

DAIRY PIPELINE

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Department of Dairy Science

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“By working together, producers and loan officers can develop strategies to insure the survival of their farm in an era of highly volatile milk prices.”

Photos courtesy of Flickr

WORKING WITH YOUR LENDER

In the past year, dairy producers have suffered significant losses in equity and an open line of communication with their lenders is crucial especially in these difficult times. As a former dairyman and agricultural lender, I have sat on both sides of the table when a producer is faced with low milk prices and/or drought. When a producer is unable to meet monthly expenses and accounts payable start to increase, they should contact their lender. Lenders get gray hair when they receive phone calls from frantic borrowers, stating they have been COD with their feed company for several months, and are requesting a loan application be processed ASAP because they need feed in two days and there are insufficient funds in the checking account to pay for the feed.

My suggestion is to schedule visits with your lender two or three times per year. In late January or early February, you (the producer) should schedule a visit with the loan officer to complete an updated balance sheet and cash flow budget for the year. Prior to the visit, you should develop a budget for crop inputs using current prices for herbicides, seed and fertilizer. By analyzing current soil tests, you can calculate pounds of fertilizer that will be purchased during the year. Using DHIA records and the December statement from the milk company, you can calculate actual pounds of milk sold/cow/year and culling rate. This will enable you and your loan officer to develop a budget for the current year. It is easier for the loan officer to analyze the feasibility of a new loan when they are using numbers based on financial and production records, instead of estimating crop input costs, milk sales/cow and culling rates. I would encourage you to invite your lender for a farm visit to view your crops during the summer or after harvest to show them the job you are doing. If you have weeds in your crops, I would suggest that you explain this to the loan officer. Today's producers have access to a large number of

herbicides to control weeds. Weedy crops are a sign of poor management! Before the farm visit, update production and financial records. A year to date summary of income and expenses enables the lender to compare your actual figures with the projected annual budget that your lender develops each year for your farm.

During the farm visit, ask your lender for suggestions on strategies to improve farm profits. Likewise, you should discuss accounts payable, future credit needs and equipment purchases with the loan officer. I would suggest you walk through the barn with your loan officer and show them that your milking herd, heifers and calves are well cared for. Lenders are trained to appraise the value of the dairy cattle. Remember, the dairy herd is collateral for your loans! It is in the lender's best interest for producers to maximize profits. If the producer goes out of business, the bank loses a customer.

Your lender is your business partner. When analyzing a farm business, put yourself in your lender's shoes. Would you want to loan money to a producer who uses financial and production records to make management decisions or to a producer who makes management decisions based on his “gut feelings?”

Dairy farming is a dynamic business. Financial and production records that are accurate and current enable producers to make management decision based on facts. Updated records help a lender make informed decisions that can impact the long term viability of your farm. I would encourage producers to maintain open lines of communication with their lender. By working together, producers and loan officers can develop strategies to insure the survival of their farm in an era of highly volatile milk prices.

—Peter Callan

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Upcoming Activities

April 17—Little All American to be held at the Etgen Pavilion, 8:00 a.m. For more information please contact Alex Steer by email at steer@vt.edu

If you are a person with a disability and require any auxiliary aids, services or other accommodations for any Extension event, please discuss your accommodation needs with the Extension staff at your local Extension office at least 1 week prior to the event.

“Proofs with genomics are more accurate than proofs of the same age animal were even two years ago.”

DHI 202 INCLUDES A NEW GENETIC PROFILE OF SERVICE Sires

In January of 2009, USDA released the first official genetic evaluations that included genomic information. In the months since, many dairy farmers have bred substantial numbers of cows in their herds to AI young bulls with high genetic evaluations. Genomic technology has put AI young sires with no progeny into a new category as herd improvers, as the improved accuracy of genomic predictions helps producers locate the better young sires for heavier use at a young age. DRMS Raleigh changed the DHI 202 Herd Summary form to help dairy farmers keep track of how much they were using genomically tested young bulls. The new genetic profile on February 2010 or later HS 202 forms looks like this:

HERD MERIT \$ OPTION	GENETIC PROFILE OF SERVICE Sires		
	A.I. PROGENY TESTED	A.I. GENOMIC TESTED	ALL OTHER A.I. BULLS
NM			
% OF HERD BRED TO	25	25	25
NUMBER OF BULLS USED	2	2	2
AVERAGE MERIT \$	+309	+270	+401
AV. PERCENTILE RANK (NET MERIT)	65	64	99

%NON-AI
25

AI service sires are divided into three categories:

- ◆ **AI Progeny Tested:** AI service sires that have daughters in their USDA proofs,
- ◆ **AI Genomic Tested:** AI service sires without daughters but with a PTA from genomic data,
- ◆ **All Other AI Bulls:** AI service sires without daughters and without a PTA from genomic data.

Traditional parent averages (PA) are used for bulls in the “all other” category. A final category, “% Non-AI” appears outside of the box as a percentage of all matings and without an estimate of genetic merit.

Average Merit \$ in the example says the “all other” category is the “best”, and I beg to differ. The first two categories are the best opportunities for real genetic improvement. Genomic proofs for Net Merit are about 70% reliable in Holsteins (compared to 35% for PA only, which bull studs used to use for selection) but less than 85% or higher Reliability for progeny tested bulls. Use a group of genomic tested youngsters, but use the best ones. How much semen should be used from each genomic bull? Science doesn’t give an answer that suits everyone. Five to ten replacement heifers (one to two dozen pregnancies) on the top genomic young sires in 150-cow Virginia herds seems reasonable. Bigger herds can use even more of individual bulls. Research shows that the genomic predictions reduce the drop from Parent Average to progeny test by at least 50%, and that genomics PLUS a progeny test practically eliminate proof drops from first to second crop daughters. Proofs with genomics are more accurate than proofs of the same age animal were even two years ago. Use the young bulls with high genomic proofs as herd improvers. “Sample” sires aren’t what they used to be!



For more information on Dairy Extension or to learn about current programs, visit us at VT Dairy—Home of the Dairy Extension Program on the web at: www.vtdairy.dasc.vt.edu.

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