

December 2018



From Field to Barn

UW-Extension Fond du Lac County

227 Admin/Extension Building
400 University Drive
Fond du Lac, WI 54935
Phone: 920.929.3171
Web: <http://fyi.uwex.edu/fdlag>

Fond du Lac County Educators:

Diana Hammer
Community Resource Development
Educator

Tina Kohlman
Dairy & Livestock Agent

Amy Mangan-Fischer
4-H Program Coordinator

Amanda Miller
FoodWise Coordinator &
Family Living Educator

Pamela Nelson
FoodWise Nutrition Educator

Vacant
Area Crops & Soils Agent

Vacant
Positive Youth Development
Educator

Patty Percy
Community Garden Coordinator

Melanie Phillips
FoodWise Nutrition Educator

Shelley Tidemann
Family Living Educator

Cindy Sarkady
Area Extension Director

Program Assistants:

Pam Bartoli **Tina Engelhardt**
Ann Kaiser **Kelly Lamb**

Requests for reasonable accommodations for disabilities or limitations should be made prior to the date of the program or activity for which it is needed. Please do so as early as possible prior to the program or activity so that proper arrangements can be made.

End of Year Reflection...or Change?

We are approaching the hustle and bustle end of 2018...finishing the last of the corn and soybeans in the field, putting the final touches to equipment repairs and winter building maintenance, and last minute shopping for our loved ones.

During this season, we tend to reflect on the past year. What are the most significant events of the past year? Did we accomplish what we set out to do? What were my biggest challenges? Could we have done things differently?

As the saying goes, hindsight is 20/20 vision. We can't change the past, but we can change in the new year and the future.

First, we have to be ready for change. Recently I co-developed and -presented a talk on Motivational Interviewing for the agri-business community. One of the strategies shared to determine the motivation to change was DARN:

- **Desire** (I want to change)
- **Ability** (I can change)
- **Reason** (It's important to change)
- **Need** (I should change)

We may say we have the desire, ability, reason, and need to change, but the question is "do we?". We have to be able to articulate the desire, ability, reason, and need to change, and then from there **implement the change with commitment, activation, and taking steps.** Change can be from anything to management practices, transferring management roles, business planning, or farm succession.

To help you and your team make and implement change on your farm for the farm, please reach out so we can help set you on the path for success. 🐮

Tina Kohlman
Dairy & Livestock Agent
UW-Extension Fond du Lac County
Email: tina.kohlman@uwex.edu



This Thing Called Debt-A Value or A Danger

Farm Debt – savior of the farm business or morally repugnant and evil? If you have been in the farm business long enough you have probably heard and felt both extremes. As almost always, the truth is somewhere in-between. One of my mother’s great wisdoms was “moderation” and that value seems appropriate advice for debt in the farm business.

Debt is a valuable tool for the farm manager, but too much, too little, or unwise management of debt can hurt financial performance.

Value of Debt in the Farm Business

The value of debt as a farm management tool is that the manager can use other people’s money to create profits for the business. This is called “leverage.” In a physical sense a person can use a long pole as a lever to lift a heavy object. In business, other people’s money, or debt financing, can be used to lever or lift additional economic activity, for example:

- a tractor that allows the growing of more corn at a profitable level
- new facilities or a facilities upgrade that will result in greater production due to improved feed efficiency, lower death loss, and greater conception rates
- land for use in growing and selling crops

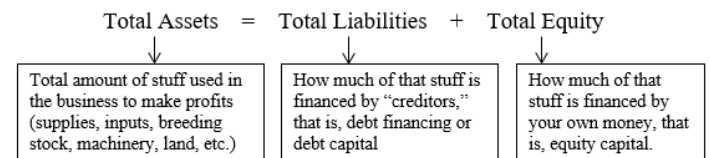
The “Big” Key to the Use of Debt Financing

The key to successful use of debt financing is to assure that the profit you get from the use of assets purchased by debt financing is greater than the cost of debt financing (interest).

In terms of financial ratios, is the Return on Assets (ROA) greater than the interest rate? If you get a return of 10% on assets financed by debt and have to pay 7% interest, then you have leveraged someone else’s money for 3 percent. However, the double-edged sword of debt is that the opposite is true as well. That is, if the return is 4% and the cost of using the debt is 7% then the business has lost 3%!

Where Debt Financing Fits in the Financial Structure of the Business

To understand the place of debt and leverage in the financial structure of the business let’s begin with the universal accounting equation.



When the farm business puts its assets to work to make profits, those profits are a return to all assets, both those financed by the owner (equity capital) and those financed by somebody else (debt capital).

Two common financial measures used to assess profit performance are the Return on Assets (ROA) and the Return on Equity (ROE) ratios. These two ratios also provide a way to assess the use of debt financing.

Another consideration when using debt capital to expand a business is that other risks may be amplified. If a dairy uses debt capital to expand a dairy operation then the business has hopefully levered greater profits (value of using debt capital). However, it may also have levered greater risks. More cows, more outside labor, more animal waste, and etc. may increase production, human resources, legal, and environmental risks. If these risks are beyond management’s ability and result in returns that are less than interest costs then the danger of debt capital may come to bear. It always circles back to management.

I don’t believe mother’s advice to me for “moderation” was referring to the use of debt capital! Nevertheless, the idea of too much of a good thing may very well apply to debt financing. It is a valuable tool and the risk management challenge is assuring that the return on debt financed capital is greater than the cost (interest) of using the debt. If the return is greater than the interest rate then the extra is a leveraged payment to the owner. If the return is less than the interest rate then the cost must be subsidized from another part of the business (usually the owner’s equity!). 🐄

Source: Kevin Bernhard, UW-Platteville/UW-Extension Farm Management Specialist

10 Key Management Opportunities With Low Margins



Tighter and likely negative margins on many dairy farms now and for much of 2018 make it even more critical for dairy producers to focus their management skills on making sure that their herd management is “being all that it can be.”

The following are 10 key points to review for opportunities on the farm:

1. **Maximize milk component production:** In general, herd-level milk fat percentage below 3.7% and true protein percentage under 3.0% in Holstein herds suggest opportunities for improvement. Motivation to seek this improvement needs to be based on the current value of milk fat and protein – the value of milk fat has been and likely will continue to be an important driver of the milk check. Low milk fat suggests passage from the rumen of unique unsaturated fatty acids that directly inhibit milk fat synthesis and that there is opportunity either in ration formulation (unsaturated fats, carbohydrate balance, forage quality issues) or in ration implementation (dry matters, amounts fed, sorting, etc.). In the case of milk protein, levels below 3.0% suggest that rumen fermentation and microbial protein synthesis is not being maximized, or there are opportunities to improve amino acid balance by use of blended proteins or protected amino acids.
2. **Rentlessly seek marginal milk opportunities:** Generally, the highest profit margin production is that from marginal (incremental) increases in milk production. This can be accomplished by herd-level management strategies such as changing milking frequency (e.g., 2X to 3X or 4X/2X milking), shortening dry period length on higher producing cows down to 40 days dry, capturing feed efficiency through use of compounds such as Rumensin, or improving cow comfort.
3. **Don't lose fresh cows:** The best dairies that we encounter maintain fresh cow loss in the first 60 days in milk at or below 5% of calvings, without keeping low producing fresh cows simply to keep this number

lower. Frequently, these losses are contributed to by overcrowding either before or after calving, frequent group changes before or after calving, or competition issues between springing heifers and older cows.

4. **Identify and potentially cull low value/low profit cows:** Identify those low producing cows who are not generating enough revenue to cover variable feed and labor expenses and use routines such as COWVAL in DairyComp 305 to identify those lower value cows in the herd for either removal, dry off, or replacement.
5. **Ensure all management protocols are still appropriate, working, and being followed:** Protocol drift in many areas of dairy herd management (an incomplete list includes milking routines, calving and colostrum management, reproductive program implementation, and feeding management) is more common than desired. This can easily lead to drag in milk yield, higher SCC, poorer conception rate, increased morbidity and mortality in calves, lower feed efficiency and poorer rumen health among other issues.
6. **Don't incur excess heifer rearing costs:** Despite years of research and herd experience that suggests that herds can grow heifers well and calve them at 21 to 22 months of age, many herds still average 24 to 26 months age or higher at first calving. This can incur substantial additional cost both in terms of feed requirements and facility/labor to support additional heifer inventory.
7. **Get the most out of your repro program:** Many dairies are consistently achieving pregnancy rates of 26% or higher. Comparing this to what used to be considered a good goal of 20% a few years ago, there is significant revenue to be gained.

8. **Optimize neonatal management:** Opportunities exist on many dairies to decrease stillborn (DOA) rates and decrease morbidity and mortality in calves through the milk-fed phase and weaning. The best dairies



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consistently maintain dead-on-arrival (DOA) rates in female calves at around 4 to 5% of calvings.

Intensively managing the calving process for a “just-in-time” move from a close-up group to a calving area usually decreases DOA rates (and also decreases overall fresh cow problems).

- 9. **Strategically identify ration options:** Opportunities exist both in terms of using accurate forage analyses to enable tighter ration formulation and more sophisticated forage analyses (e.g., fiber digestibilities) integrated with nutritional models to optimize use of homegrown forage within dairy rations. If forage is of high quality and inventory is adequate, is it being utilized to its potential? Likewise, if high quality forage

is not available, are there other ration adjustments that can be made to optimize milk yield?

- 10. **Maximize your feeding management program:** The feeding management program can result in hidden losses in feeding programs. Opportunities range from decreasing shrink at the silo by better face management in bunks and bags to accurate and frequent (at least weekly) assessment of silage dry matters to ensure more consistent delivery of diets to cows. This is another area in which protocol drift both within a feeder and across multiple feeders has occurred, which can change particle size and consistency of diets, and contributes to inconsistent intakes and lower efficiency of use of rations. 🐮

Source: T. Overton, et. al, Cornell Pro Dairy

December 10, 2018 Hay Market Report

The hay market is steady with signs of weakness as supply increased across the Midwest. Demand was steady and low quality hay was discounted.

In Wisconsin, steady demand and price for hay. Low quality hay is discounted depending if it was stored or was on the fence row. Some comments from local markets that straw is available as there is a demand for straw.

Straw prices were steady. Some markets are looking for straw with colder temperatures and weather conditions. Small square bale straw averaged \$3.15 a

bale (range of \$1.50 to \$6.00). Large square bale straw averaged \$45.00 per bale (a range of \$30.00 to \$65.00). Large round bale straw averaged \$47.00 per bale (a range of \$25.00 - \$73.00). Straw quality does impact price. 🐮



Hay Grade	Bale type	Price (\$/ton)		
		Average	Minimum	Maximum
Prime (> 151 RFV/RFQ)	Small Square	\$247.00	\$214.00	\$330.00
	Large Square	\$204.00	\$125.00	\$255.00
	Large Round	\$158.00	\$110.00	\$185.00
Grade 1 (125 to 150 RFV/RFQ)	Small Square	\$198.00	\$165.00	\$231.00
	Large Square	\$163.00	\$105.00	\$205.00
	Large Round	\$142.00	\$100.00	\$215.00
Grade 2 (103 to 124 RFV/RFQ)	Small Square	No Reported Sales		
	Large Square	\$130.00	\$95.00	\$175.00
	Large Round	\$116.00	\$80.00	\$170.00
Grade 3 (87 to 102 RFV/RFQ)	Small Square	No Reported Sales		
	Large Square	\$99.00	\$75.00	\$165.00
	Large Round	\$102.00	\$60.00	\$170.00

Smart-dressed Calves Thrive in Cold Weather



Winter will be here before we know it. We are fortunate to have clothing that can help us adjust to any temperature. Dairy calves, on the other hand, need our help in keeping warm and dry during cold weather.

Calf jackets are a great way to keep calves warm in the winter.

Not only are calves born with a low percentage of body fat, but they also are small with thin skin, which makes them perfect candidates for losing body heat.

Wet calves lose heat to their environment, so warming calves soon after birth is important. Wet hair cannot insulate the calf, as the water evaporates, it takes heat with it.

So why not consider putting a blanket/jacket on a newborn calf? Research has shown calves that wore jackets gained 0.22 pounds more per day than calves that did not. It was also noted the jacketed calves were not sick as often as unjacketed calves.

Jackets do an excellent job of keeping young calves warm. A general rule of thumb is, if the ground is frozen and the calf is less than 21 days old, it should get a jacket.

The jacket should be applied only after the calf is dry, and straps should be adjusted weekly. When the jacket is adjusted or removed, it's a good time to perform a

health evaluation, including body condition score and respiration rate, as these are difficult to see when the jacket is on.

In extreme cold conditions, some producers have outfitted calves with two calf jackets. If the calf has soiled its jacket due to scours, it is important to remove the wet jacket and replace it with a clean, dry jacket. For biosecurity and sanitary reasons, jackets should be washed between calves.

Calf jackets can be purchased, or if someone is handy with sewing, made with breathable material from a fabric store.

Deciding when to remove the calf jacket is entirely dependent on the energy dynamics of the environment and the calf. What is the body condition, health and growth rate, and appetite of the calf? What are the expected weather conditions?

As long as it fits correctly, the jacket can be left on longer if needed with no ill effects.

As we enter into the changing weather, be mindful of fluctuating temperatures, especially for calves with jackets. Look for calves that are sweating underneath the jacket during the day, as this can cause them to develop chills in overnight temperatures.

The time it takes to make jacket adjustments will be worth it for the continued growth and health of your calves. 🐄

Source: Sarah Mill-Lloyd, UW-Extension Oconto County





Fond du Lac County

227 ADMINISTRATION/EXTENSION BUILDING
400 UNIVERSITY DRIVE
FOND DU LAC WI, 54935

NON-PROFIT ORGANIZATION
US POSTAGE PAID
FOND DU LAC WI 54935
PERMIT 110

Mark Your Calendars for Up Coming Agricultural Events

January 2019

- 4-6 **WI Jr Holstein Association Annual Convention** | Blue Harbor Resort | Sheboygan
- 8 **Tu Agronomy Update** | 12 noon to 3 pm | UW-Fond du Lac, Room UC-113/114
- 9 **W Supporting Farmers During Challenging Times** | 9 am to 12 noon | Millhome Supper Club, Kiel
- 13 **Su Fond du Lac County Holstein Association Annual Meeting** | 12 noon | Holiday Inn Rolling Meadows
- 15 **Tu Fond du Lac Co Farmer Led Soil Health Meeting** | 12 noon to 1:30 pm | Rolling Meadows Restaurant
- 17 **Th InSight Dairy Series: Markets** | 1 pm to 3 pm | UW-Extension Fond du Lac County
- 28 **M Building Our Dairy Future: Robot Design & Efficiency** | 10 am to 3 pm | Osthoff Resort, Elkhart Lake

February 2019

- 5 **Tu Annual CAFO Update Meeting** | 12 noon to 3:30 pm | Fond du Lac Co. Fairgrounds | Recreation Center
- 7 **Th Market Brief: DRPP & The Farm Bill** | 1 pm to 3:30 pm | Blue Door Coffee Shop | Campbellsport
- 21 **Th InSight Dairy Series: Dairy Nutrition** | 1 pm to 3 pm | UW-Extension Fond du Lac County
- 22 **F Raising Quality Dairy Heifers Management Meeting** | 10 am to 3 pm | Liberty Hall, Kimberly
- 26 **Tu Raising Quality Dairy Steers** | 6 pm to 9 pm | Chissy's Pub & Grill | Waldo
- 27 **W Midwest Manure Summit** | 9 am to 4 pm | Lambeau Field, Green Bay

For additional dates and information, visit <http://fyi.uwex.edu/fdlag/calendar>