



Pfizer Animal Health

For more information, contact:

Benjamin Church
Pfizer Animal Health
212-733-6628
benjamin.church@pfizer.com

Jill Spiekerman
Martin|Williams
515-971-9613
j.spiekerman@martinwilliams.com

Riding the Milk Price Roller Coaster

Examine existing protocols to maximize ROI

NEW YORK (June 22, 2009) — Selling milk can feel much like riding an amusement park ride. Last year, record high milk prices had the dairy industry at an apex. This year, dairy producers are left wondering how they can make it through the year. Steep ups and dramatic downs—so goes the milk price roller coaster.

Uncertain economic conditions are forcing producers to tighten their belts and some to ponder their future. “I have observed that most dairies have sustained losses in this downturn per cow each month due to low milk demand,” says John Lee, DVM, Pfizer Animal Health.

To combat these losses, producers need to examine how they run their dairy and if there are ways to make the process more efficient. “You want to maximize income and minimize losses,” Lee says. Before doing anything drastic, producers need take the time to ensure any operational changes will not have negative long-term ramifications. “The last thing you want to do is make any changes that will reduce production,” he says.

Examine Nutrition Expenses

On most dairies, feed constitutes the single biggest cost. Reexamining feed protocols is something producers should do, with the help of their nutritionist, to find possible cost savings opportunities while still meeting the special nutritional needs. Because feeding precision is so crucial, producers need to determine if the current daily total mixed ration (TMR) is being built meticulously and nothing is being wasted.

Pulling or reducing trace mineral vitamin packs may not have an immediate impact on animal health or performance but in the long-run, it can reduce animal performance and create health problems that become very costly. Jerry Olson, DVM, MS, senior veterinarian for Pfizer Animal Health says, “Cows further out in lactation may not need as much protein and as much energy, so there may be an opportunity to reduce costs,” Olson says. “It is better to target milking herds with multiple, precise rations, rather than one ration fits all.”

Other things to keep in mind are as simple as making sure there is no wasted feed and working to feed for fewer refusals. “Most producers feed for a 5 percent refusal rate,” Olson says. “If that’s the case, can they work to take that down to a 1 percent refusal rate? Be aware that this is a fine dance. Make sure that the cattle aren’t underfed, which would limit milk production.”

Producers should never fall into the temptation of doing something drastic with feed. “I have seen producers try to get by with just hay and corn silage,” Olson says. “This practice is guaranteed to reduce milk production.”

Drastic changes to feed will become an expensive decision if it impacts the ability of the early fresh cow to attain peak production and maintain persistency. Lowering the overall lactation curve will place a dairy at a disadvantage once an upturn in milk prices returns.

Cull Unprofitable Cows

Examining cows on an individual basis rather than on the herd level can help determine which animals are underperforming. “It’s worth taking a closer examination at particular cows,” says Mark Kirkpatrick, DVM, MS, Pfizer Animal Health. “An evaluation routine with computer software allows producers to enter different parameters that will assign a relative value, value of a pregnancy and break-even milk for each cow in the operation.” This process allows producers to cull those cows that are least profitable.

By assessing the profitability of every cow, producers can input operation costs for feed and maintenance, and assess the value of replacement heifers, cull rates and milk production. If a cow isn’t profitable, a producer may be better served to part ways with that animal. “It’s important to keep all stalls filled with productive cows,” Kirkpatrick says. “By refining individual measurement, producers can determine if a particular stall is better filled with a replacement heifer than a low-performing mature cow.”

Milk production is also affected by overstocked operations, where pen density is at its maximum or more. “On dairies that I have worked with, we have found as more individuals were removed and operations moved closer to proper stocking density, they actually didn’t sacrifice milk and even picked up milk production with fewer mouths to feed,” Kirkpatrick says.

Don’t Cut Reproduction Programs

Producers should never skimp on reproduction efforts for short-term cost-cutting gains. “Dropping reproduction programs to use a bull is never a good move,” Lee says. “All the work invested in training to execute a synch program is lost during the switch, and that reinvestment needs to happen again when milk prices go back up.”

Furthermore, bulls rarely impregnate cows as quickly as a good artificial insemination (AI) program. Never assume that the virgin bull added into the operation is ready to go. Unless each bull is subjected to a breeding soundness examination, it may never be realized how many bulls fail the test for mechanical, poor sperm count or morphology or infectious disease reasons. Trichomoniasis is alive and well and that virgin bull shouldn’t be considered risk free. Genetic’s of the offspring may also be affected since a good AI program allows producers to pair each cow to the appropriate genetics.

Review Milk Quality Efforts

Producers must take advantage of milk quality premiums by lowering their SCC levels. Improving milk quality through the reduction of mastitis incidences in the herd can lead to better bulk tank scores. Even though some processors have discontinued or reduced milk quality bonuses, this does not mean producers should cut back on milk quality.

“When there is more milk than processing capacity, as is currently the case in many areas, some producers may lose a home for their milk,” says Kevin Zieser, Quality Milk Manager, Pfizer Animal Health. “Producers should be aware that several processors are currently ranking producers based on milk quality and cheese yield. Those producers with poor milk quality or components will be the first ones to be let go.”

If component (protein/fat) premiums are available, producers can take advantage of these even if production is capped.

Managing the Fresh Pen

In the lactation curve, fresh cows always give the most milk. Producers should work to maximize peak performance in each cow. Reducing the number of stale cows at the end of the curve by culling those low-producing cows can also have a positive effect on a herd's lactation curve.

There is always a danger when cutting back fresh cow treatment protocols. Animal health costs account for less than 5 percent of a producer's expenses, and yet the outcomes have an impact on lactational milk production, reproductive success and udder health so there is not a lot gained by cutting back in this area, Kirkpatrick says. "Producers could maybe get away with it, but if disease happens, they could be digging themselves out from the repercussions for a long time," he says. "Higher SCC counts, poor reproduction and a drop in milk production are difficult to turn around for the positive."

Savings in Labor

Producers must question whether there is a current service they pay for that their own workers could possibly do. Most real success on the dairy is associated with doing the simple work well. Prioritize training and review standard operating procedures (SOPs) with milkers, feeders, fresh pen managers, calf managers and maternity pen workers to increase operational efficiency. Best of all, no capital investment is required for this.

Conclusion

Producers should not be reactive to low milk prices without thinking about the long term first. "Producers shouldn't dairy dramatically differently in good times or bad times. We know there will be an upswing in prices. You need to be ready for it," Lee says. The health and productivity of the cows will prolong losses if big changes are made during a period of low milk prices. "The best dairy producers I know are the ones who do things consistently and are poised for price recovery."

The Pfizer Animal Health Dairy Wellness Plan is a 365-day approach to managing your dairy operation that focuses on the health of the dairy animal, the economic health of the dairy and the proper use of animal health products leading to a safe and healthy food supply.

Pfizer Inc. (NYSE: PFE), the world's largest research-based pharmaceutical company, is a world leader in discovering and developing innovative animal vaccines and prescription medicines. Pfizer Animal Health is dedicated to improving the safety, quality and productivity of the world's food supply by enhancing the health of livestock and poultry; and in helping companion animals live longer and healthier lives. For additional information on Pfizer's portfolio of animal products, visit www.PfizerAH.com.

###

©2009 Pfizer Inc. All rights reserved. DWP09025

Pfizer Inc. • 685 Third Avenue, MS 10-01 • New York, NY 10017

212-733-2323 • www.PfizerAH.com