

# **Increasing dairy farm profitability in a changing world of herd demographics.**

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## **Summary**

The number of dairy farms in the United States has seen a steady decrease from 70,375 herds in 2003 to 41,809 in 2016 while the number of dairy cattle has stayed relatively the same or even slightly increased from 9,103,000 milking cows in 2001 to 9,328,000 in 2016. Wisconsin statistics mirror the national statistics. While cow numbers have also stayed the same or slightly increased, milk production per cow has increased at a rapid pace. Average milk production in Wisconsin has increased from 7,793 kg of milk in 2001 to 10,683 kg in 2016. Herd management, animal health, nutrition, technology and genetic improvements have been and continue to be the main drivers of production increases. Following the national and state trends AgSource herd demographics are rapidly changing as well, herds with 500 Holstein cows or higher represented 43% of cows processed, while in 2017, this percentage has grown to 54%. Managing herd expansion, implementation of new technologies, feeding rations, etc. requires dairy farms to have a reliable and consistent method of measuring performance and benchmark these numbers against previous years or other dairy farms of equal size or production levels for example.

At the beginning of each calendar year AgSource calculates annual benchmarks based on percentile rankings, herd size, production level and cattle breed. Analyzing the change in these benchmarks over time can provide valuable information about how the change in herd demographics are expressing themselves in herd performance data. Information obtained from these benchmarks are incorporated in herd information management services provided back to the AgSource members. The AgSource Profit Opportunity Analyzer (POA) is the premier AgSource herd analysis tool that utilizes the annual benchmarks and expresses management improvement opportunities on a dollar basis. POA benchmarks used for comparison are customized based on the demographics of the herd. To obtain maximum value, a POA is hand delivered and reviewed by the dairy farm management team in consultation with a trained AgSource outreach specialist.

Although milk recording costs represents a small percent of the overall costs of operating a dairy farm, it is important for producers to be reminded what level of return on investment can be obtained. Analyzing various AgSource herd management performance measures shows that from 2015 to 2017, the average AgSource herd increased production on an annual basis by \$40.42/cow, however herds using the majority of herd management reports obtained a \$55.37/cow. Herds using the POA were able to obtain a \$97.23/cow improvement which is significantly higher than all other AgSource herds.

Utilizing the data obtained through milk recording to calculate annual benchmarks and expressing differences between a herd with the benchmark as a financial opportunity allows

producers of all herd sizes to monitor herd performance and seek opportunities that will increase profitability.

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