

Maintaining Cow Health while having Realistic Production Goals and Good Cash Flow (3-5 pm, September 27, 2012)

Bob Parsons, Les Morrison (Morrison's Custom Feeds), Travis Little (Green Mountain Feeds)

Bob Parsons
University of Vermont

Bob reviewed the 2011 findings from organic dairy cost of production study.

Net farm revenue before owners draw

How much should an owner take?

This year 50% of the farmers in the study did not receive a family draw of \$35 K. Indication that a number of farms are having real profitability problems. This will have a real impact on the future of organic dairy.

Return on Assets.... In wall street one likes to see a 6-10% annual return on capital. Organic dairy has a 1% return on assets on average. 16 of the farms had a negative net worth after a 35K family draw.

Organic dairy is not a healthy sector right now.

16% protein organic dairy feed in VT

Sept 2012 \$720-\$730 /ton

Sept 2011 \$515-\$525 /ton

Sept 2010 \$420-\$430 /ton

Profit per cow....in 2011 conventional did better than organic

Fuel costs per cow.... Organic is less than conventional

Return on assets, conventional is doing better, 2011.

Top 5 organic dairy farms are producing 14,000-15,000 lbs per cow and have over 50 cows.

Family living is the fastest growing cost than any other cost in farming.

Comments:

Dairy needs to be price makers and not price takers. Other businesses set price based upon production costs.

NODPA is writing technical articles to highlight production practices that work on some of our successful farms. Also, there are 4 Econ Study Case Study Articles (to be published as part of eOrganic's organic dairy resources) that give a 3rd dimension to some producers – sharing their strengths and skills.

Les Morrison
Morrison Feeds

Poultry industry and Organic hog producers are making so much money right now that they don't care how much they are paying for grain.

A group of people are trying to get a shipment of corn to California and ship it west. Majority of our corn and soybean comes out of Quebec and Ontario region, to market in New England (in particular) because of the organic milk market. This year lost 30 organic grain producers in Canada. On top of that, the western brokers trying to purchase that grain and send it to California.

It is going to be a tight market for 2012 too. Les is holding 33 weeks of corn at this point. Organic wheat and barley market in western Canada; if they can't get that to grade for the flour industry, there will be a lot of wheat on the market. Les is looking for corn that he will feed in July of next year.

Les does not think that we will run out of corn this year. It is currently at a price where that grain can come to us overseas. A lot of the world has always been organic.....77% of the ground in Tanzania is tilled with a hoe... 20% tilled with animals, and 10% tilled with tractors. Export feed and feed themselves.....

Looking to see a \$50 increase in the price of grain going into February.

1000 acres of organic corn are grown in VT, which will take care of about 3 days of their needs.

Organic beer is a growing industry and some of the organic wheat is going towards malters.

40% of the non-organic corn is being grown for ethanol which is having a dent in the grain supply for livestock.

Is Morrison's covering their own costs? Yes... unbelievable madness... it is a wild ride.

How sure are we that the organic grain coming from overseas is truly organic?

Les's answer: They are following more stringent standards overseas... more closely monitored over there than our producers. Stuff from overseas is being tested for roundup ready. (comment from an inspector in the audience was that he adamantly disagreed with Les).

Travis Little

Green Mountain Feeds

Put up new storage recently, and are always trying to buy 6-7 months ahead.

Early fall and early winter grain and forage rations... won't see any dramatic increases over the next 6 months... 16% grain will see probably a \$40 jump in price.... Expect \$720/ton. Encouraging producers to take forage analyses to complement a grain ration to make sure they are not overspending on purchased feed needs.

Availability and where they source products: Saskatchewan, CA, the price is high but still economical to import. The price probably won't be higher. People are sitting on product.... Some waiting until 2013 to make sales.

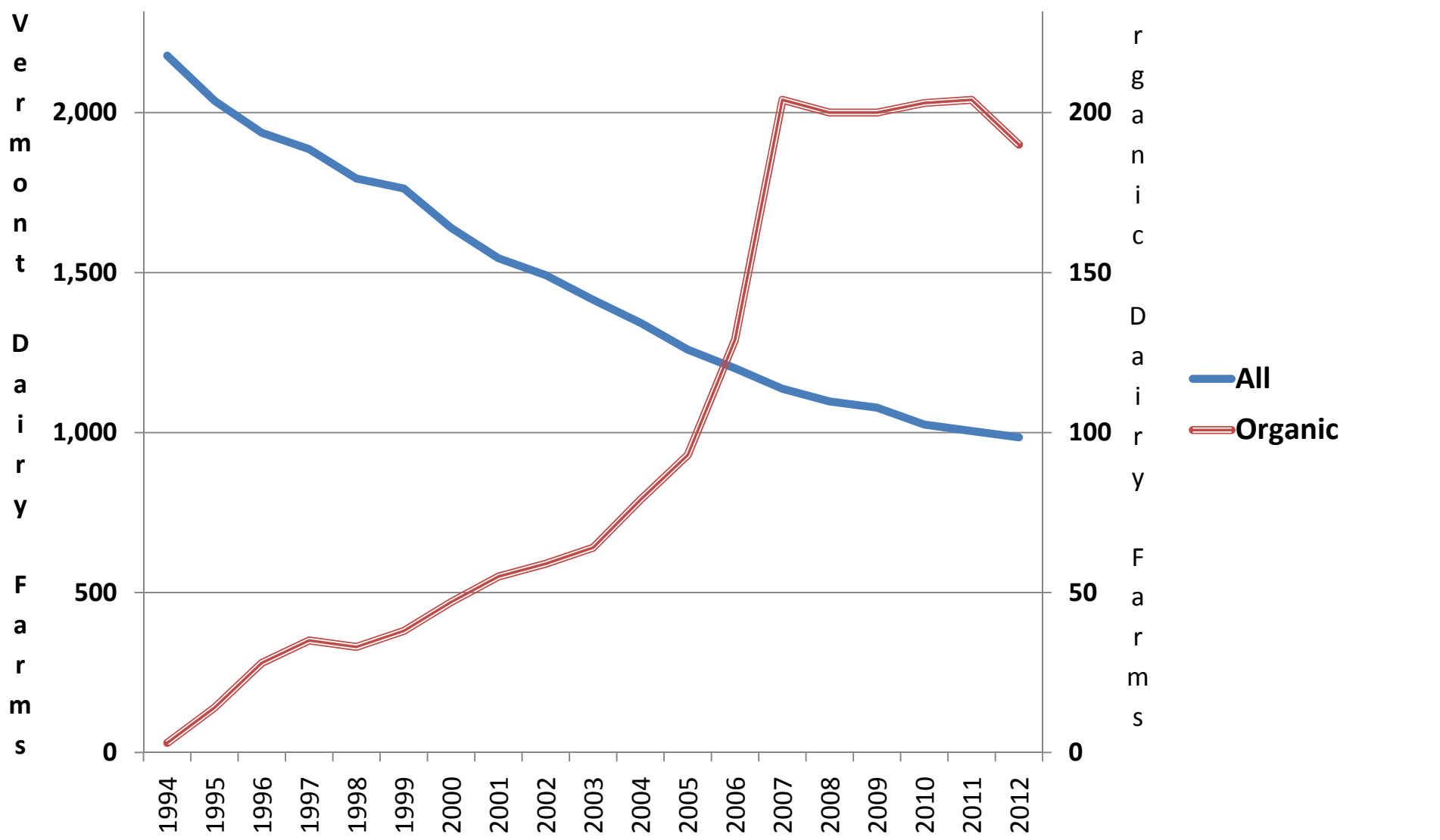
Finding (some) that yields are a little higher than were expected earlier during drought year.

Like to see a 1:3 income over feed costs..... This year the energy level of the forages was higher... due to more sun. Looking ahead towards next year.....

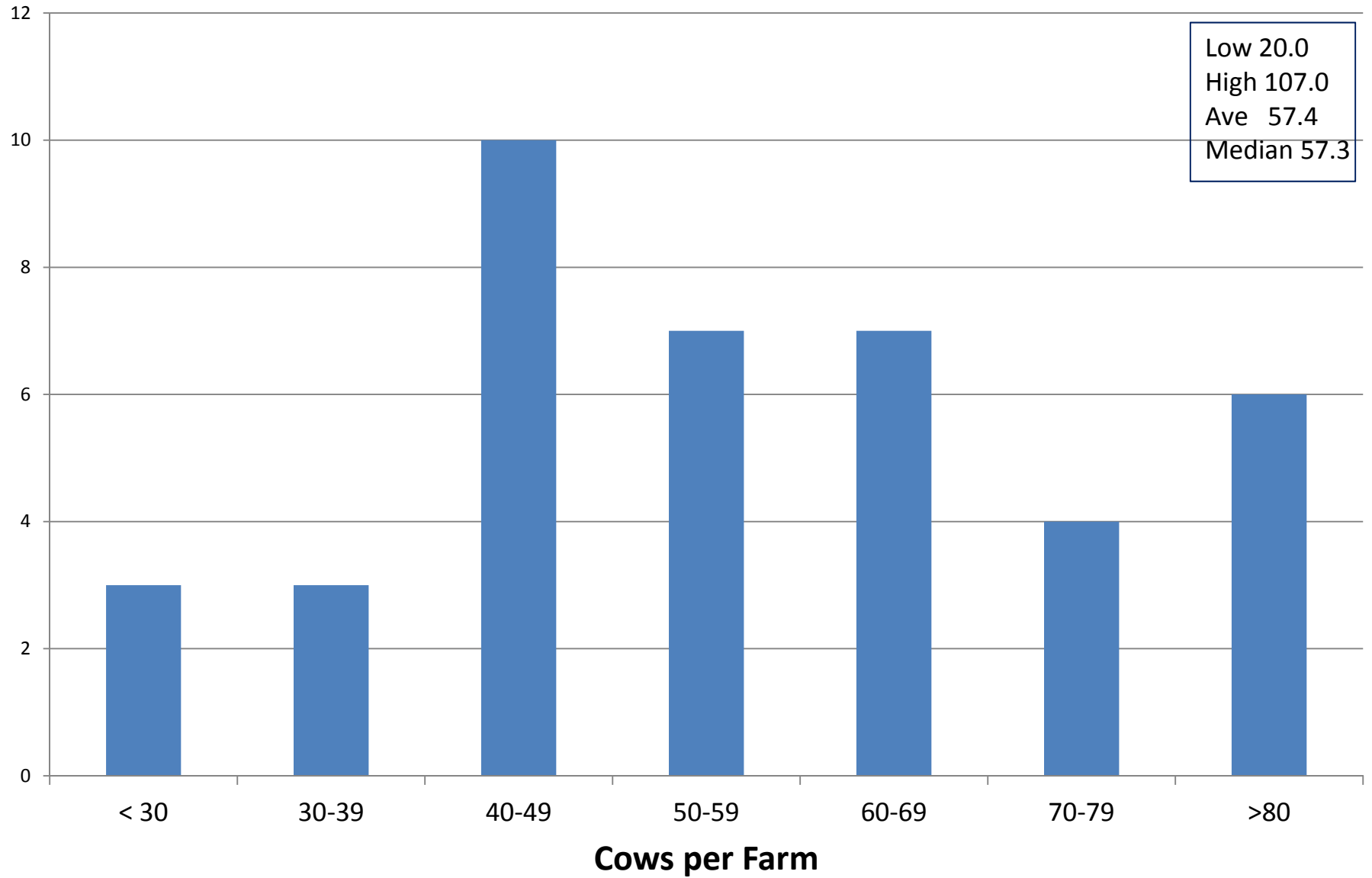
Discussions/Questions:

Request by a producer in the audience: Would like to have someone (in the Econ Study) to contact the 50% profitable farms and ask them what they think makes them profitable..... (Bob answer is that can be covered by phone calls)

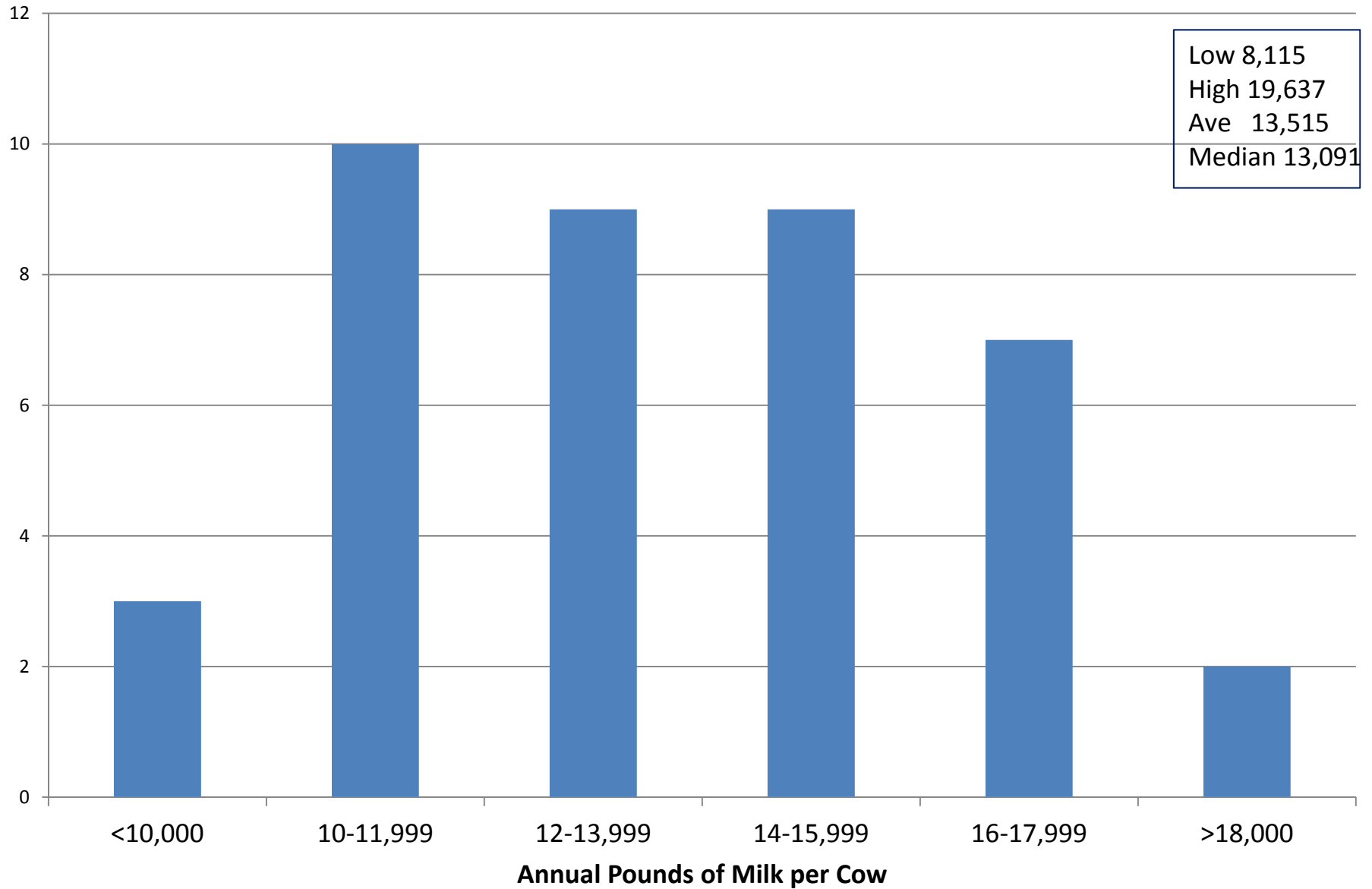
Does not cover what they would have spent if they had the addition income... but that also goes the other way when someone makes a lot of money and invests in their farm, so that profitability is not clearly apparent.... That is why we make the accrual adjustments.



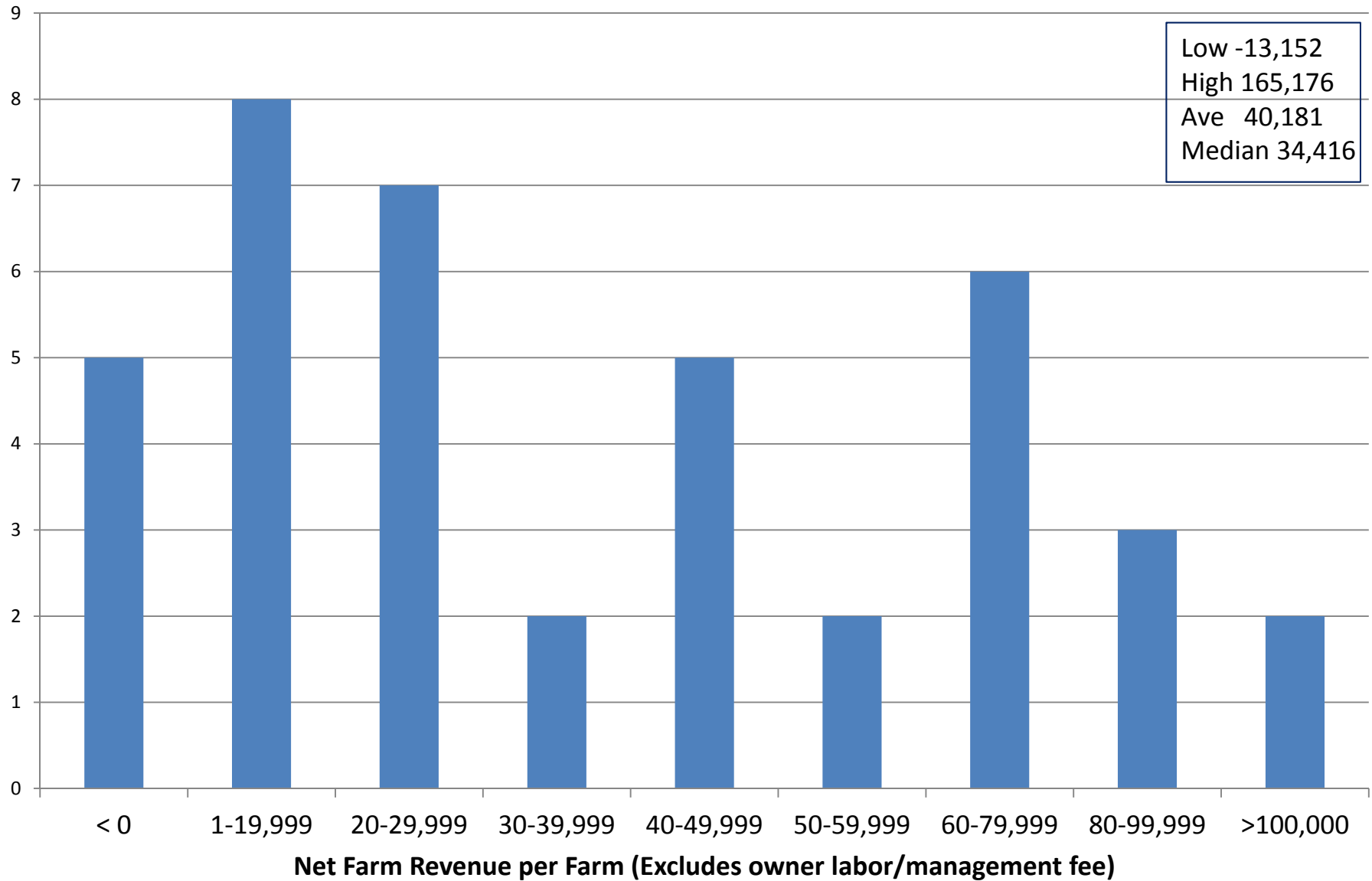
Cows per Farm (Vermont Organic 2011)



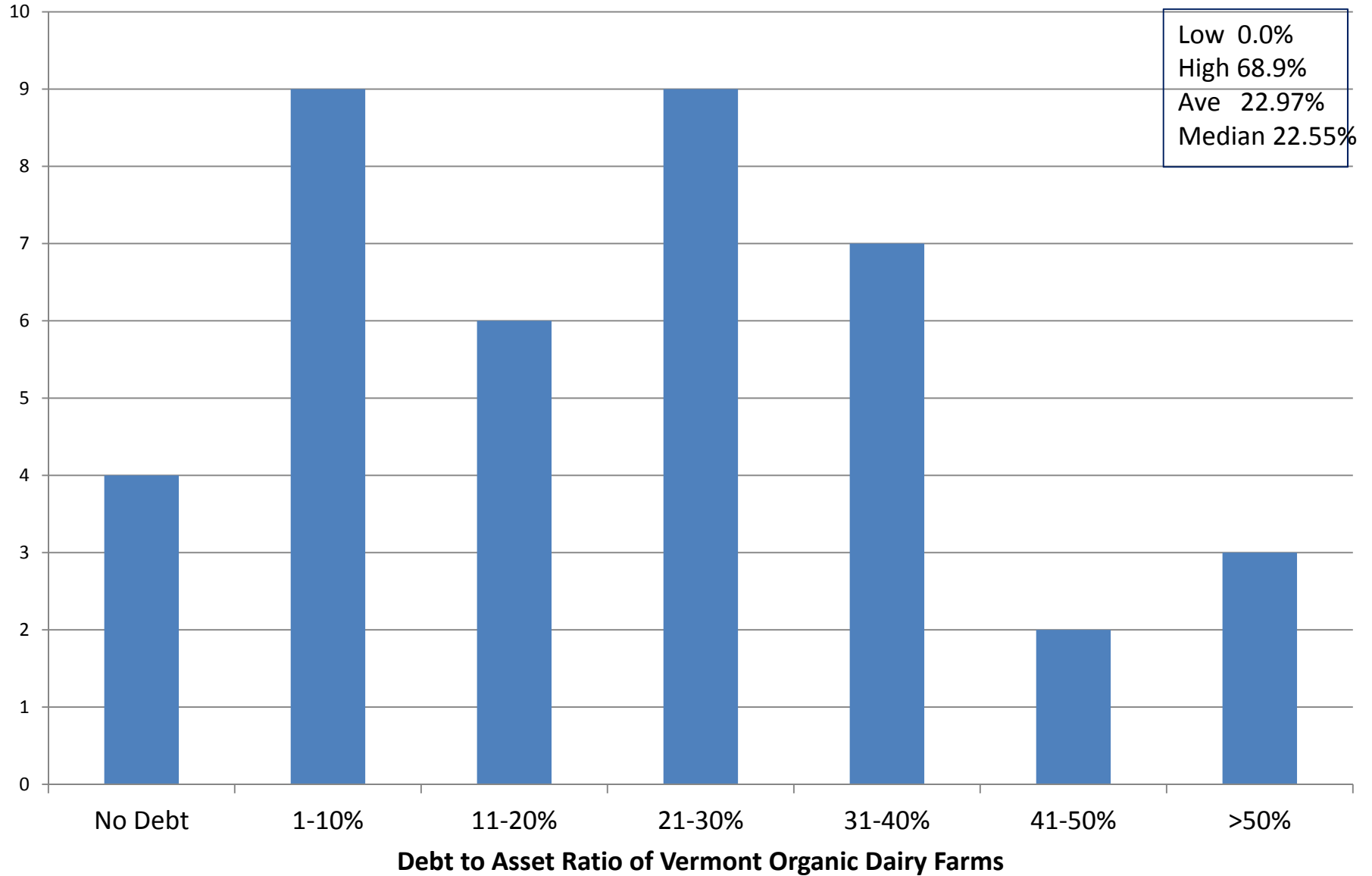
Milk Production Cow/Year (2011 Vermont Organic)



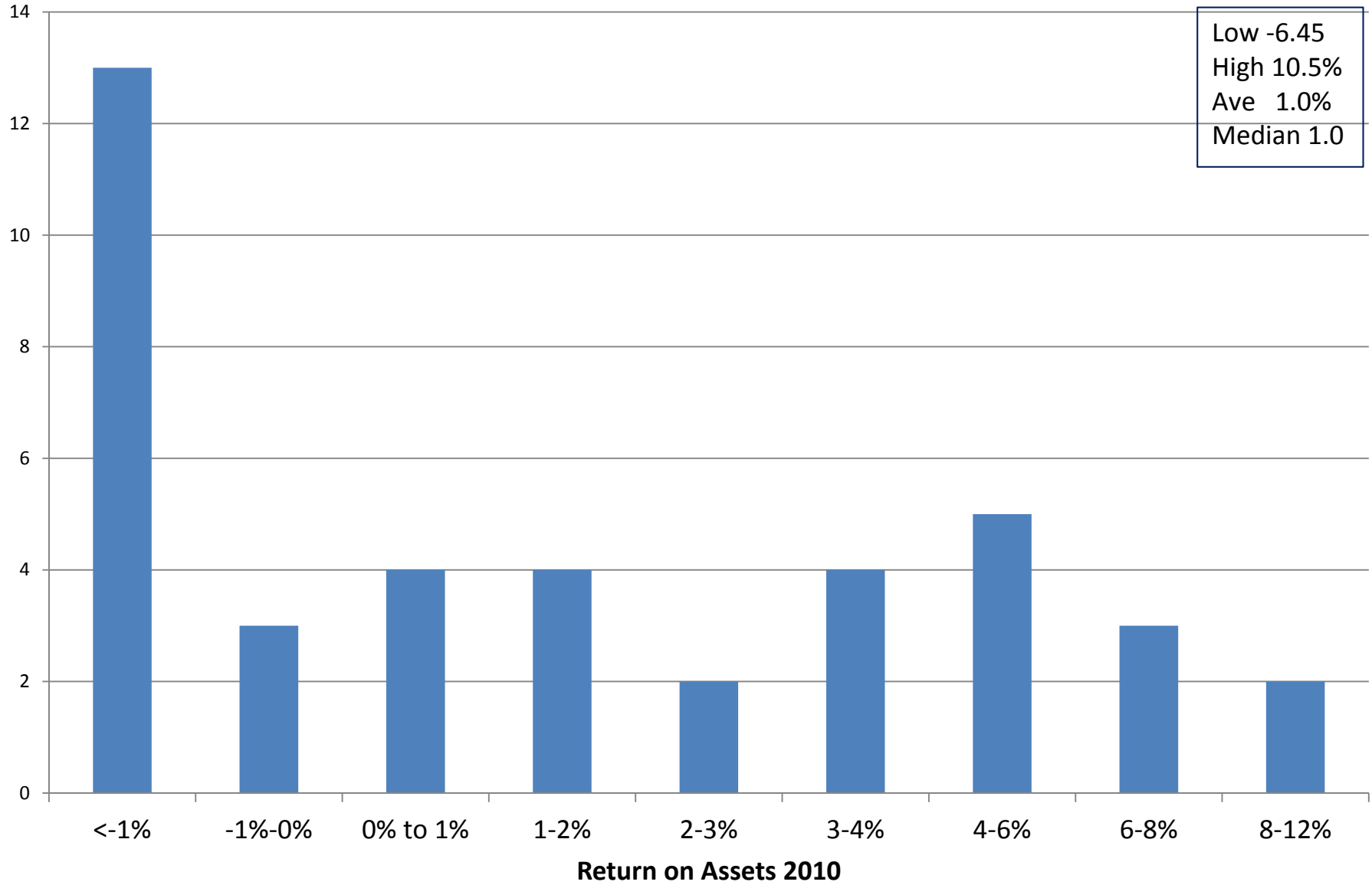
Net Farm Revenue (2011 VT Organic)



Debt/Asset Ratio (2011 Vermont Organic)

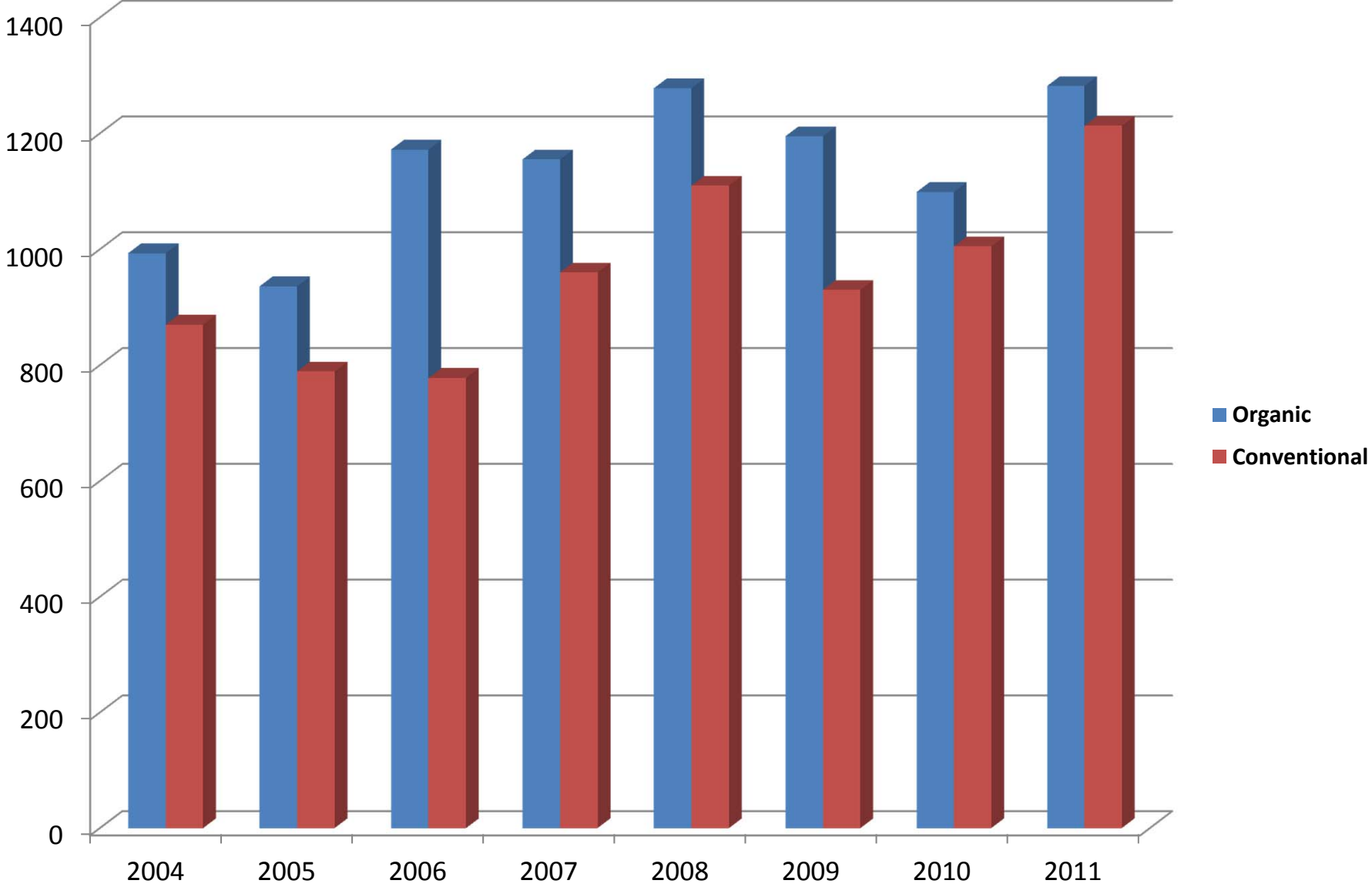


Return on Assets (2011 Vermont Organic)



| Net Farm Earnings | N=41 |
|--------------------|------|
| > 100,000 | 3 |
| 50,000 to 100,000 | 2 |
| 30,000 to 50,000 | 5 |
| 10,000 to 30,000 | 6 |
| 0 to 10,000 | 5 |
| -10,000 to 0 | 6 |
| -20,000 to -10000 | 2 |
| -30,000 to -20,000 | 4 |
| < -30,000 | 8 |

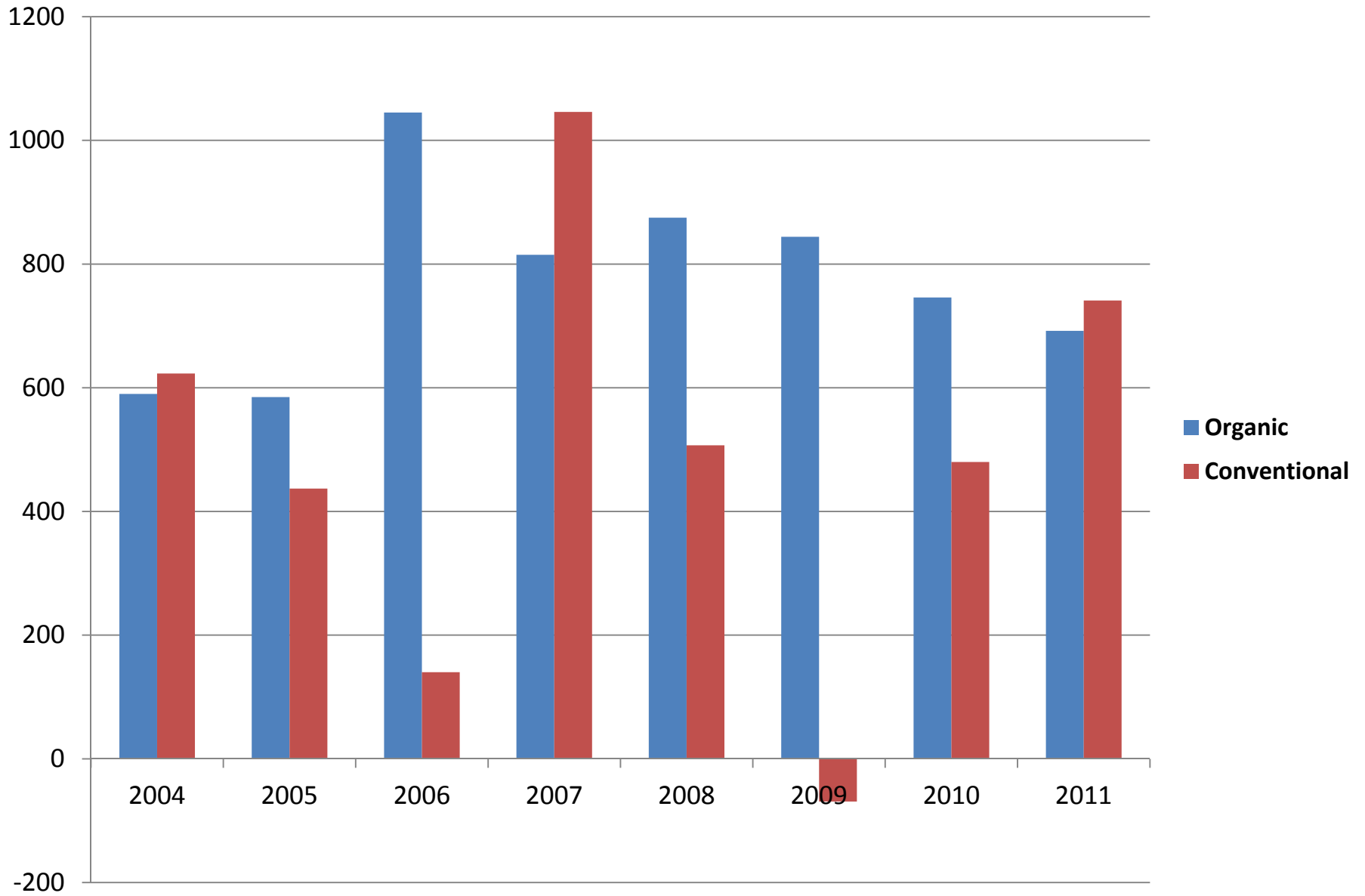
Purchased Feed Per Cow 2004-2011 (\$/cow)



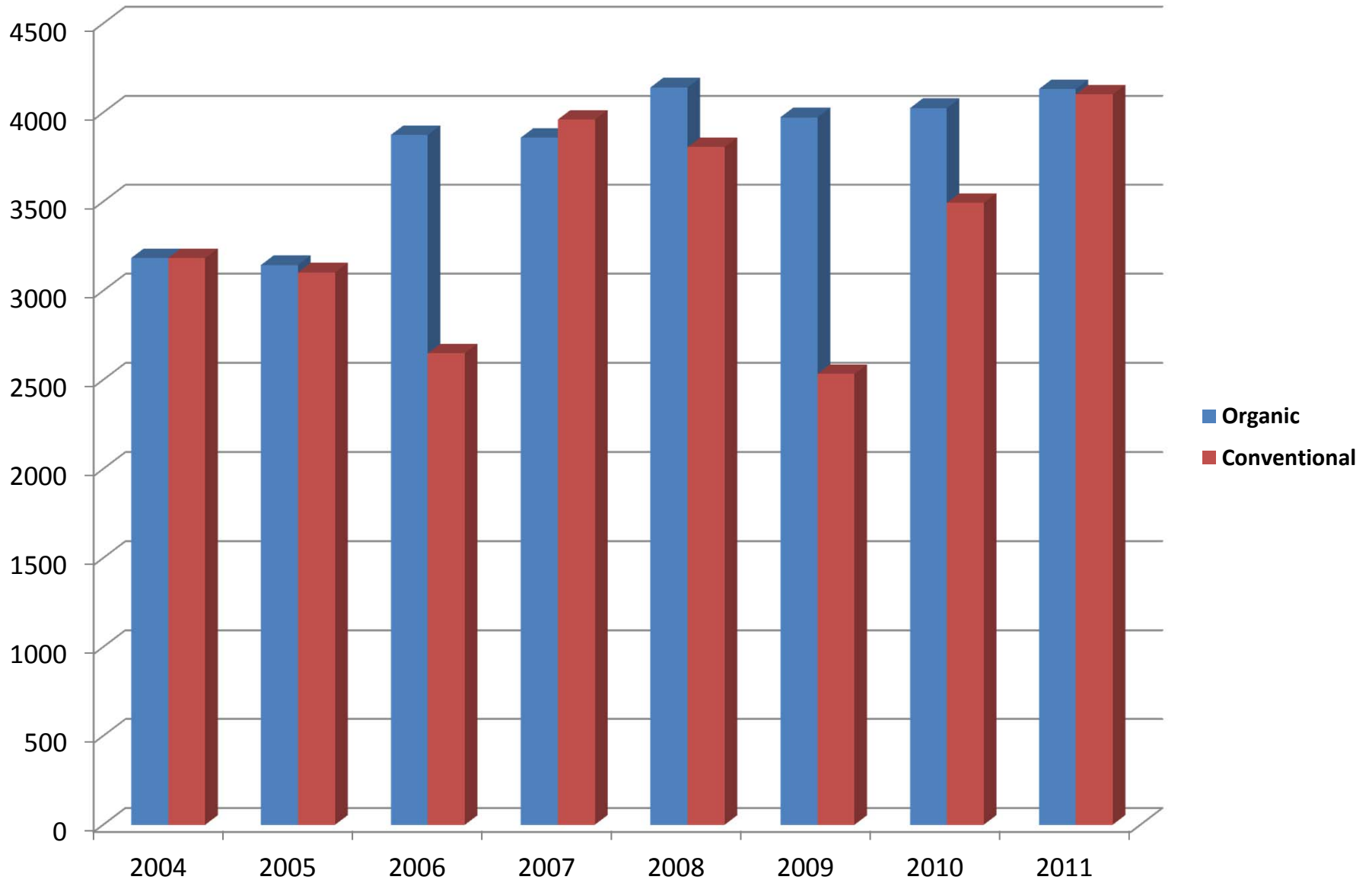
16% Protein Organic Dairy Feed in Vermont

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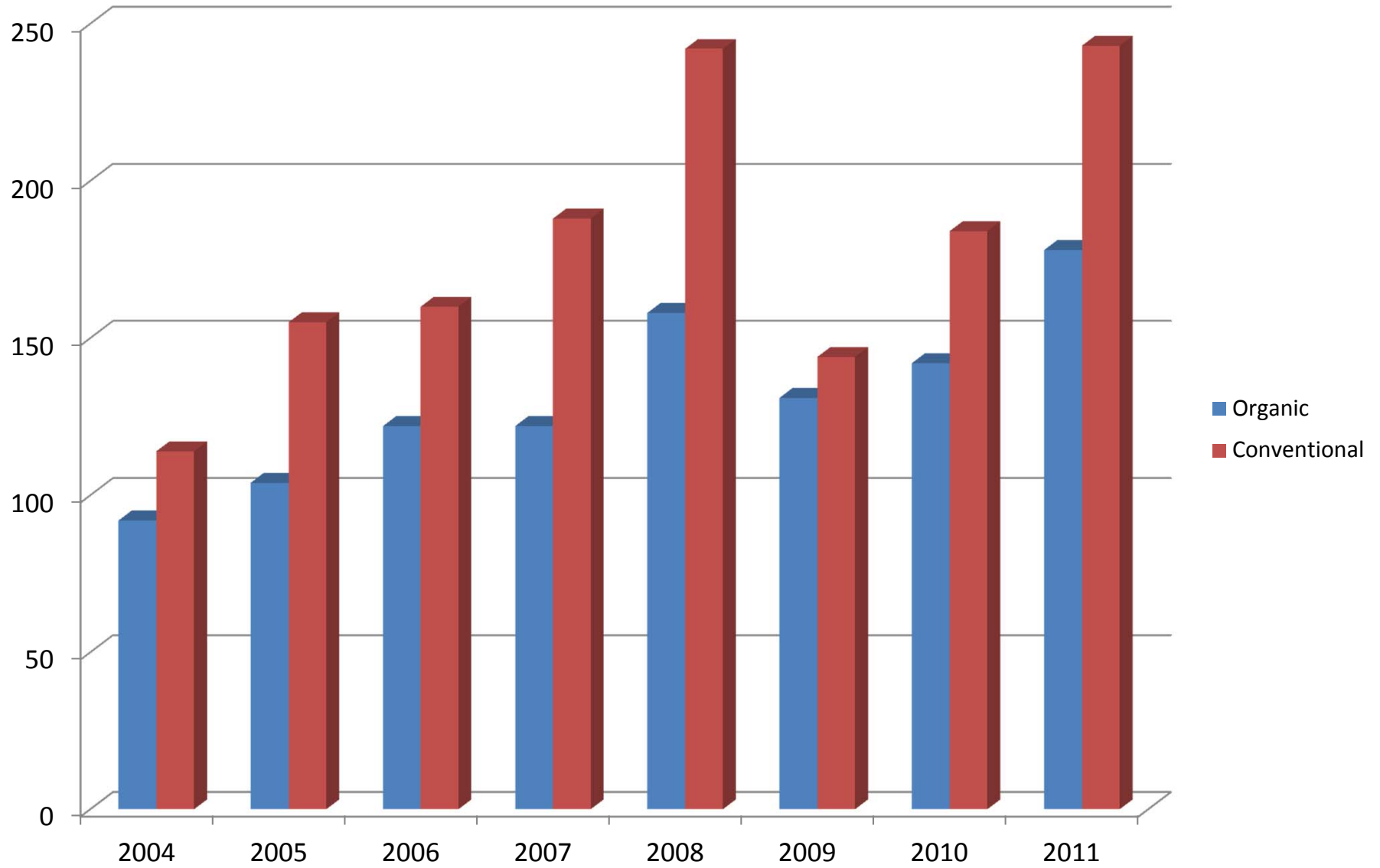
Profit Per Cow 2004-2011 (\$/cow)



Milk Sales Per Cow 2004-2011 (\$/cow)



Fuel Costs Per Cow (2004-2011)



Return on Assets (2004-2011)

