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"If money is your hope for independence you will never have it. The only real security that a man will have in this world is a reserve of knowledge, experience and ability." -Henry Ford

"The safe way to double your money is to fold it over once and put it in your pocket." -Frank Hubbard

KOW Ruminations

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Fully independent soil consulting-agronomy-nutrition. We do dairy nutrition from the soil up.

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When Times Are Tough, The Last Thing You Need Is A "Cadillac"

When "Chevy" nutrition and management –and size will do.

"Last year, the US dairy industry became fully integrated into the **international** commercial markets for milk and dairy products for the **first** time . . . for a few months this past summer and fall, all three major manufactured dairy products –butter, nonfat dry milk and cheese –were being *exported* commercially, **with no assistance . . . that had never happened before . . . caused by the low value of the US dollar** . . . future's markets indicated that dairy farmers' feed costs would rise by about \$2.70 per hundred weight of milk produced . . . these are clear signs that 2008 will be a year of sharply reduced net income for dairy farmers . . ." Peter Vitaliano, Vice-President, Economic Policy and Market Research, National Milk Producers Federation. Hoard's Dairyman, Feb. 10, 2008. (Emphasis added.)

Ever get the feeling you are being "set up" for a fall? I mean, following the *conventional wisdom* for dairy farm management, as I reflect on my observations over the years (I've been around dairy most of my 42 years), I would figure *more* folks would be much more *suspicious* of *motives* behind what the ag sales-media-government are promoting. It seems to me that a regular cycle occurs.

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The price of milk goes up a while, usually long enough to promote some confidence in "*re-investment*" (the taking of **big loans** for expansion projects), then the cost of inputs rises shortly afterward to narrow down the profit margin to previous levels –then the pay price drops again –and the cycle goes on.

Is this some sort of conspiracy? No. (Apart from the government anyway ☺) It's simply market readjustment, *as predictable as the sunrise*. Don't misunderstand, I'll agree with anyone that makes the case that *government meddling perverts the normal function of the free market* resulting in *greater errors in true value, greater pain* when the market (inevitably) corrects. (Who else can afford to *long* continue on the **wrong** path but government that *confiscates wealth by force*?) Most citizens are deceived by the "mysterious" force of **inflation** as well –the worst form of *taxation* (without representation -as the government simply prints more promissory notes [loan contracts] in your name and *makes* [you and I cosign] each dollar you hold -worth a little less with each cycle of the printing machine).

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How many years must one work in *agriculture* before one realizes that it's not ever going to be the sector of the economy that affords **easy profits** by following the crowd? (What business does?) Ag is not the place to be working if easy money is your goal. (I didn't need to tell you that, did I?) Don't get me wrong, nothing is more important than food **when folks get hungry**. Nevertheless, once the belly is full, filling the plate again becomes the least of priorities. Thanks to human nature and political opportunists, the "Average Joe" quickly forgets the bread to enjoy the circus (those who forget history are bound to repeat it). Trouble is, there's only one place we'll arrive if we (collectively) look to (any) government to provide for

In 1788, Edward Gibbon set forth in his famous book, The Decline and Fall of the Roman Empire, five basic reasons why that great civilization withered and died:

- 1. The undermining of the dignity and sanctity of the home, which is the basis for human society;*
- 2. Higher and higher taxes –the spending of public money for free bread and circuses for the populace;*
- 3. The mad craze for pleasure, with sports and plays becoming more exciting, more brutal and more immoral;*
- 4. The building of great armaments when the real enemy was within –the decay of individual responsibility; and*
- 5. The decay of religion, whose leaders lost touch with life and their power to guide.*

100% of our needs: jail. ☹ I would prefer to take on my own risks and *responsibilities* –thank you (just one of those *independence* [freedom] things that *Americans used to value*).

However, it appears **we are now entering a whole new game**: the playing field is being very quickly leveled **globally**, and powers beyond our control have decided that *new rules* will be used to set point values. Some of the old rules that protected the USA are being done away with. Some argue that this is progress. (I'd question if it's wisdom to *abandon independence* in food production **if** the intent is to remain an independent nation.) We are constantly reminded of the need to "think globally and act locally," the mantra of the general media for several years now. The powers that be, apparently, have intent to level the economic playing field -something that should be obvious as we continue to hear about the need for homeland security, **all the while the borders of the great USA are left wide open**. Most of our dairy trade magazines are now offering *Spanish translations*. Even Hoard's Dairyman, the premier dairy magazine that used to be looking out for you (the **American** dairy farmer), has apparently decided to "go global." For examples of this *insanity*, read "When Immigration Enforcement Hits Home" by John Wargowsky (Ohio Farm Bureau Federation), June 2007. Also read the following that I faxed to them on June 11, 2007, in response, which they apparently decided was not worthy of including on their editorial feedback page (opinions, brickbats, bouquets):

* * * * *

Hoard's founder W. D. would turn over in his grave to see his publication being used as a "How To" aid for getting around / hiding from the immigration laws of the USA. Beside the obvious moral reasons why dairymen should not exploit **illegal** labor and should be eager to **obey the laws** of our nation, it's a mighty poor business plan that relies on a workforce that may be on the job today, but gone tomorrow (thanks to ICE doing their job by enforcing the law!). Sorry to see Hoard's doesn't value our nation's laws or the integrity of our borders, nor the welfare of the exploited foreign workers. *Honest* dairymen (most are)

have nothing to hide from the Department of Homeland Security. The few dishonest dairymen and other businesses that exploit the **illegals** not only cost us (all taxpayers) in economic terms, but put our security (safety) at risk. Keep letting **anyone** come into this country, you will soon see violence.

Semper Fi
Tom Weaver
[The above has **nothing** to do with race or political parties and **everything** to do with law enforcement *for the prevention of*

anarchy. Yours truly has traveled outside the borders of the USA to places that do not value law or *life* as Americans do. I am *deeply* concerned for my country. Yeah, what would some "dumb jar-head" know about anything like this . . .]

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If the above is not *outrageous* enough, this year I read in Hoard's (Feb. 25, 2008, page 149) an article by John Hibma titled, "**In Search Of More Microbial Protein.**" While the title and main topic is well worthy of consideration, the concluding paragraphs and "spin" given to the dairyman reader, in my *humble* opinion, is *far more offensive and wrong-headed* than anything I have ever penned (that's saying a lot, isn't it?! ☹). I can agree with *these* quotes from the text, "**Microbial protein** . . is understood to be the "**nearly perfect**" protein in terms of its **amino acid** profile . . . the more microbes inhabiting the rumen at any given time, the more feed that can be *digested*. [*The true* determining factor for energy!] The more microbes that can be synthesized in the rumen, **the less need there is for "correctly formulated" dietary bypass protein to be fed**" (emphasis added). I cannot buy into these concluding paragraphs (emphasis [and notes / comments] added):

* * * * *

Need new tools . . .

Without the use of advanced computer nutrition models, such as Cornell-Penn-Miner and Cornell Net Carbohydrate Protein System, formulating rations with these new products [various feed additives] is nearly impossible. [Fine. Let's do *without* either!! –T.W.] Starch and sugar *need* to be balanced properly in a cow's diet. [Need? With *precision*? How?] Matching ruminal fermentation with protein fractions **seems** to be the key to improving nitrogen efficiency. Consultants [or is it salespeople?] using these [hi-tech snake oil] products on dairy farms are **indicating** improved rumen microbial efficiency of more than 10% [by predictive equation or actually *measured*?] with the added benefit that this gain in microbial flow to the small intestine has a *significant* positive effect on the health of the cow, as well [*measured* or testimonial based?].

Some folks may question [T.W. *does*] the need for these kinds of products. Why don't we just leave the rumen alone to do what it does naturally? Don't we already have enough milk? **Do we really need to make dairy nutrition any more complicated than it already is?** [The *honest* answer: no.]

To answer those questions we first must recognize there's an ever-increasing need to feed the world's growing population in the midst of greater competition for fewer and fewer resources such as land, food, and water. We now find ourselves having to provide more food for the world's hungry without jeopardizing our environment or human health and well-being. **This goes well beyond what the often-myopic US dairy industry wants for itself.** [Who's this guy serving?]

Even though **science and biotechnology may appear to be self-serving** [obvious], seemingly complicating and confusing our lives [by design to keep dairymen from formulating their own rations!] it continues to improve many areas of our lives [Who's the benefactor of this *unnecessary* complexity? Not the dairy farmer!] in a world that's figuratively getting smaller and flatter. In areas as critical as **figuring out how to do more with less** when it comes to supplying nutrition to the world, the sometimes difficult-to-understand [by design] products such as rumen modifiers *should be* viewed in a positive light [why *must* we?] with the real [or imagined by a salesperson?] potential to benefit our dairy industry [not dairy farmers] and a growing **global market** for dairy products.

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Myopic?! The US dairy industry *lacks foresight*—according to John Hibma (who is noted to be a fellow dairy management and nutrition consultant). Well, maybe so, but *I could not disagree more* with Hibma's *self-serving spin*. First of all, it is not short-sighted for the US dairy industry to consider what it “wants for itself.” Shall we continue to believe that our nation's long term best interests will be served by “*giving the farm away*” to the global *socialists*? It's the path we are on. Is it wise for

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American dairy farmers to think that the *global* marketplace, driven by *exploitation* of cheap (even slave) labor is going to take them to a place of prosperity? No, it's not going to get easier to *profit* producing milk for “the world” (global market). I can agree with Mr. Hibma that, on the current path, dairymen will need to be “figuring out how to do more with less”, but his *non-sense* about the “*need*” for “new tools” and special “rumen modifier” feed additives (that can only be effectively used with the guidance of “advanced computer nutrition models”) is **hogwash**, and *meant to discourage you (the dairyman) from making your own feeding decisions (formulating rations on your own)*. Yes, in fact, science and bio-tech do appear to be self-serving. No, dairy nutrition need not be any more complicated than the KOW feeding guidelines. I refuse to join the crowd that uses sophistication and complexity to deceive and mislead dairymen into *writing checks*! This is an outrage! It's all *sophisticated sales*.

Fortunately, **ignorance is voluntary**. While the *dumbing down* of dairy continues, you do not have to participate! Sophistication and snake oil peddlers (There are bold liars and sophisticated liars. Both are liars.) would like dairymen to concern themselves *only* with hauling manure and writing checks, but we, KOW, bring to you useful / truthful information that is tried and tested by time! **Oh how I'd like to teach each and every dairyman how to formulate their own ration!** KOW clients *should* take advantage of our *tutoring* and printed material toward this end. Teaching is the best we can do for you. **Let us help you learn this skill.** It will help you *to help yourself* save *significant* money.

In the January 2008 issue of *Dairy Today*, Editor Jim Dickrell wrote:

“How you compete in this ever-more-competitive landscape is the subject of our cover story, “**Never Big Enough**,” starting on page 8. No one is immune from this competitive pressure. **As an information provider**, neither is *Dairy Today*. Recognizing that consolidation among our readers is accelerating, we conducted several surveys last summer. In those surveys, **you told us you wanted more but shorter, easier-to-read stories** . . . In addition, we're translating up to 10 magazine articles from each issue into Spanish.”

I have *no plans* to offer a Spanish translation of *KOW Ruminations* or our website © (www.kowconsulting.com) nor do I feel compelled to *dumb-down* our guidelines (they are already *distilled down* to remove the gobble-de-gook, **in order to provide the practical**, but **I won't compromise on the presumption of intelligence / mature attention span of our readers**). *I cannot help the dairymen that do not want to think, use their own mental capacity*. Those dairymen that don't take the time to read and get their *minds* engaged will be *likely* to continue *heading over the cliff* led by the *short story* that the solution to their profitability problem is that their farm is **never big enough**. Jim Dickrell's sub-title is “**To remain**

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competitive, you will *always* have to expand.” Let’s take this to its logical end: even a decision to *step over the cliff* into **perpetual debt** will not be enough! So why is *ever bigger* listed under solutions to lack of profitability? Bigger might just mean *bigger problems!*

Jim cites a USDA *economic research service study* to support his claim that the **only** path to the future is to get bigger or get out (haven’t we heard this *just a couple* times before? ☺) The question is posed, “Does this mean large farms will drive small farms out of business? Well, yes, eventually.” **That was a quote.** The *USDA study* grants that **small farms have the advantage of unpaid family labor**, but that the herds of 100 to 500 cows are “at risk.” Well, we all know that government knows best ☺ how to manage small business.

“Smaller herds often expand to bring in one or more sons . . . the problem is that these dairies often don’t grow fast enough . . . a 200 cow dairy may have doubled in size, but they should have probably gone to 800,” said Chris Wolf, a *dairy economist* with Michigan State University. I would like to see Chris Wolf co-sign for the loan or, better yet, go start his own 800 cow dairy to *demonstrate* the wisdom of his advice ☺. **I’ve seen far too many farms go from a secure financial position to financial disaster after doing what I call a “leap” expansion.** I am of the considered opinion that some of our Mennonite brethren have more wisdom in this matter than the USDA and all dairy economists combined. What I mean is, I observe established farms (fathers) assisting newcomers (sons) to start *their own family labor sized* dairy farms, rather than going the route of concentrating cows and *employee management*. This *doesn’t guarantee* success, but it sure limits failure! ☺ The bigger the ship, the more people on it, the more go down with it when it sinks. While there are economies of scale to be realized with the larger farm (mostly with harvest, tillage equipment), hired labor is not an advantage! According to figures I have been shown, labor is the number two cost (second only to feed) to the **large** (CAFO) dairy. While, no doubt **there are exceptions**, truth be told (the whole story you won’t get in your farm magazines) labor management is a **great** (significant) source of *grief* and **inefficiency** to the *factory size* (CAFO) dairy. The business plan is *built upon* “cheap” labor and anyone that goes this route should **expect** to have continuous turnover of *disinterested* workers and *many* “corners cut” in management protocols. These things alone have a **huge economic** impact, but for some reason, we don’t read much about this in our dairy trade journals(?). Seems that, if we did (even if in short story format!), *fewer* farms would go down the road of expansion to *require* hired labor to any significant extent. (Of course, **there will always be exceptions**, and if *your* large farm is a labor management utopia ☺, don’t bother telling me so. I already know: “Zero problems, life couldn’t be better since the expansion.”) (If you’re *interpreting* this as being “*against* large farms” –you’re missing the point entirely: it’s not about size, it’s about the true path to efficiency!) However, if you’re already in the position of

managing non-family employees *and struggling* to maintain good ones and/or protocols, I’d *highly* recommend you consider how you might create *incentive programs*. For example: financial rewards for *milk quality* and reproduction efficiency and/or *livestock ownership*. I’d be glad to discuss ideas with anyone that asks, but you must be committed to the *golden rule* [Luke 6:31].) I’m still of the *considered* opinion that, as I shared in the article titled “Can Cows And Their Managers Be Their Own Worst Enemy?” (April-May 2007 *KOW Ruminations*, www.kowconsulting.com in the grazing section), for *multiple* reasons, cows should not be in groups *greater than* 80 to 100. I believe that it is *possible* to *pre-plan* labor efficiency so that one *manager* (an intelligent, reasonably well paid owner or co-owner) can care for that 80 to 100 cow herd -with a little part-time assistance for regular time off. This is competitive with the labor efficiency that the *very large concentrated* dairy operations are demonstrating (most have one employee for every 40 to 60 cows). This does not negate the use of the services of an *independent contractor* for harvesting crops, tillage or manure application. This doesn’t rule out share-milking / co-ownership arrangements in multiple barns / properties if a landowner desires the pursuit of more (part ownership is a **significant** motivator to better management!). There are also emerging technologies that *might* prove to be a superior solution to labor woes. We have a client installing **robotic milkers** as I write. The cost is justified as an alternative to hired labor. Will it work out? I pray so. We used to harvest corn by hand, *maybe* it’s time for the robots. Time will tell. However, technology is *rarely* the solution to improving farm profitability. Trimming the cost of production usually is. This *isn’t* just an income-over-feed cost calculation. (I’m so weary of seeing dairymen deceived by *salespeople* telling them of all their missed “*opportunity costs*” by not “pushing” the cows harder with a “hotter” ration!) **Trimming production costs certainly includes cutting out unnecessary feed additives.** (From the beginning, KOW has limited our part of the feed program to nothing more than the basic [*and necessary*] mineral and vitamin needs. We’ve never wanted to be part of foo-foo dust sales!) Don’t get me wrong, if I see what I consider as “**a waste of money**” sitting in your feed room, I’m not going to make an issue of it. Dairymen are welcome to experiment with any feed additives they wish. **I respect a dairyman’s feeding management decisions** and get all the opportunity I need to “vent” my *considered opinions* right here in this newsletter. ☺ I trust my clients to read it and consider. Yes, I’m perplexed and bewildered at times: I’ve seen folks spend more on additives than they do for our TM/VTM Paks! However, cutting costs goes far beyond just feeding cheaper. Health, longevity and livestock sales from *internal* growth are *very big* factors to be considered. Lost cows cost something too. The KOW program is about looking at “the big picture.” If one tries to feed so “*cheap*” that health and reproduction suffer, much more can be lost. It’s kind of like neglecting to change the **oil** in the tractor, but spending on *fuel* additives. Seems okay for awhile, but it’ll catch up to you. ☺ Let us know if you’d appreciate cost cutting ideas.