

You are the hero of this story

# The secret is in the profit margin

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Originally from Switzerland, the Strebels family settled in Quebec in 1976. "My father dreamed of endless wheat fields waltzing in the wind like a sea," recounts Peter Strelbel Jr. That vision led the family to St-Blaise, where they started farming, with 60 hectares and 50 cows, when Peter was 10 years old. Today he operates Ferme Strelbel et fils inc. with his wife Nathalie, their three children, and the help of devoted employees. Bordering the Richelieu River near St-Blaise, the farm has a 100-cow herd housed in a free-stall barn and 195 ha of land under organic production.

A few years ago, the Strebels were counting on expansion to increase the farm's revenue. But in the fall of 2010, they took part in a trip organized by CIAQ to visit some of Ontario's large herds, an experience that led them to rethink their operating philosophy. "I listened to the producers telling us about their yield per cow per day, much higher than ours, and I wondered how it was that we weren't getting the same level of performance even though our conditions were similar." At the time, average herd production on the Strelbel farm was 8,900 L, with 4.2 per cent fat and 3.3 per cent protein.

On his return home, Peter asked his dairy production technician for more information about Valacta's Valued-

Advice service. A month later, dairy production advisor Ghislain Côté made his first visit to the farm. Since then, the Strelbel farm has been focussing its efforts on efficiency and productivity.

## Priority

Ghislain remembers his first conversations with Peter: "He was particularly interested in production costs, especially with regard to feeding. He had come to realize that many of the producers he had talked with on his trip were well informed about their costs, and that the secret to profitability was in the profit margin."

## Diagnosis

When it comes to the profitability of a dairy farm, the key element is the return over feed cost. It's the difference between milk income and feed cost. Obviously the more money that comes in and the less that goes out, the better the bottom line.

The feed cost includes the cost of both forage and concentrates. Year after year, the Agritel database shows us that forage production costs can vary by as much as 100 per cent between the top 20 per cent of farms and the 20 per cent of farms with the most potential for improvement. It's also important to remember the productivity has a direct influence on the number of cows required to fill the quota and, consequently, on the forage cost per hectolitre of milk.

The cost of concentrates includes all purchased feed, mineral, supplement and meal, in addition to the grain produced on-farm, calculated at market value.

During his initial visits to the Strelbel farm, Ghislain used Valacta's software



the cows' needs while limiting the cost.

The Strebels were among the first producers to take advantage of Ketolab, the ketosis screening service offered by Valacta. Hence Ghislain was able to see that the percentage of cows testing positive or suspect for ketosis was too high, which meant they needed to revise the cows' close-up and early lactation diets.

Over and above feed costs, the profit margin is improved by anything that increases herd productivity. Comfortable, healthy cows with good genetics, appropriate reproduction management and sound herd management practices are all factors that contribute to improving the profit margin.

## The secret: make more milk and keep costs under control

Three years after Peter's pivotal trip to Ontario with CIAQ, and after implementing the action plan drawn up with Ghislain, it's safe to say that the profit margin holds no secrets for the Strebels now. Average production is well over 10,000 kg of milk, with component yields as high as they were at the outset (Table 1), so milk value is excellent. In 2013, the milk:concentrate ratio reached 3.5 L per kg of concentrate.

The cost of concentrates dropped slightly to \$12.13/hL, remaining well below the provincial average, which increased by more than \$1/hL in 2013 to reach \$14.09/hL. Ghislain monitors the Strebels' concentrate costs at least once a month. For 2013, the farm's margin over feed cost exceeded the provincial average by more than \$45,000.

Forage quality remains a constant priority for the Strebels, as can be seen from the results of the forage analyses. Their alfalfa silage has an average protein content of 20 per cent, with ADF between 30 and 32 per cent, and NDF between 40 and 45 per cent. The corn silage is also high quality and can be used to advantage in the ration.

The TMR for both groups of milking cows is composed of 25 kg of corn silage, 15 kg of haylage, high-moisture corn, a supplement and soybean meal. No magic ingredients, just a lot of forage – a recipe that makes the Strebels happy and offers relief to their pocketbook.

Starting fresh cows on the milking ration a little sooner has lowered the risk of ketosis in the herd. Since the beginning of the year, the proportion of cows testing suspect or positive has remained under 25 per cent.

to calculate the cost of concentrates and the margin over feed cost. The software is updated every month and can be used to compare a farm's milk price and cost of concentrates to provincial averages.

The cost of concentrates for that year was \$11.99/hL, very close to the provincial average (\$12.04/hL). Owing to good fat and protein levels, the value of the milk from the Strelbel farm surpassed the provincial average by \$3.19/hL. That meant the margin over feed cost was positive by a little over \$30,000 for that year.

Prior to Ghislain's involvement in the process, there was only one group of milking cows on the Strelbel farm. However, the facilities were such that it was possible to consider adding a second group so as to provide a diet adapted to

**TABLE 1. Analysis of the margin over feed cost for the Strelbel farm in relation to the provincial average**

	2011	2012	2013
Milk value on the Strelbel farm vs the provincial average	+ \$29,427	+ \$37,383	+ \$24,741
Concentrate costs on the Strelbel farm vs the provincial average	- \$461	- \$20,456	- \$20,192
Margin over feed cost on the Strelbel farm vs the provincial average	+ \$30,624	+ \$57,430	+ \$45,717