

Valuations

» Valuing Byproducts

Ed and I were involved in a discussion on valuing a cull vegetable. In this part of the newsletter we want to cover the thought process we go through when evaluating byproducts. The same process is used when evaluating any substitution of ingredients.

We go through a series of questions to get the right answer to “Is this product worth using?”



1. What is cost per unit of dry matter? Important with most byproducts. We will use wet distillers as example on pricing. The loss of water in some wet byproducts just from run off needs considered.
2. Can you use enough of it fast enough? With most wet products we have to use at least 2 loads per week, if not multiple loads per day!

3. What is the nutrient analysis? This information allows us to evaluate it compared to more stable alternatives. We also have to evaluate the consistency of the product.
4. Do you need feed? While we want to always control feed costs, there may be situations where feed on hand (even if expensive on the books) is a better value.
5. How big is the Pain-in-the-Ass factor? If using the product requires too many logistical and mental gyrations it probably isn't worth using. Personal aversion to a product is also important. Past bad experience needs to be considered. Is there physically enough room in the feed area to hold another product?
6. Which animals qualify to eat the byproduct? Can it be used in milk cows, or just heifers and dry cows? Over the past few years we have seen a move to heifers off the farm, and in some



cases dry cows at other facilities. This allows more milk cows, but has reduced the ability to handle some of the lower end byproducts.

7. Am I doing it to save money, or make the diet better? Some byproducts offer unique nutrients, or dietary factors that improve nutrient composition of the diet, in a package that has the chance to save money. Wet citrus usually fits this category of cheaper and better.
8. How long is it available? A diet change for a month is probably not worth doing. UNLESS the savings are huge. Changing for 60 days may have value. This is very operation specific.

Specific example – Wet distillers. This is an easy example because dry distillers grain is basically an exact reference ingredient.

Dry distillers at \$200 per ton. The math is:

$\$200/0.90=\$222/\text{dry ton}$. There will be some discounts such as personal bias factor, Pain-in-the-Ass factor, inconsistency factor that require taking a \$30 per ton discount. So in this case I would pay \$192 per ton of dry matter. At 35% dry matter this means delivered to the dairy I would consider wet distillers if it was \$67.20 per ton or less. The discount goes up or down depending on lots of factors.

These steps are required for any discussion of feeds not currently in the ration. Switching from soyhulls to beet pulp may not require answering all eight questions, but the concept is the same. Switching from using corn silage and almond hulls to potentially using corn silage, almond hulls, and pomegranate for 60 days requires the complete review.

» Valuing Records

If information is King, do you have the right information?

A few years ago a client started a new 5,000 cow dairy. About 9 months into operation an industry expert decided he would help and did a records analysis. At the time they were milking about 3,200 cows (3,000 first lactation). The first mistake was that as an expert he should know records analysis on a new, growing operation should be done with a great deal of caution. He didn't use any caution. From the Dairy Comp back up file a high incidence of ketosis was reported. Something like 42% of fresh cows had ketosis. The second mistake was not asking questions about the data before doing a presentation.

The manager was at first worried about a high incidence of ketosis that he and his team weren't finding. Herd was doing about as expected. Breeding seemed ok, for a start up. There may have been a few extra dead cows, but this would be expected during growth. The manager asked the right question "What information are you using?" "Components from DC305" was the answer. There were too many cows with fat:protein inversions. Ouch. The dairy had not started testing for components as the rotary parlor was not set up for sample collection. Wrong information was being used to make a rather damaging assessment of the herd. Needless to say this expert is not a regular part of the dairy's advisory team.

To my knowledge the programming in DairyComp or DHIPlus is correct. I don't have any specific example of where there is a math or computer language problem internal to the programs. Input errors, inconsistent data entry, reports pulling wrong data, and wrong interpretation all exist. The example above, recent reviews of some "Canned reports" pulling wrong numbers, and our internal benchmarking over the past few years all indicate a need

for better record keeping and analysis. First and foremost the main reason for the data is management of your operation. Information is King, should be said as – Correct, timely information is King.

It is important to look at data critically and ask questions. This critical look will sometimes just be a matter of asking “Really?” – A 42% ketosis rate would have looked like a disaster. The first step to records analysis is having the right records to analyze. The next step is to make sure you are looking at the right data. Look at data that has actionable steps to see if it needs correcting. With the final step being take the actions necessary to get better results. This is the process to use to get the most value out of your data.

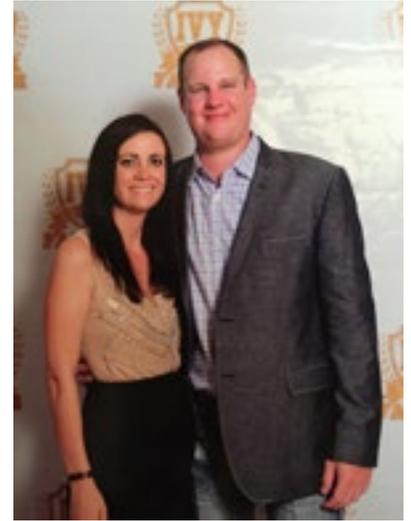
» Conclusion

Don't settle for incomplete data. Your herd management software is only as valuable as the data you put into it.

» Announcement

Please join us in welcoming **Cameron Nightingale** to our team. And yours. Cameron has the ideal

background for independent nutrition consulting. From sales positions with feed additive companies, to dairy manager, to handling nutrition clients, all while finishing his PhD in nutritional immunology. Cameron and his wife Kendra live in Lubbock. The Nightingale's are expecting their first child in just a few weeks. We are excited to welcome his family into ours.



Nutrition Service, Inc.

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