

Transitioning Your Dairy Herd to Cash Grain Crops?

Should you keep milking cows? Can and should you transition to a more profitable dairy system? Should you switch to cash grain production or another livestock enterprise or? Or, sell the farm?

The Iowa economy and Iowa soils know too well the trend of fewer dairies, less livestock, less forage acres and more cash grain. This trend results in less economic activity in rural communities and an increased loss of our soil resources.

While considering the transition, there are two major factors to consider--the potential profitability and the desired quality of life of milking dairy cows versus other potential enterprises.

It is difficult to make meaningful comparisons between dairy and cash grain enterprises because grain budgets are expressed on a per acre basis while dairy budgets on a per cow basis. But, they can be compared by using net returns to labor or net costs of labor.

A comparison can be made using ISU Extension's Model Dairy Farm data with an approximated \$650 net return to labor per dairy cow (after equity charge and with a milk price of \$13.25) and an estimated net return to labor per corn acre of \$27 (after equity charge, with 180 bu. at \$2.40 per bu. price). Net returns to labor of \$650 per dairy cow and \$27 net returns to labor per corn acre are important in that they show labor returns for a dairy cow are actually 24.1 times greater than an acre of corn.

However, labor costs per dairy cow are approximated at \$470 per cow and labor costs per corn acre are approximated at \$27 per acre (same as net return in above example) meaning that true labor costs are 17.4 times greater for a dairy cow relative to an acre of corn. So, using net returns to labor (includes additional profit) or just labor costs yields a different scenario.

So, a full-time labor equivalent can milk approximately 60 cows for a net return to labor of \$650 per cow or with a labor cost of \$470 per cow. The net return to labor equivalent would be 1,446 acres of corn (60 cows x 24.1 acres) and the net cost of labor equivalent would be 1,044 acres (60 cows x 17.4 acres). Thus, depending how one compares, it would take between 1,044 and 1,446 corn acres to equal the net return to labor and net cost of labor, respectively.

Transitioning Your Dairy Herd Another Model Dairy System?

The same analysis can be made for dairies earning \$300 net return to labor per cow versus a dairy earning \$650 net return to labor per cow. Thus, it takes 2.1 times more cows at a \$300 net return per cow to earn the same net income as the producer earning \$650 net return to labor per cow. The range of returns to labor per cow can vary widely.

This example Iowa dairy averages between 16,500 and 20,000 lbs of milk per cow with a \$13.25 milk price, milking 120 cows and generating a net return to labor of approximately \$78,000. The lower profit dairy would have to milk 252 cows to attain the same net return to labor. This is intriguing that there can be more profit at times with fewer cows and even less production per cow, depending on the system of milk production.

Transitioning Your Dairy to Another Type of Livestock?

Dairy goats, dairy heifers, dairy steers, beef cows, beef stockers, sheep are all options to also consider. Each enterprise has a potential net return to labor. For example, a well-managed dairy goat operation might return to labor \$150 per doe. Relative to the 60 dairy cows at \$650 per cow, 260 dairy goats would be the net equivalent.

How Many Cows, Acres or Livestock Can You Practically Manage?

Granted, some producers may not be able to handle 60 cows per person, but others are handling 80 cows per person. Can one person handle the 1,044-1,446 acres of corn and do so on a timely basis; or the 252 dairy cows and manage the hired labor; or the 260 dairy goats kidding in the spring?

Thus, there are limitations but also variations in net returns to labor amongst and within enterprises. So, when considering transition out of or to another dairy system, carefully consider the options, costs and net returns to labor very carefully.

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