

Topic of the Month

Cost of Production

As we start a new year, it is second nature to look back at the year that was. No doubt there is optimism that milk prices will climb. If the last three years have taught anything, many producers have learned to cut costs. But where are you cutting costs to avoid hurting production and reproduction and components? You have an idea how much you will get for your milk in the short term, but how much will it cost you to make that milk? What will your margin be? Knowing those answers will help you make better purchasing decisions.

A recent publication from Ohio State Extension identified the four biggest costs on a farm for 2017, but the trend has been consistent. They were feed, labor, depreciation, and supplies. Those are tough areas to trim expenses. Feed costs will depend on yields and fuel and other things. Depreciation is also a difficult one to control. Labor can be a headache, and you can only cut supply spending so much.

Now is a good time to look at last year and see where money was spent. What was the net return per cow? Since depreciation is hard to control, potential purchases should be weighed as to whether they are needs or wants to consider avoiding incurring the expense in the first place.

This is also a good time to review farm finances. It may cost something to do this, but is likely to be money well spent. The milk price is only part of the equation. We all know it's bad. That cost of production is the other part of the equation that will allow you to determine an actual figure for how much you are making or losing.

Commodity Futures

Prices

As of December 31, 2019

Corn	\$3.88/bu
Soybean Meal	\$299.90/ton
Milk (Class III)	\$19.32/cwt
Beef (Live cattle)	\$124.70/cwt

Practice News

- A reminder that there are multiple options available for ordering vaccines and medications. The best pricing we can offer is through our online pharmacy. Drugs are delivered to your address. This requires you to establish an account and can be set up by calling the office. This option is available even if you do not have access to the internet. We are also able to drop ship medications direct to your farm. In most cases, orders are received within 24 hours. Medications can still be purchased from the office or off the truck, however, the clinic will be keeping minimal inventory in stock.

In The News

- American Dairy Association North East featured two NFL players in their social media outreach in December. It was part of a promotion where players were allowed to wear cleats designed to highlight a particular cause. The players were drawing attention to the NFL's Fuel Up To Play 60 initiative and promoting dairy by wearing cleats printed with Holstein spots.
- NMPF commended Congress this past month for encouraging the FDA to follow through on efforts to enforce its own standards for dairy product labeling. Dr. Stephen Hahn was also confirmed as FDA Commissioner last month and he has stated that he will make this a priority.

Upcoming Events

- The 2020 Pennsylvania Farm Show, the nation's largest indoor agricultural exposition under one roof, will be held January 4-11.