

## Changes in Industry Means Changes on the Farm

*Whether it is limited opportunity for growth or a change to daily quota, producers must now approach things differently.*

Daily Fat Yield	Daily Protein Yield
1.33	1.17

By now, BC dairy producers are aware and gaining a better understanding of some of the changes happening in the province as it relates to quota policies. All western provinces (including BC effective August 1st), have moved to continuous daily quota (CDQ), while some provinces have seen a change in quota policies which is limiting the opportunity to purchase quota and grow herd size and cash flow at the farm level.

### Now more than ever, knowing and managing for components and ratio is critical for overall efficiency and profitability.

David Rinneard, National Manager, Agriculture with BMO Bank of Montreal, notes that "From a business point of view, dairy farms may have to approach things differently to grow profits. For many producers, purchasing quota and adding cows was the traditional growth strategy. In some provinces, that's becoming less of an option. You may now have to look at growing your margins to realize increased profit from your milk cheque. No doubt, focus on production efficiency is increasing."

Philip and Peter Armstrong of Armstrong Manor, a 290 cow herd in Caledon, Ontario, agree. "Over the years, at every herd size, we've always tried to be as efficient as possible before considering herd expansion. Now with the limited growth opportunity, the only option to improve our profitability is to get better at our current herd size. It is clear that efficiency of production is where it's at and you have to manage your herd as well as you can."

For provinces that are moving to CDQ, an adjustment in 'the way of thinking' is required. You really have to focus on components yield, and in particular, the protein/fat ratio within the SNF limit. For many years under multiple component milk pricing, fat and

protein yields were important. With what is currently happening in the industry, that focus has to increase even more. Actually, one could even argue that milk volume should be considered, but from a negative point of view, since milk cheque deductions for freight and industry levies are based on volume shipped.

When it comes down to looking at efficiency of production at the herd level, one must consider fat and protein kg yield per cow per day as well as the ratio. Having a 35 litre average is certainly a good thing from an efficiency point of view, but more importantly is the components that are produced with that.

It is clear that high volume herds and cows will tend to also have high component kg yields. However, at the individual cow level that is often not the case. Within every herd, some cows will have average or above average milk volume but will be below or well below in components yield, or will have a poor ratio. Components yield is a function of volume and % components in that volume. Without knowing the % components you only have half the picture. Now more than ever, managing for components and ratio is critical for overall efficiency and profitability. The old saying that 'you can't manage what you don't measure' is very true in this case, and that's where DHI services can play a valuable role in this evaluation process.

Phillip Armstrong adds, "Monitoring and managing for components yield is becoming more important. Whether it be at the herd or group level, component data is important to confirm that your overall management and feeding program are effective and as efficient as possible to maximize profits from your milk cheque."

Many cows with good milk volumes are not paying their way when it comes down to components or ratio. Producers must now identify these cows and deal with them. The reality is that the only way to improve overall herd or group performance is to eventually deal with the individuals within the group.

As things change, our points of reference for herd performance will also have to change. More and more herds are monitoring their production totally based on daily and lactation kilograms of components as well as the ratio. The goal is no longer to

have a 35+ litre average, but rather a good daily fat and protein kg average with a ratio that allows you to maximize your milk revenue, based on pricing and SNF limit in your province. Certainly this requires a change in how we're used to looking at herd and cow performance, but given the evolution of our industry and what is driving the economics, the time for a change in approach has come.

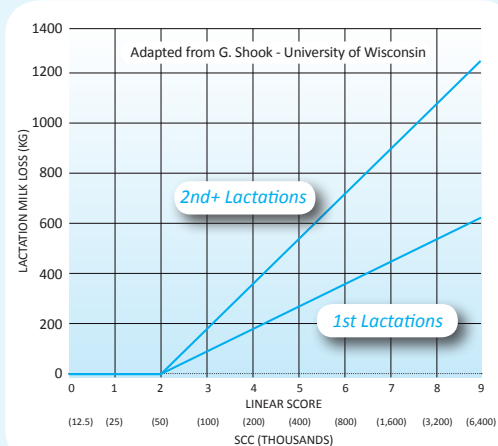
*To find out how DHI can assist you in managing components for optimum efficiency and profitability, call us at 1-800-549-4373.*

### Somatic Cell Count Penalty Level Heading down to 400,000

Another trend in the industry is a focus on continued improvements in milk quality and a decrease in somatic cell count (SCC) levels. A national initiative to reduce SCC penalty level to 400,000 cells (down from 500,000) is being implemented by each province over the next couple years.

Also, BC provides a bonus payment for milk with SCC under 250,000 (provided the herd is CQM validated) which can boost your milk cheque.

From an animal health point of view mastitis and high SCC are very costly to producers through treatment, discarded milk, premature culling, etc. More importantly high SCC is very costly from a production efficiency point of view. As illustrated in the chart below, studies have clearly indicated that as SCC rises above 200k cells, significant milk production losses begin to accumulate. Research has also demonstrated a negative impact of mastitis infections on reproductive success of cows.



So lower SCC not only improves milk quality and milk marketing but also improves production efficiency and ultimately profits

DHI services such as individual cow SCC and Mastitis DNA testing are invaluable tools to help achieve good udder health and low herd SCC average. To find out how we can assist you, call us at 1-800-549-4373.

## CHAIRMAN'S COMMENTS

The only constant is change. This phrase is very applicable to our dairy industry. Whether it's our member organizations shifting focus and amalgamating to gain efficiencies and serve us better, or our provincial marketing organizations adapting to changing markets and trade realities, these changes create both challenges and opportunities for dairy farm managers.

With the quota changes that are taking place in many provinces the opportunity lies in being able to market milk with the components at the desired level and ratio so that return on quota investment is maximized. The challenge is measuring and managing these components on a individual or production group basis.

SCC is another challenge and opportunity scenario. As Quality Premiums become more popular across the country, measuring individual SCC scores accurately and DNA testing suspect cows will be key to managing herd SCC in order to take full advantage of this opportunity.

As dairy farm managers across the country adapt to the changing realities of quota availability and market demands, they are looking for new ways to increase efficiency and over all profitability. CanWest DHI is looking forward to helping them measure and manage to attain their goals.

John Bongers

*John Bongers is a dairy producer from Elgin, Ontario*