

Smarter feed investments. Greater returns.



When times are tight it's tempting to make decisions based on costs. Whenever possible, our focus should be on increasing profits. Understanding maintenance and marginal investments is vital to profitable decision making.

Maintenance:

The required investment to keep the cow alive and producing milk.

Marginal:

The additional investment needed to increase production by one more pound of milk.

Your Cargill Dairy Focus Consultant has tools to help you:

- Maximize value of maintenance feed
- Analyze marginal milk production
- Make smarter feed investments

**It pays to maximize profits,
not minimize costs.**

Marginal Milk

Analyzing costs to maximize profits

The Cargill Marginal Revenue Calculator with Marginal Milk Calculation helps evaluate the economic impact of changes.

The tool allows us to look closely at what an extra pound or two of milk would return if you fed for it.

Conversely, if one or two pounds of milk was sacrificed to reduce feed costs, what would be the net gain or loss from that decision?

Milk Production and Pricing:	Current Ration	Adjusted Ration
Pounds of Milk	75	85
Milk Fat Test (%)	3.75	3.85
Milk Protein Test (%)	3.00	3.10
Pounds of Milk Fat + Protein	5.06	5.91

Dollars Received:		
Milk Fat (\$/cow/day)	\$6.29	\$7.32
Milk Protein (\$/cow/day)	\$4.15	\$4.86
Farm-Specific Milk Fat+Protein Value (\$/lb.)	\$2.06	\$2.06
Farm-Specific Milk Value (\$/cwt)	\$15.21	\$15.61
Farm-Specific Milk Value (\$/cow/day)	\$11.40	\$13.27

Milk Revenue Over Feed Cost:		
Ration DM Intake/Cow (lbs.)	55.0	54.0
Ration Cost (\$/lb. DM)	\$0.120	\$0.125
Ration Cost (\$/cow/day)	\$6.60	\$6.75
Component Efficiency	9.20%	10.94%
Ration Cost as % of Milk Value/cwt	58%	51%
Milk Income Over Feed Cost (\$/cow/day)	\$4.80	\$6.52

Marginal Milk Calculations:		
Cost of Feeding to Support Maintenance (\$/cow/day)	\$3.00	\$3.00
Cost of Feeding to Support Milk Production (\$/cow/day)	\$3.60	\$3.75
Feed Cost to Make NEXT pound of milk (\$/lb)	\$0.05	\$0.04
Farm-Specific Milk Value (\$/lb)	\$0.152	\$0.156
IOFC to make the NEXT pound of milk (\$/lb)	\$0.104	\$0.112
Maintenance Feed Cost % of Milk Income Over Feed Cost (%)	62.5	46.0
Maintenance Feed Cost % of Total Feed (%)	45.5	44.4
Rate of Return to Feed Cost for Increased Milk Production (x:1)	3.17	3.54

Key Takeaways:

- Maintenance costs stay the same whether the herd averages 75 pounds of milk or 85
- The higher the production, the more revenue we get for the investment in maintenance
- We pay incrementally for each additional pound of milk the cow makes beyond the maintenance level
- Most experts agree that taking production up makes sense until the rate of return falls below 2:1

Visit Cargill.com/DairyDreams to learn more.

CAUTION: Average costs should not be used for marginal calculations. These numbers do not separate marginal costs from maintenance costs and can prevent you from making changes in production that would improve profitability.

Work with a Cargill Dairy Focus consultant to make profitable decisions that will help your dairy thrive.



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