

Dairy Digest

Newsletter of the Arkansas Dairy Improvement Program

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Plan to Stabilize Arkansas Milk Production

The Arkansas Milk Stabilization Board continues to meet monthly as they develop a plan to assure consumers of an adequate local supply of pure and wholesome milk by encouraging increased production to meet the state's need for quality milk. The present proposal is almost ready for review by the legislative council. The Board hopes the next step is the introduction of legislation, which must pass the legislature and be signed by the governor before it becomes law. Payments to dairy farmers could begin next summer.

Investment Tax Credits

The Board proposes investment tax credits patterned after a successful Wisconsin program and the water reservoir program administered by the Arkansas Natural Resources Commission in eastern Arkansas.

The program will be designed to spur investments on dairy farms to upgrade equipment, technology, increase the size of dairy herds and increase the number of dairy farms.

It will provide for tax credits up to 10 percent of the amount spent by a milk producer on dairy farm modernization and expansion. It is intended to reduce the net cost of durable assets.

The maximum credit that may be claimed is \$50,000 per year for 10 years or an overall maximum of \$500,000 per producer.

Tax credits will cover money spent to construct, improve or acquire buildings or equipment for dairy

animal housing, feeding, milk production, waste management, milking parlors, freestall barns, milk storage and cooling facilities, feed storage and handling equipment, manure pumping and storage facilities, scales, fences, digesters, robotic equipment and replacement dairy heifer facilities. They will not cover the purchase of equipment for raising crops for sale or for vehicles licensed for highway use.

Production/Quality Incentive

The Board proposes a program aimed at encouraging Arkansas milk producers to increase both their production and quality of milk. The prime purpose of the program is to prevent Arkansas milk production from continuing to decline.

The program will provide each producer an opportunity to receive an incentive payment of 50 cents per cwt for each cwt produced above the producer's average annual production during the previous two years and an additional 50 cents per cwt if all milk production contains less than 400,000 somatic cell count.

Annual payments to each qualifying producer will be limited to \$50,000 per year.

Milk Stabilization Payments

The Board proposes a program to assure Arkansas milk producers they will recover a prescribed percentage of their costs of producing milk. It is obvious that such an assurance is not

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being provided by the Federal Milk Marketing Order governing milk production and utilization in Arkansas. Other states are taking similar steps to provide such assurances in order for their states to have an adequate and safe supply of milk for their citizens.

The Board proposes a system of monthly payments to Arkansas milk producers whenever the monthly price of milk received by Arkansas producers is **less than 70 percent of the average monthly cost of producing milk in the adjacent states of Missouri and Tennessee, as estimated by USDA**, where herds of a similar size and type are located. No similar cost data are available for Arkansas.

Based on data from January, 2007, to July, 2008, payments would have been made in 17 of the 18 months. A limit will need to be placed on the payment rate in order to limit the state's financial exposure for the program. **Payments would need to be subject to availability of funds and a maximum of \$5/cwt per month and yearly limits of \$85,000 per dairy farm.**

Dairy Situation

Increased milk production and decreased consumer demand as the economy tightens has caused a decrease in milk prices. The December Class I mover is \$15.43/cwt., down \$1.90 from November and the lowest price since April 2007. In the last five months of the year, the Class I price averaged \$16.88, \$4.47 below a year ago.

Milk production in the 23 major states during October totaled 14.4 billion pounds, up 1.5% from October 2007. September revised production at 14.0 billion pounds was up 1.8% from September 2007. USDA predicts that milk production will increase slightly through the fall quarter, as both cow numbers and yield are slightly higher on a year-over-year basis. Milk production will likely increase about 1% next year, reaching 191.5 billion pounds.

Also pressuring prices is that Oceania export prices for SMP have been 91¢-\$1.04, the lowest in more than two years. The export market has been one of the bright spots for dairy products, and there is concern that exports may not be able to sustain past increases as we move into the new year. Cheese inventories are higher than expected as demand has weakened. On October 31, American cheese holdings were 540.4 million lb, down just 9.2 million lb from September 30. This is the smallest decline for October since 1996, and this leaves October inventories at their highest level since 2005.

In order to meet cash flow needs, dairymen sent 236,200 cows to slaughter in October, the highest monthly figure in a year, according to USDA's "Livestock Slaughter." Last October, 244,600 cows

Funding

The Board proposes a check-off program on milk and dairy products to fund the proposed programs. Check-off programs are common in the dairy industry. Milk producers are familiar with an array of check-offs from their milk checks.

This check-off program will be at the wholesale level for dairy products sold in the state with an assessment fee, much like that used to fund the state milk inspection program. The Board estimates the assessment fees will generate \$4.1 million annually, which would provide incentives and payments averaging a little over \$2 per cwt.

The Arkansas Milk Stabilization Program will establish a fund to accumulate in periods when there are no milk stabilization payments. The Arkansas Department of Finance and Administration (DFA) will collect the assessment. The Arkansas Agriculture Department will administer the funds to dairy producers.

were culled. In the July-October period, 894,500 cows were sent to slaughter, the most since 2003. Bids closed for the recent CWT program on November 24, and additional cows are expected to go to slaughter. Although more money is available for accepting bids than in previous CWT programs, the recent decline in prices of Class III on the futures market raises concerns as to the degree of effect that the program will have on milk supply.

For December 2008, Class III futures have bounced significantly in recent weeks, presently (11/21) settling at \$14.95/cwt. The first six months of 2009 average \$14.36. The drop in feed prices has resulted in a modest increase in the milk:feed ration, and predictions are for it to increase more.

The new Farm Bill has provisions to increase the Milk Income Loss Contract (MILC) to 45% of the difference of \$16.94 and the Boston Class I price, an increase from the 34% in the last farm bill and back to the original levels. Essentially, the formula is 45% of (Class I mover minus \$13.69) – before the feed costs adjustment. The Class I price of \$16.94 in Boston is \$13.69 plus \$3.25, the Class I differential in Boston. There is a feed costs adjustment to the \$16.94 price which allows for a higher number when the costs of a blended ration of corn, soybean meal and alfalfa hay exceed \$7.85/cwt. For example, if the cost of the blended ration is 10% above \$7.85, then the \$16.94 is increased by 10%, thus increasing the MILC payment. In October, MILC payments were close to being provided and may soon be received as milk prices drop more.

Feeding to Decrease Costs: Forage Quality Affects Milk Production

Although feed prices have decreased and are expected to drop more, it is important to still feed as efficiently as possible so the maximum income-over-feed costs can be maintained. The degree of the drop in milk prices will determine whether income-over-feed costs increases.

High-quality forages are the most economical source of essential nutrients needed by dairy cows. To produce these types of forages throughout the year, a dairyman will probably need to use some combination of high-quality permanent forages and winter and/or summer annuals for supplemental grazing. Timing of harvest is one critical factor affecting forage quality as stage of maturity affects fiber content of the forage. **Fiber content in the forage is most correlated with how much the cows eat and thus how much milk is produced. Lower fiber content allows the cows to eat more.**

On pasture, most dairy cows will have an increase in milk production during the lush spring growth of permanent pastures or on winter or summer annuals when fiber content of the forage is relatively low. It is difficult to maintain this high production during spring months as permanent pastures mature and quality (fiber) declines. Options for extending the period of quality forages available for winter or spring could include, but would not be limited to, (1) using winter annuals, such as wheat, ryegrass, rye or oats, on bermuda pastures; (2) overseeding “thin” stands or drilled endophyte-infected fescue with an annual lespedeza, annual clover or vetch (you might have to wait until January if the grass is very tall); (3) overseeding bermuda with an annual lespedeza, annual clover or vetch; and/or (4) purchasing high-quality forages. **The last option – purchasing high-quality forages – should be economical.**

Tips for improving forage efficiency—**winter annuals should be fertilized by February 1 with 50 lb N; P and K should be added based on soil test recommendations.** More total nitrogen will probably be needed. Many farmers did not fertilize as much as normal last year, and it is important to determine the amount of nutrients needed by the crop—whether wheat, ryegrass, rye or a combination of these. Producers may have noticed the lack of fertilizer last year since rains were plentiful. It is critical to soil test this year to determine how to most effectively fertilize your pastures.

One critical concern is to not graze pastures too closely. **Hold cows off the winter annuals until they are 6" tall and then graze until 3" tall. This allows**

the grass to grow back more quickly. If some pasture ground is needed, a polywire can be used to strip graze part of the pasture while allowing other parts to grow. To overseed pastures, graze short and broadcast clover and/or lespedeza seed on the ground between mid-January and March 1. For fescue, fertilize between mid-February and March 1 plus overseed with clover and/or lespedeza.

Other suggestions to review when feeding the herd include:

- Make sure your ration is balanced for your level of production. Do not cut back on your feed in the milking parlor or grain in the TMR to the point that you end up with thin cows.
- Feed cows according to their level of production. High-producing cows require more energy and a greater concentration of energy in the diet in order to consume enough nutrients to produce large quantities of milk.
- Ensure that fresh feed and water are available to cows at all times. Too often producers who are short on money will cut feed for cows, cows become thin and then they can't produce large quantities of milk when milk prices rise.
- If you are in a situation where pasture is available, it is usually more economical to provide the cows with high-quality forage now to ensure that their milk production level is maintained rather than allowing them to lose their body condition. Winter annuals need to be in the ground by mid-September to maximize yield.
- Always take advantage of manure as an economical source of fertilizer for forages. The manure from your cows could be several thousand dollars for fertilizer.
- Review your operation to make sure that cow comfort is not limiting milk production. Try to minimize the cows' contact with mud. Consider using fans and sprinklers in your holding pen when summer heat is here, and make sure cows have shelter when the weather is cold.

Don't change a lot of things at one time. Put a pencil to any change and see how it affects your long-term profits. If you need assistance on specifics, contact your local county extension agent and he/she will be glad to provide assistance to you. A different pair of eyes may see things you do not see.

Rice Straw in Dairy Heifer Rations

G. Nader, P.H. Robinson and M. Santos, UC Cooperative Extension, Sutter County, and UC Davis

A demonstration study on five dairies in the Kings/Kern/Tulare area showed that the use of a Heston/Lexion cutter baler to put up rice straw, allowed it to be mixed directly out of the bale into a total mixed ration (TMR) and fed at 2-3 pounds/day in dairy replacement heifer diets. Most dairies in the

study used it to replace wheat straw as an intake limiter in TMR that were fed free choice to heifers. Managers and feeders on these dairies indicated there was no increase in mixing time, there was little sorting by the heifers and they ate the TMR all day.

Upcoming Events

Green Forest Area Dairy Meeting, December 9, 2008, Sale Barn Café, 10 a.m. (registration)-2:15 p.m. – Topics include a summary of the fly project as well as the following: maximizing forages in order to decrease feeding costs, use and economics of non-traditional fertilizers, forage pests or army worms, dairy industry update and status of recommendations of the Arkansas Milk Stabilization Board.

“The only certain thing about animal diseases seemed to be man’s inability to prevent or cure most of them. It was not until I had experienced these diseases in my own herd and started at the beginning in my attempt to eliminate and prevent them, instead of accepting the diseases and treating them as inevitable, that I discovered the root cause of them. Until in fact I discovered that there is only one disease of animals and its name is man!”

– Newman F. Turner. 1952. *Herdsmanship*. Faber and Faber Limited.

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