

## Topic of the Month Debt Load Per Cow

Newsletter of White Oak

Realizing that dairy farms are a big enterprise and that it is often necessary to borrow money to increase profitability, the obvious question is how much money is reasonable to borrow.

I got into this discussion recently and we started talking about debt load per cow. This benchmark measures the amount of debt that a farm has against the number of cows. This recognizes that the cow is the major income generating unit because the cow makes the milk.

Acceptable benchmarks range between \$3,000-5,000 but under certain conditions, some farms have reported debt load per cow between \$7,000-10,000. Obviously, better cash flow will allow you to service more debt and ultimately, this is a discussion that should take place between a producer and a lender to see how much debt the farm can handle.

The average debt load per cow in the Northeast has increased significantly over the last decade. During times of good milk pricing, producers often feel more comfortable buying things like land, which also seems to be increasing in price. High cull rates often lead to lower cow numbers, which can also increase the debt load per cow. This is probably one of the reasons that milking more cows has been a common recommendation. Purchasing cows represents a relatively small investment and enables the debt to be spread over a greater number of production units.

There are other metrics too. Another one called EBITDA is a benchmark that tries to account for things that are important but might not contribute directly to the farm's bottom line right now.

## Commodity Futures Prices

As of March 31, 2022

Corn (May)	\$7.49/bu
Soybean Meal (May)	\$467.50/ton
Milk (Class III)	\$23.68/cwt
Beef (Live cattle)	\$139.38/cwt

## News from the Department of Agriculture

- Highly Pathogenic Avian Influenza (HPAI) has been in the news and the first cases have now been detected in PA. If you are experiencing increased illness or death in your backyard poultry flock, you can contact the PA DOA 24/7 on-call line at 717-772-2852, option 1. They may collect samples for HPAI surveillance.
- Be sure to plan ahead regarding tagging for upcoming fairs and shows. Some 840 tags will be on backorder due to a plastic shortage, so be sure that you don't wait until the last minute.
- Also related to 840 tags, be aware that there are both RFID 840 tags and flat 840 tags that do not have the button. While the flat tags are acceptable identification for some purposes, the RFID 840 tags are required identification for fairs and shows.

## Practice News

- It's not too early to start thinking about breeding soundness exams for your bulls. Exams are a point in time test of breeding capability and are best conducted 1-2 months before the breeding season to allow for the purchase of a replacement bull if needed.
- In an effort to better serve our clients utilizing Hispanic labor, Dr. Zawisza has been studying Spanish. He will be engaging your Spanish-speaking employees in conversation to increase fluency and become a resource in employee management.

## Scholarship Opportunity

The National Dairy Promotion and Research Board is accepting applications for scholarships given to undergraduate college students enrolled in programs emphasizing dairy. There are up to eleven \$2,500 scholarships and one \$3,500 scholarship available. The deadline to apply is May 6, 2022. Find out more at <https://www.usdairy.com/about-us/dmi/scholarship>