might be incurred if non-saleable milk is not sufficient to meet the needs of the heifer calves and extra bobby calves (increase by up to \$20). This cost does not include labour, extra shedding, treatments or deaths. A high level of risk is also associated

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with this method as you have little idea of the price received for the calf at 80+kg in 6 – 8 weeks time.

Table 1

Milk

- i. High quality colostrum (1st to 6th milking)
- ii. Bull calf milk – no residue colostrum (7th or 8th milking)
- iii. Unsaleable milk – colostrum and residue milk
- iv. Bulk tank saleable milk

A= colostrum able to be sold. B= colostrum **not** able to be sold

Option 1A	bobby calf incl NLIS tag (\$1.65)	At birth milk i 4 litres \$8	First 4 days Milk i Milk ii 8 litres 8 litres \$16 \$nil		Costs \$25.65 plus labour etc
Option 1B	bobby calf incl NLIS tag (\$1.65)	At birth milk i 4 litres \$nil	First 4 days Milk i Milk ii 8 litres 8 litres \$nil \$nil		\$1.65 plus labour etc
Option 2	Disposal within 12 hours				\$0.12 to \$0.20
Option 3A	Rearer bull incl NLIS tag (\$1.65)	At birth milk i 4 litres \$8	Until 4 weeks Milk iii ~100 litres \$nil	5 – 8 weeks Milk iv ~100 litres \$20	\$29.65 plus fodder \$25 = \$54.65 plus labour etc
Option 3AA	Rearer bull incl NLIS tag (\$1.65)	At birth milk i 4 litres \$8	0 – 8 weeks Milk iv ~200 litres \$40		\$49.65 plus fodder \$25 = \$74.65 plus labour etc
Option 3B	Rearer bull incl NLIS tag (\$1.65)	At birth milk i 4 litres \$nil	Until 4 weeks Milk iii ~100 litres \$nil	5 – 8 weeks Milk iv ~100 litres \$20	\$21.65 plus fodder \$25 = \$46.65 plus labour etc

For farms that have the ability to sell colostrum, the farm decision can be made quickly to cease feeding bobby calves for the 5 day market if the price received is less than \$30 for a 30kg calf. Then the decision is between Option 2 or 3.

If the farm is not able to sell colostrum the costs are less, as the milk fed would be “waste” milk (i.e. like milk ii) and only the labour considerations need to be applied for option 1.

For Option 3, the consideration is whether you can have calves gain 50kg for the milk and fodder inputs. Hence, have you got excess “waste milk” and can you receive greater than the break-even \$1.00/kg for each kilogram gained from 30kg calf to 80kg calf (which does not include imputed cost)? If waste milk is not available the break-even figure lifts to \$1.50 for each kilogram, which does not include imputed costs.

Lower milk prices – options for this season

Tuesday July 28th 2009 at the Macalister Demonstration Farm – Information kit

Selling Yearlings

Selling any stock is about understanding your system and its associated risks. Herd numbers into the future is an important part of this. What are your expectations around the final milk price? Will your factory stretch itself to pay this amount? Where does it leave the factories cash reserves for next seasons pay out? **RISK**

Considerations

- Cost for the yearlings until they join the milking herd
 - Feed for 12 months
 - 3.3 tonnes of DM or 35,000 MJ/head
 - or agistment
 - Joining cost
 - Empty rate cost
 - Vaccine and drenching cost
- Income for overseas market is \$1000 now

Implications to the business, assume (200 milking cows) you have a culling regime that requires you to replace 25% of the herd next year. Selling 50% of your replacements (25 heifers) leaves you milking 175 cows. Therefore 12.5% less cows. If milk price rises quickly and input costs drop significantly you would probably find yourself worse off? Is this likely?

If milk price climbs 15% and you have 12.5% less cows will you be able to increase per cow production to capture the 2010 milk price?

Finances

Please, please get rid of short term finance. Put any / all short term loans into long term loans. You are in it for the long term, so is your bank. Investigate putting machinery/car finance into long term loans. Banks are generally very good at understanding risk. If risk is high the interest rate is higher, if risk is too high they will not loan the money. Therefore, be mindful of and understand the banks response. Understand cashflow (liquidity) of decisions versus profitable decisions versus offsetting costs.

N & Silage

Careful considerations need to be made around Nitrogen. Urea applied in spring can create a lot of cheap feed if / when high responses to N occur. If this feed is wasted or made into silage, this feed becomes more expensive. If this feed is made into silage, it has an impact on cashflow. *Consider the cashflow implications of all decisions.*

Lower milk prices – options for this season

Tuesday July 28th 2009 at the Macalister Demonstration Farm – Information kit

Major Adjustments

Growing Grass

Rotation length along with residue height are critical. Apply to attend a Feeding Pastures For Profit (FPFP) program in March 2010.

Stocking rate

Understand that stocking rate has a great impact on the amount of purchased in feed. S.R also has an impact on the amount of pasture that can be harvested. It is a fine balancing act. (cows are a capital investment; careful consideration needs to be taken when changing numbers)

Water

With the unbundled world the fixed costs are already paid. Usage of only \$9/ ML is the consideration. Regularly monitor and evaluate the water availability and which areas to irrigate.

Supplements

Is the single biggest expense on the farm, small gains here make a big difference to the overall picture

Source the correct supplement/s – energy density, protein, fibre and minerals

Monitor the wastage of supplements

Changes in the amount of pasture fed / cow, also changes the balance of the diet

Fertiliser – how much is enough?

Is likely to be the third biggest expense on farm, small gains here make a big difference to the overall picture

Do you know what the Gippsland Nutrients team does?

Bree Walshe, Dairy Advisor, DPI Maffra

If you answer yes to any of the following questions our services are for you!

- | | |
|---|-----|
| • Are you a commercial farmer? | Y/N |
| • Is fertiliser a large expense on your farm? | Y/N |
| • Want to see if you can save on your next fertiliser bill? | Y/N |
| • Do you soil test? | Y/N |
| • Do you want to understand what the fertiliser representative is advising? | Y/N |
| • Would you like independent advice? | Y/N |
| • Do you calve down on the same paddock each year? | Y/N |
| • Is your farm in the West Gippsland CMA region? | Y/N |

Then a Nutrient Management Plan is for you – our team provides a comprehensive interpretation and recommendations from up to 6 soil tests taken from differing management areas or problem hot spots around your farm. What's the cost? For 6 independently sampled soil tests its \$270, or \$45 each, which equates to half price, the interpretation has already been paid for by your levies and taxes. Please call Bree Walshe DPI Maffra on 0408 519 013.

This session is proudly brought to you by the Macalister and East Gippsland committee of the DEC, Department of Primary Industries, Maffra Vet Centre, the Macalister Demonstration Farm and GippsDairy.

Lower milk prices – options for this season

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Bare Bones Fertiliser Budgeting in 2009

John Gallienne, Dairy consultant Gippsland

A trimmed fertiliser budget for this year will be essential, but how low you go will depend on the individual farm or parts of that farm given that soil fertility varies across all farms, along with the responsiveness of the various pasture and crop species in Gippsland.

While it is clear that a zero application of fertiliser on a dairy farm this year is not an option, it means that the use of a 'minimal maintenance' application could be the likely option that will work for most people.

The application of 'capital' nutrient is unlikely to be an option this year, unless soils on the farm are severely depleted.

To maximise pasture production for the rest of this year, it's worth preparing a trimmed feed cost budget or at least have a good realistically estimated budget. A checklist for putting priorities on nutrient expenditure is outlined below.

In addition to having the trimmed budget, pull out any soil tests taken during the last five years. If you don't have any soil tests, it is not too late to sample and have them analysed.

Draw a farm map and mark it with the paddocks you consider to have reasonable fertility through to the ones considered to be least productive over the last couple of years.

Guidelines to apply N (Nitrogen)

Nitrogen is the major nutrient required by plants (4 per cent of plant tissue is nitrogen). This is the key nutrient to maximise plant growth and needs to have plenty of funds allocated to it this year.

Three good rules of thumb are:

1. If there is sufficient moisture in the soil for plant growth, nitrogen can be applied;
2. Pastures utilise nitrogen at the rate of approximately one kilogram nitrogen/ha/day; and
3. Some pastures may only receive nitrogen or nitrogen/phosphorus blends this year.

Nitrogen is available in various forms including urea, liquid N formulations, as a component of DAP and MAP, and as a component of fowl manure.

Nitrogen in the form of urea provides flexibility, can also be combined with various phosphorus and potassium blends depending on other applications during the year. It is likely that in most situations urea will be the most frequently applied source of nitrogen.

In some districts liquid nitrogen is available. Research shows that during the remainder of this year, it can be expected that the response per kilogram of nitrogen applied will be the same for the liquid and dry blend products. Therefore, after you have checked product analysis, you will need to compare the cost/kg N/ha including the spreading/spraying costs.

Lower milk prices – options for this season

Tuesday July 28th 2009 at the Macalister Demonstration Farm – Information kit

The most likely key times to apply nitrogen are outlined below - in this case, using urea as an example. (These are a guide and they may be applied to part of the farm only or progressively to all areas - over three or four weeks).

As autumn rains occurred in various parts of Gippsland during April, it was appropriate to start applying nitrogen - i.e. 80kg/ha urea (supplying 36kg N/ha). For the second half of 2009, suggested application rates are:

- Early June - apply 80-100kg/ha urea (supplies 36-46kg N/ha).
- Mid to late August - apply 80-100kg/ha urea (supplies 36-46kg N/ha).
- Third week in October - apply 80kg/ha urea (supplies 36kg N/ha).
- Early December (if there is good soil moisture for plant growth) - apply 80kg/ha (supplies 36kg N/ha).

Note: spacing the applications might help spread costs, as well as the response period.

Expected minimum nitrogen responses are likely to be:

- Late Autumn - Winter 10 kg DM from each 1 kg N applied (on healthy actively growing pastures 14 to 1 could be expected);
- Spring 28 to 1 (on productive healthy pastures 32 to 1 has been gained in the last couple of years).

Note: use dairy effluent where possible (using the lowest cost application method available).

Guidelines for applying Phosphorus, Potassium and Sulphur

These suggested applications are aimed at a reduced maintenance application for this year based on recent soil test results. You can fine tune these by working out or seeking advice on the specific fertiliser maintenance needs for your own farm.

P (Phosphorus) soil test results and suggested applications

- Low – 20 kg/ha (50 per cent in autumn)
- Marginal to Moderate – 15 kg/ha (60 per cent in autumn)
- High - 10kg/ha (75 per cent in autumn)

Phosphorus is a critical element for both existing pastures and sowing/oversowing in autumn. It has a particularly important role in developing the root system. The more active and larger the plant's root system is, then the greater the opportunity for that plant to explore for nutrients in the soil.

K (Potassium) soil test results and suggested applications

- Low – 50kg/ha (20 per cent in autumn)
- Marginal to Moderate – 40kg/ha (10 per cent in autumn)
- High - 30kg/ha (no autumn application)

Potassium - pastures are mainly responsive to this element in spring. If soil tests show low levels, then a low application rate prior to spring could well be justified.

S (Sulphur)

- Low – 20kg/ha (50 per cent in autumn)
- Marginal to Moderate – 15kg/ha (60per cent in autumn)
- High - 30kg/ha 10kg/ha (75 per cent in autumn)

Lower milk prices – options for this season

Tuesday July 28th 2009 at the Macalister Demonstration Farm – Information kit

Trace elements

Unless you have evidence that these are desperately required, it's hard to justify their application this year. Talk to your farm vet about any animal health related issues.

Note: make sure you maintain inclusion of any trace elements with grain or pellets as fed in the past.

Lime

Unless you have soil test results showing a need for lime, or you are sowing down a pasture it's hard to justify any application this year, despite the fact that its price per tonne spread is low compared with other soil inputs.

Talk to your fertiliser company about the most cost effective products to deliver the nutrients you need.

In November this year, it will be essential to reassess how the pastures have performed and start making plans for fertiliser applications next year. This might include getting a couple of strategic soil tests done.

For more information, please contact John Gallienne on 0407 863 493; or your nearest dairy field officer/consultant; or Department of Primary Industries Dairy Extension Officer at Maffra on 5147 0800, Ellinbank on 5624 2222 or Leongatha on 5662 9900.

Lower milk prices – options for this season

Tuesday July 28th 2009 at the Macalister Demonstration Farm – Information kit

The Farmer Panel

Farmer name: Bill & Alison Jessep, farm owners

Location: Tinamba

Size of farm: 160ha

Cow numbers: 520

Stocking Rate: 3.25 cows/ha – 4.3 cows /ha

Concentrate: 1.8 tonne/cow PKE ~1 tonne/cow

Bought in feed: Either agist the cows or purchase standing feed to harvest
by cows or mechanically

Production: 524 kgMS/cow 7070 Litres/cow 0.84 kgMS: kgl/weight

550-700kg

500kg N/ ha

6.5 ML/ha

Farmer name: Michael & Jackie Thorn, leaser's

Location: Tinamba

Size of farm: 117ha (70ha milking, 30ha run off)

Cow numbers: 220

Stocking Rate: 4.2 last year, reduced to 3.2 09/10

Concentrate: 1.9-2.1 tonne /cow

Bought in feed: 60 tonne of PKE for rising 2 year olds and transition diet

Production: 615 kgMS/cow 7900 – 8100 Litres/cow 1.07 kgMS: kgl/weight

1 kg N/d

3.5 ML/ha

Lower milk prices – options for this season

Tuesday July 28th 2009 at the Macalister Demonstration Farm – Information kit

Farmer Name: Mal & Jo Sellen, farm owners

Location: Nambrok

Size of farm: 55ha

Cow numbers: 182

Stocking Rate: 3.3 cows / ha

Grain: 0.15-0.2 tonne/cow

Bought in feed: As required, may need to purchase 40tonne hay for winter

Production: 350 kgMS/cow 4000 – 4500 Litres/cow 0.8 kgMS: kgl/weight

Up to 300kg N/ha

7-8 ML/ha water use

Farmer Name: Damien & Mel Birss, sharefarmers

Location: Dawson

Size of farm: 56ha

Cow numbers: 140-150

Stocking Rate: 2.5 cows / ha

Grain: None

Brought in feed: 50 rolls lucerne silage, 200 rolls lucerne hay from outblock

Production: ~ 300 kgMS/cow ~4000 Litres/cow 0.7kgMS: kgl/weight

Up to 98kg N/ha

3 ML/ha water use
