

ISU Extension View

News from ISU Extension to NE Iowa Dairy Producers

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The dairy industry has certainly experienced “tough times” this past year with milk prices.

This issue is an attempt to assist both your production and financial planning to help deal with lower prices—topics covered during the “Dairying in Tough Times” meeting series held last month in NE Iowa.

The Iowa Dairy Team has decided to emphasize a simple way of helping producers do and understand the financial performance of their dairy operations with the Dairy TRANS 4.0 program.

Please review the enclosed analysis. Yes, it’s an actual farm in NE Iowa. If we can be of assistance please call us. Peace to you and your family during this New Year.

Dale Thoreson / Larry Tranel
ISU Extension Field Specialists
Dairy/Beef and Forages

IOWA STATE UNIVERSITY
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Making Milking Easier

In December of 2001, we held a series of low-cost milking parlor tours to show effective, yet low-cost ways to make milking easier. Over 300 participants at the tours shared great reviews and a good number went home a decided to build a parlor.

So, in March of 2003, we will be touring many of the parlors which have been built since the last round of tours and showcasing the pros and cons of various low-cost parlors. The schedule of these parlor tours can be found inside. The comments most often heard after building a low-cost parlor is “why didn’t I do this sooner?” or “I can’t believe how much easier milking is” to “I never realized I could do it this cheap.”

Looking at the future of this industry, I doubt if the next generation will be as competitive or have the desire to milk in stall barn systems even though we can currently do quite well in them. It’s just a speculation and I realize how difficult change is.

I only encourage you to at least take a look at what your neighbors are doing on these parlor tours and at least consider if it could apply on your dairy operation. You may be surprised. NE Iowa can compete with any place in the country but we need to make sound investment decisions as we remodel our farms.

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ISU Extension DAIRY TEAM
“Bringing Profits to Life”

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NE Iowa Dairy Extension Field Specialists

Dairy/Beef and Forages

- Dale Thoreson, 319-267-2707
- Larry Tranel, 563-583-6496

Agriculture Engineering

- Dr. Dan Meyer, 319-425-3331

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- Robert Tigner, 641-394-2174

Crop Management

- Brian Lang, 563-382-2949
- George Cummins, 641-228-1453

State Dairy Specialists:

- Dr. Marj Faust
- Dr. Lee Kilmer
- Dr. Leo Timms

NE Iowa Dairy/Beef and Forages Calendar (more details inside)

January

- 7 Dairy Transition Cow ICN, Session 1, 12:30-3:30 pm
17-18 Farm Couple Getaway, Midway Hotel, Dubuque
20 Dairy Days, Waverly Civic Center, Waverly, 9:45-3 pm
21 Dairy Days, Kerndt Brothers Center, Lansing, 9:45-3 pm
22 Dairy Days, KC Hall, Elma, 9:45-3 pm
23 Dairy Days, Dairy Foundation Center, Calmar, 9:45-3 pm

February

- 3 Dairy Days, American Legion Hall, Ryan, 9:45-3 pm
4 Dairy Days, Johnson Reception Hall, Elkader, 9:45-3 pm
5 Dairy Days, Avalon Supper Club, Rickardsville, 9:45-3 pm
12 Dairy Transition Cow ICN, Session II, 12:30-3:30 pm
20 4-State Road Show, Loras College, Dubuque, 10-3 pm
27-28 Farm Family Getaway, AmericInn, Fayette

March

- 3-14 Dairy Parlor Facility Tours, NE Iowa
12 Two-Generation Farming, NICC, Calmar in conjunction
with Dairy Foundation Annual Meeting.
8-9 Farm Family Getaway, Holiday Inn, Mason City

DAIRY TRANS 4.0 A Tool For You?

- Cash Income and Expenses
 - Per cow and cwt.
 - Goals per cow
- Net Worth Statement
 - Cost (tax) Basis
 - Fair Market Value
- Cash Flow Statement
 - Summary
 - Cash flow risk ratio
- Net Income Statement
 - Inventory adjustments
 - Equity charge
 - Labor return
- Cost Return Analysis
 - Per cow
 - Per cwt
 - Per acre
- Profit Performance
 - Percent rating
 - Goals and averages
 - Financial ratios
 - Resource efficiency
- Ease of Data Input
 - Schedule F form
 - Assets and Liabilities

“Plan, rather than hope, for profits”

DAIRY TRANS is available this winter

Producers wishing to analyze their 2002 data can request an input form from Larry Tranel, Dale Thoreson or Robert Tigner; a real farm sample analysis is included.

A copy of the DAIRY TRANS software program is available for \$25 if willing to share your farm data confidentially with ISU or \$40 without data sharing . MS Excel is needed for home use.

The NE Iowa Extension DAIRY TEAM

Translating Financial Data into Knowledge to Help Dairies Attain Higher Profit Performance and Bringing Profits to Life

That's the goal of DAIRY TRANS! It translates tax record data from Schedule F, combines it with a simple Net Worth Statement and generates a very detailed and useful profit performance analysis.

The DAIRY TRANS analysis then gives a total net profit, cash flow and net worth statements. In addition, DAIRY TRANS calculates the costs of production on a per cow, per cwt. and per acre basis, and much more.

Cash basis records are adjusted for inventory changes to attain a true income and cost picture. Labor and capital are fully accounted for to better gain a handle on intensity of resource use regarding labor and various capital investments. **A break-even cost is calculated.**

DAIRY TRANS Received National Recognition

In 1993, the National Association of County Agricultural Agents awarded the National Farm and Ranch Financial Management Award to the “Managing Dairy Farm Finances” program based on the DAIRY TRANS software. An Iowa producer comments.

We analyze our dairy every year using DAIRY TRANS and it's an eye-opener having a detailed cost of production generated to help us make some long term investment decisions.

--Dale and Dee Gaul, Peosta, IA

The uses are many—year-end analysis, budget projections, financial comparisons, farm record groups, etc. Many users report generating the data to use the program in one hour or less. How's that for being “user friendly?” One user since 1993 acknowledged:

DAIRY TRANS really helped me pull all of my financial numbers and data together and gave me a clearer picture of my whole farm's performance each year and know my exact costs of producing milk on my farm to help make informed decisions.

It helped us realize we needed to make better use of our land and machinery, because we had too much overhead for our herd size. We used DAIRY TRANS to do budget projections for an expanded herd size utilizing rotationally grazed pasture and it greatly reduced our cost of production.

We have since added cows thanks to the accurate projections and reduced our machinery inventory. DAIRY TRANS really helped us move forward with changes and decisions.

--Dan Truttman, Green County, Wisconsin

Other Software Available

- **Sharemilk 2.0**—an Excel spreadsheet that allows 2-4 parties to join resources to allows one to input cost contributions in order to determine fair respective shares of incomes. \$10
- **Dairy Calc 2.0**—an Excel spreadsheet—a **Dry Matter Production and Stocking Rate Calculator** allows one to determine estimated dry matter intakes of cows relative to expected dry matter production of feedstuffs produced or purchased. The estimates are based on projected milk production, harvest and feeding losses, cull rates and cattle weights. \$5
- **Cash TRANS 3.0**—an Excel spreadsheet that allows one to track on a monthly basis projected cash flows for both farm and family. Each month, the current checking account balance needs to be updated, past expenses/incomes removed and future expenses/incomes fine-tuned for an active cash flow for farm and family decision-making. \$10
- **Stocking Rate Calculator**—an Excel spreadsheet to assist graziers with determining acreage needs, paddock size or animal number and weights. \$5

All four spreadsheets can be purchased for \$20. To acquire, send payment to:

Larry Tranel, ISU Extension
14742 Hwy 20 West
Dubuque, IA 52003
tranel@iastate.edu
563-583-6496

DAIRY CALC 2.0

Have you ever wondered how many cows your farm could actually feed? That's the goal of DAIRY CALC 2.0. Below is an *example* output for one to better understand either the acreage needed for a certain number of cows, with or without heifers, or to understand the number of cows possible for a certain number of acres with projected yields and supplemental feed purchases. Due to the many variables, remember this is an estimate only.

Feed Production and Dairy Cow Stocking Rate Calculator

Milk per cow, annual	18500 lbs	Feed Wastage Rate	20%
Estimated cow weight	1300 lbs	Herd Cull Rate	25%
Average Heifer Weight	700 lbs	Dairy Cow and Heifers	11.73 tons DM
Dairy Cow Intake/daily	44.83 lbs DM	Dairy Cow Annually	9.82 tons DM
Dairy Heifer Intake/daily	17.50 lbs DM	Dairy Heifer Annually	3.83 tons DM
Dairy Cows Supported	59.9 cows	Dairy Cows with Heifers	50.1 cows
			25.1 heifers

Crop Production Dry Matter Produced

Crop	Acres	Average DM Yield	Total Dry Matter
Alfalfa	70.00	3.25 tons	227.50 tons
Corn Silage	20.00	7.50 tons	150.00 tons
Other Forage	0.00	4.00 tons	0.00 tons
Corn Grain	0.00	160.0 bushels	0.00 tons
		0	
Soybeans	0.00	55.00 bushels	0.00 tons
Forage Purchased	--	0.00 tons	0.00 tons
	--		
Supplements	--	234.0 tons	210.60 tons
	--	0	
Totals	90.00	4.19 tons	588.10 tons

This Feed Production and Dairy Cow Stocking Rate Calculator is an Estimation only as unaccounted for variables such as fat test, lactation Length, etc could cause added variation. The author has used his best Judgement in these estimations and shall not be liable for issues or damages resulting from the use of this calculator.

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Dairy Producer Profile

Wayne and Teresa Kramer

farm near Farley with their four sons, Andrew, 14, Danny, 13, Matthew, 11 and Kevin, 8. They milk 90 cows in a freestall and parlor setup.

Prior to this fall, Wayne milked in a stantion barn until the new parlor was built. The new parlor is built on the side of the existing barn, allowing them to remodel the existing barn into a transition and maternity cow area to better manage them. "Transition cow management is a big key to profits and cow health," adds Wayne.

Part of the old barn is also being made into a cow handling facility, complete with head gate and palpation rail.

Wayne currently has a rolling herd average over 26,000 pounds of milk on 2x milking. "Cow comfort and quality feed are my first priorities to maximize dry matter intake."

"I also noticed a decent milk jump when I installed long day lighting," says Wayne. "If I can keep them comfortable and eating well, keep them healthy and do a good job harvesting the milk to produce a high quality product, then I'm focusing on the right areas."

The Kramer farm will be featured on the ISU Extension parlor tour schedule on March 13th. The new parlor is double 8 Surge parabone, featuring the Economy Stall milking at a 70 degree angle between the back legs—which Wayne feels is the easiest and safest way.

NE Iowa Dairy Parlor Tours -- back by popular demand so please join us at any or all at the following dates and locations.

Monday, March 3rd: Dubuque County

WEEK 1

- 11:00 am Dan Pfab; from 151, 17 miles south of Dubuque, turn east to 16310 Twelve Mile Road
- 1:00 pm Bob Schuster, Hwy 61 through Zwingle, right on Washington-Mill Rd, turn right to 1762 Bennetville Road.

Wednesday, March 5th: Dubuque County

- 11:00 am, Jerry Hammerhand, south of Sherrill on C9Y, turn east to 13436 Hammerhand Road
- 1:00 pm, Marv Schueller, from Sherrill go east to 13454 Circle Ridge Road.

Thursday, March 6th: Clayton County

- 11:00 am Rod Swales, from Hwy 3 west of Strawberry Point one mile, go north to 35362 Belgian Road.
- 1:00 pm Dave Otdoefer—from Hwy 3 west of Strawberry Point, go north to 2635 St. Sebald Road

Friday, March 7th: Buchanan and Butler Counties

- 10:30 am, Robert Horst, 2 1/2 miles north of Bristow on T24 (16531 Grand Ave, Bristow)
- 1:00 pm Ralph Weber, from Quasqueton go east on D47, 2.5 miles then south (right) to 2855 Tucker Avenue.

Monday, March 10th: Clayton County

WEEK 2

- 11:00 am, Chris Riniker, from Hwy 13 north of Strawberry Point go right on Crystal Rd, then left to 33198 Evergreen Rd.
- 1:00 pm, Dean Puffet, Hwy 13 north of Strawberry Point 8 miles, then west to 16153 Canoe Road (C24).

Tuesday, March 11th : Winneshiek and Allamakee Counties

- 10:00 am, Al Elsbernd, 2 miles North of Spillville on W14 (2059 Co Rd W14, Calmar) ****tentative
- 11:30 am, Dennis Mashek, 2 1/2 miles West of Calmar off 175th St. (1701 253 Ave, Calmar)
- 2:00 pm Nick Rolling, 2 miles North West of Waterville, on Paint Creek Dr. (1536 Paint Creek Dr., Waterville)

Thursday, March 13th: Dubuque and Delaware Counties

- 10:30 am, Don Kass, from Farley go north on Y13, 5 miles, then west (left) to 26946 Dyersville East Road.
- 12:00 pm, Wayne Kramer, from Dyersville East Road (above), turn south to 12762 Kramer Road.
- 2:00 pm Steve Menson, from X47 South of Petersburg, go west to 2855 190th Street

Friday, March 14th: Clayton and Allamakee Counties

- 10:30 am Jim Donlon, go east on Iowa St. in Monona (turns into B45) eight miles to 28435 Pleasant Ridge Road.
- 12:30 pm Merl Gruber, from B45 5 miles east of Monona turn north on X36, follow to 1722 Jeff Davis Drive.
- 2:00 pm, Merlin Gesing, 3 miles south of Waukon on X16 (835 McCabe Drive., Waukon) ****tentative

Being Proactive With Low Milk Prices!

By

Patrick Derdzinski, Butler County Extension Director

Dairy farmers are experiencing an extended period of low milk prices and many have difficult decisions to make. What has caused this downturn in the dairy industry and what can dairy farmers do to weather low milk prices? Up until a year ago, commercial or use of milk was increasing 2 to 3% per year since the mid 1990's. But in the past year commercial consumption is down 0.2% while milk production is up over 3% during the same period.

Consumer or home consumption of fluid milk is up about 1% and cheese consumption in the home is up nearly 4%. Historically, overall milk consumption has increased 1 to 2% annually. But for the past several years, institutional sales of Italian style cheeses have accounted for the majority of milk usage increases. These are the cheeses that are used on pizzas, prepared foods, etc.

Since the economic downturn, industrial sales have fallen off because people are cutting back on consumption of pizza and not eating out as often. Also, milk production in the upper Midwest is declining relative to plant capacity. This means margins are declining and it's hard for them to be profitable with their milk costs. In addition layoffs are occurring at processing plants in the region.

It's also important to keep things in perspective. Prices have dropped this low several times in the past 10 years but usually it was only for 3 months or so before prices recovered to higher levels. This time, a period of low prices has held on for just over a year. In essence, it's supply/demand that's causing the majority of the price problem.

Not everything is bad news. The good news is we have a floor for milk prices at \$9.90. Dairy farmers are also receiving a deficiency payment called MILC or milk income loss contract payment. These payments will bring farm gate milk prices closer to the 10-year Class III base price of \$12.20. And if we could find an average breakeven price, it would be right around \$11.00 to \$13.00.

However, averages, as we know, can be deceiving. We have breakeven prices that range from under \$10.00 per hundred weight of milk for some grazing dairy producers to some dairy farmers that are as high as \$19.00 per hundred weight of milk for their break even.

The million dollar question is, "What can farmers do to adjust to these stressful economic times?" Simply put, be proactive and don't ignore the problem. Discuss the issue with your lender and consider debt restructuring if necessary, especially now that interest rates are near historic lows. Review management of large cash items. The big three are feed, labor (both paid and unpaid), and the transition cow.

Evaluate your rations with dairy extension specialists or dairy nutritionists to determine economical choices of feedstuffs. Feed often accounts for 50 to 60% of gross costs. If you have labor options or choices, do the higher value management task. This would be items such as trying to increase dry matter intake, reviewing transition cow management, heifer raising practices, etc. versus the lower wage labor chores such as driving the tractor, hauling manure.

Look at what is sometimes referred to as "lazy assets". Ask yourself if they are producing income for you rather than just being convenient. For example, can you really afford a newer combine for 300 acres of row crops? That answer will vary from farm to farm. Ask yourself if you have a full barn and if not, might this not be the time to purchase cows?

It is important to focus on costs, even more so than price. Use financial and production benchmarks. Benchmarks help you compare your farm's costs to those of others. Remember, there is a wide range of costs that vary from under \$10 to \$19 per hundred weight. Some of it has to do with debt and timing. If you built a new facility just prior to the milk price drop, you could be under more financial strain than others. That is a timing issue, not management. But this is still a good time to review all debts and find strategies to reduce debt load.

Last but not least, seek assistance. There is a new, easy to use profitability program called Dairy TRANS (Total Return Analysis System) that has been developed to help farmers identify their strengths and weaknesses, determine break-even, calculate expenses and income and much more. It will also be used to establish benchmarks for Iowa dairy producers. Numerous extension agents are receiving training in this new program and it is available this winter.

***Wishing You a Dairy Christmas
and a Happy New Year!***

NE Iowa Dairy Days

"Bringing Profits to Life" is this year's theme. Meetings will include the latest profit generating technologies related to **Early Lactation Multiple Milking** and **Cow Comfort**. Strategy sessions on **Forage Management** and **Corn Silage**, and the latest on **Mycoplasma** (from calves to cows). The "**highlight**" will be the introduction of **Dairy TRANS 4.0**, a newly developed, simple program for farm profitability assessment.

An \$8 registration fee will cover meal and proceedings costs. Vouchers may be available from your local agri-service providers**. The following locations will host Dairy Days, 2003 from 9:45 am – 3 pm:

Jan 20 Waverly, Civic Center
Jan 21 Lansing, Kerndt Brothers Center
Jan 22 Elma, KC Hall
Jan 24 Calmar, Dairy Foundation Center
Feb 3 Ryan, American Legion Hall
Feb 4 Elkader, Johnson Reception Hall
Feb 5, Rickardsville, Avalon Supper Club

**Bring a quart of TMR, corn silage or grain samples for particle size analysis.

Four-State Dairy Road Show

The 4-State Dairy Road Show is coming to the Marie Graber Room at Loras College on Thursday, February 20th. Program will run from 9:45-3 pm. Cost is \$35 per first person and \$25 for second person from an operation. Call 563-583-6496 to register. The speakers will include Dr. Howard Tyler – Iowa State University ; Dick Wallace, DVM – University of Illinois; Dr. Marcia Endres – University of Minnesota; and Dr. Roger Palmer – University of Wisconsin.

4-State Road Show Morning Program

- Developing preventive programs for diseases that lead to abortion and infertility
- New approaches to assistance at calving: Preventing stress for the calf and the cow
- Drenching and diets for transition cows
- Factors affecting stall use for different freestall bases

4-State Road Show Afternoon Program

- Practical applications of "accelerated" calf feeding programs
- Implementing reproductive programs on the heifer enterprise
- Cow Behavior/Cow Comfort Update
- Feeding and milking behavior of cows milked in a parlor versus an automatic milking system

Dairy Cow Transition ICN Series

3M's for Managing, Manipulating & Monitoring

Part I: Tuesday, Jan 7th, 12:30-3:30 pm

--3 M's for **Macrominerals**—Dr. Ron Horst, NADC

--3 M's for **Protein**—Phil Jardon, DVM, West Central Soy

--Evaluating Additives, Dr. Mike Hutjens

--Hutjens Top List for Transition Cow Troubleshooting, Dr. Mike Hutjens, Univ of Illinois

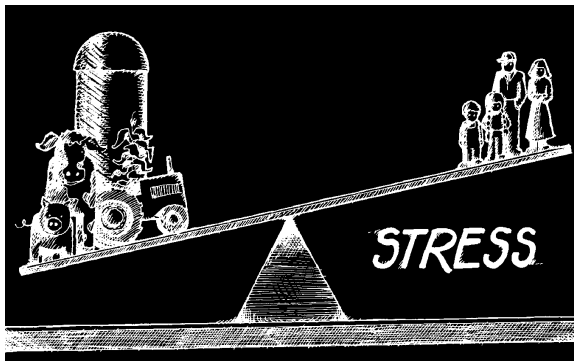
Part II: Wed, Feb 12th, 12:30-3:30 pm

--3M's for **Energy**—Dr. Jesse Goff, DVM, NADC

--3M's for **Microminerals**—Dr. Mike Socha, Zinpro Corporation

--Drenches and Cocktails, Dr. Sandy Stokes, Dairy Nutritionist

ICN Sites: NI CC, Peosta and Calmar; Scheman Hall, Ames; Osage High School; Algona, Bishop Garrigan High School; Sioux Center AEA; Sibley High School; Cherokee High School; and Olwein High School. No cost for the program.



Farm Couples Getaway

If you have a farm operation in transition; want to better manage the stresses of farming and family relationships; or just feel the need to “getaway” with your spouse and talk about your farm and family issues, you might want to attend a Farm Couples Getaway January 17-18, Midway Hotel, Dubuque; February 28-29, AmericInn, Fayette; or March 8-9, Holiday Inn, Mason City. This experience is designed to help farm couples:

- deal more effectively with stress
- learn creative communication skills and learn about personality differences
- communicate more effectively with your spouse and children
- learn about helpful resources in your community and ISU Extension
- make basic decisions and plans for your farm and family's future
- enjoy a much-needed mini-vacation from the farm and farm work

Act Now! Each “getaway” will be open to the first 8 farm couples from NE Iowa that sign up to attend. A confirming letter will be sent. If you have questions or would like to register please call Larry Tranel at 563-583-6496; Brenda Schmitt at 641-228-1453; or Bev Peters at 641-456-4811. Registration deadline is one week prior to the “getaway” weekend.

There is **no cost** to attend – the cost of refreshments, meals, lodging, instruction and materials are being covered by a federal grant. And, if you need financial assistance with child care or farm labor during the time you are away from the farm, we may be able to help cover these costs if funding is available.

Please register early and be one of the couples to enjoy this Farm Couple Getaway.

Check-In Time: 12:30 p.m. Day 1

Ending Time: 3:00 p.m. Day 2

Funding for this project was made possible by the Substance Abuse and Mental Health Services Administration (SAMSHA), grant no. 1 H79 SM5484-01.

What farm couples have appreciated about past seminars:

- “Interaction with other farm couples”
- “The understanding of personality differences”
- “New perspective on old issues”
- “A time for us to reflect and plan”
- “Time away from the farm and farm work”
- “Realized we weren't the only ones with issues”
- “Excellent leadership skills and insights into improving my farm operation.”



“The time went by quickly – an enjoyable weekend”