OPTIMAL DAIRY SYSTEMS

Back to basics on Risk Management - Buying in

Feed and forage costs account, on average, for over 30% of the total cost of production (taken from MilkBench+ analysis 2014).

Whether your feed is purchased-in or home-grown, its cost to your business and the effectiveness of its use to produce milk is critical to profitability.

Ensuring you are managing this vital area of your business in the best way possible is key and this factsheet looks at ways to manage the buying of feed, and is applicable to other inputs too.

Be proactive in managing your input costs. Develop a strategy that can help manage volatility of your input prices.

Purchasing feed

Increased volatility in world grain markets create uncertainty in feed purchase decisions. Grain price variation is driven not only by factors affecting supply and demand (such as extreme weather) but also movements in the exchange rates.

These can cause large and unforeseen changes in the price of feed, which can have an almost immediate impact on dairy producers.

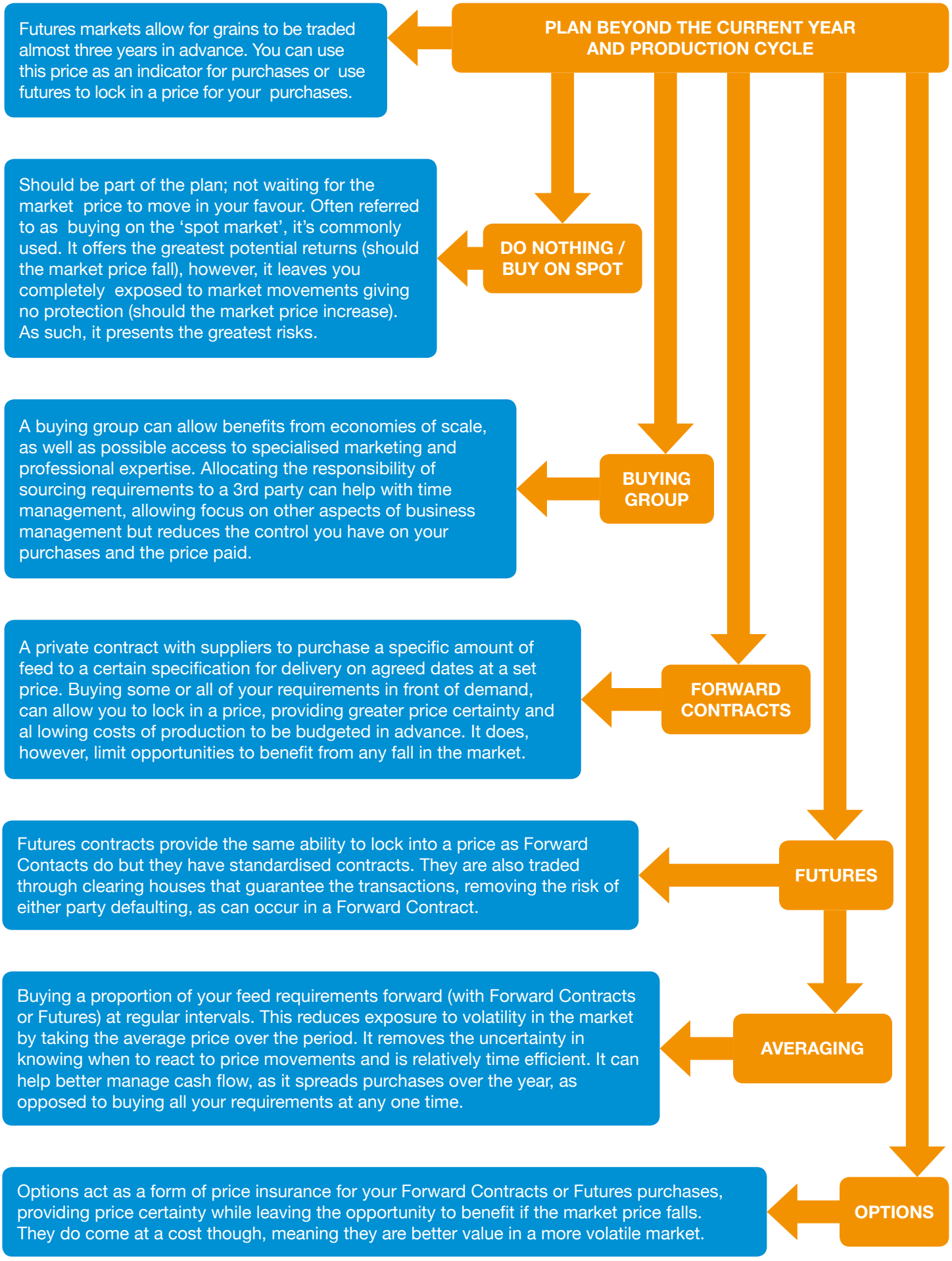
Think about your:

- **Attitude to risk**
- **Exposure to market forces**
- **Storage facilities**
- **Level of flexibility to respond to the unforeseen**
- **Time you can devote to monitoring the market**
- **Cash flow requirements during the year**

There is no 'one size fits all' strategy and any plan you adopt should reflect your own appetite for risk, the nature of that risk and the potential impact to your business should it not work out as planned; while meeting your own needs and business objectives.

First, know how much you need to buy; to do this understand your livestock's requirements in the best and the worst conditions (production/weather). You also need to think about any waste that may be occurring during storage of feeds and waste left by cows after feeding.

Feeding+ Section 3, **Planning your feeding** and Section 6, **Managing your non-forage feeds** look at requirements, feed budgets and reducing areas of potential waste



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