February 2006 marks the end of the 10th year of the North Carolina Dairy Producers Association. During that time your dairy association has covered a wide variety of issues affecting NC’s dairy farms. The main items the association worked on in 2005 are reported below.

Two weeks after the 2005 Dairy Conference the NCDPA sent 7 NC dairy farmers to Washington, D.C. for 2 days of meetings with NC’s legislators and their agriculture staffers. Topics discussed at these meetings included MILC extension, MPC-casein imports, Johnes eradication funding, National Animal ID, BSE surveillance, and reopening of the Canadian border. Back home in NC we met with members of the General Assembly House and Senate Ag Committees at a Legislative Breakfast and then participated in the Agricultural Products Dinner for legislators. We made several trips to the General Assembly in 2005 in support of legislation to establish the North Carolina Dairy Stabilization and Growth Fund. This legislation would help provide critical support for NC’s dairy industry.

At the 2005 NCDPA Annual Meeting, Dr. Sandy Maddox from the NCDA&CS provided an update concerning the development of new dairy facilities at the Piedmont Research Station. She also discussed the history of various events leading to the reorganization of the Research Farms. During the past year an advisory board representing a cross section of the NC dairy industry was established to work towards developing the dairy research priorities and facilities needed by the state’s dairy industry.

During the last 4 years, NCDPA has been a part of the Dairy Biosecurity Committee. The focus of this committee is to develop plans and protocols for Dairy Business Continuity in the event of a foot-and-mouth disease outbreak or other type of disaster. The goal is to be able to identify those dairy herds that test negative and allow that milk to move to market in an effort to keep those herds in business and help meet the dairy food needs of the American Public.

NCDPA’s plans for 2006 are:

1) continue our involvement with the development of the Dairy Business Continuity Plan – the NC plan is being considered as a possible model for the nation
2) begin the development of a NC Dairy Industry Strategic Plan to better position the industry for the future by identifying strengths and weaknesses and utilizing available resources to achieve long term goals
3) continue efforts to achieve passage of the NC Dairy Stabilization and Growth Fund by the General Assembly
4) provide input for the 2007 Farm Bill – this is already happening with representation in Raleigh on February 2, 2006 at the Agricultural Leadership Forum and February 6, 2006 in Fayetteville at a House Agriculture Committee Field Hearing
5) continue representing NC’s dairy producers as the need and opportunity arises

Quality Milk Producers Recognized at NC Dairy Conference

At the annual NC Dairy Conference held in Salisbury on February 16, the recipients of the Quality Milk Producer Awards sponsored by the North Carolina Dairy Producers Association were announced. Nominations for these awards are made by the NC Milk Inspection Program field staff, and then the recipients are selected by a committee from the NCDPA Board of Directors. Selections are based on the 12 monthly SCC and SPC data for the previous year. The top three producers in each of three herd size categories are recognized. The producers who were selected as the recipients of the 2005 awards are listed below.

**Herds under 100 cows:** the Premier Producer was Randy Lewis from Snow Camp; the two Elite Producers were Wayne Stout from Stony Point, and Bart, Nathan & Roy Ramsey from Fairview.

**Herds of 100-250 cows:** the Premier Producer was Triple R Dairy from Waynesville; the two Elite Producers were Neal Johnson from Statesville, and T.C. & Charles Williams from Union Grove.

**Herds over 250 cows:** the Premier Producer was H. Dean Ross from Waynesville; the two Elite Producers were Arnold & Nathan Souther from Union Grove, and Jeff Maness from Statesville. Congratulations to these top quality milk producers!

Ken Vaughn Receives NC Dairy Producers Association Distinguished Service Award

At the Annual Meeting of the North Carolina Dairy Producers Association, the association presented its 2006 Distinguished Service Award to Kenneth Vaughn, Iredell County Extension Director. Mr. Vaughn was born on a diversified farm in Caswell County. His family had dairy cows, raised hogs and cattle and cropped tobacco. Ken grew up working on the farm and has a love for agriculture and farmers. Ken says that his 4-H agent made such a big impact on him that participating in the fair was a big part of his childhood. Ken’s interest in agriculture led him to attend North Carolina State University where he received the B.S. degree in Dairy Science in 1959. Ken later returned to NCSU and worked with Dr. Al Rakes to receive his Masters degree in dairy science in 1973, and a minor in adult education. Ken has also completed the Extension Executive Development Institute program training.

After graduating from college, Ken took a job as a livestock specialist with All-Star Mills in Albemarle, NC where he worked for 3 years. In April of 1962, Ken joined extension as an agricultural extension agent in Caldwell County. He worked there for two years and then in 1964 moved to Chatham County where he worked for 11 years as agricultural extension agent. In 1975, Ken was asked to be County Director of the Iredell County extension service, a position he still fills.
Along the way Ken has stayed busy with daily extension work, and with service to a large number of organizations and numerous committee assignments. Ken has contributed his time and efforts to the NC Holstein Association, the NC Brown Swiss Breeders Association, the NC Guernsey Breeders Association, and the NC Jersey Breeders Association. He has been the treasurer of the Holstein Association for many years.

Ken was very instrumental in the formation of the North Carolina Dairy Youth Foundation, serves as a director and treasurer. He is also a member of the North Carolina Farm Bureau, the United Farmer Organization, the North Carolina Cattlemen’s Association, the American Dairy Science Association and the American Society of Animal Science.

Ken has been a cattle classifier and as such has traveled the country and met many dairymen in other states. Dairymen Incorporated has called on him to help select the winner of their Young Dairyman Contest. From the mid 1990s, Mr. Vaughn has served as superintendent of the Open Dairy Show at the State Fair.

Ken has served as an advisor to the dairy program at NC State University, and was on the Dairy Task Force for Extension’s Long Range Plan. He has been an advisor for extension on 4-H competition policies, an advisor to the South Central DHIA, on the DHIA restructuring committee and the advisory committee for the NCSU Farm Business Records Program.

Ken has served on the County Commissioners Steering Committee for Iredell County’s Strategic Plan, and on the Advisory Committee for the Statesville-Iredell Civic Center. He was instrumental in planning the new Iredell Ag Service Building in which the Extension Office is now located. This building houses the Extension office as well as the other agricultural offices. Ken is often called on to host various meetings for the county and region. Numerous government, association and commercial meetings are hosted in Statesville by Ken.

Ken Vaughn is an excellent teacher and advisor. He is an outstanding teacher for 4-H judging and has served many times as the assistant coach for the state 4-H judging team. Former 4-H team members value their experiences with Mr. Vaughn and often express their admiration for him. He has had at least 5 state champion 4-H judging teams and has gone to the national contest several times.

Mr. Ken Vaughn is a treasure to the North Carolina Dairy Industry. His efforts have made a real difference to many dairy producers, 4-Her’s and citizens of North Carolina. The NCDPA is pleased to present him with the association’s 2006 Distinguished Service Award.

Norman Jordan, Jr., NCDPA President, presents 2006 Distinguished Service Award to Mr. Ken Vaughn, with Ken’s wife, Bertie, standing beside him.
After graduation from North Carolina State University in 1974 with a BS Degree in Animal Science, Wayne Lutz returned to the family farm in Newton, North Carolina. After four years back on the family farm, Wayne decided to rent a farm in Davie County where he purchased 40 cows with an FHA loan and started Deerview Jerseys. The herd soon grew to over 100 cows. In 1985, Wayne purchased the current home of Deerview Jerseys. Wayne and his wife Karen have three daughters; Whitney, Kelsey and Avery. Whitney and Kelsey are students at UNC-Greensboro and Avery is in ninth grade at Davie High School.

Wayne’s farming operation consists of 65 acres of cropland and 35 acres of pasture, as well as 10 acres of rented cropland. Wayne currently milks 140 registered Jerseys and has 115 registered replacement heifers. Since 1980, Wayne has been on DHIA and has increased his Rolling Herd Average from 11,500 to 16,500 pounds of milk, 711 pounds fat and 583 pounds of protein. He operates Deerview Jersey Farm with the help of two full-time employees.

Wayne has shown tremendous management ability in the dairy operation by utilizing good business practices, excellent record keeping systems, regular herd checks, nutrition programs, vaccination programs enabling him to control disease, and utilization of modern technology to improve the operation. He is currently on the Johne’s Testing Program. The cows are milked in a fully automated double six-herringbone parlor, are housed in free stalls with mattresses for cow comfort, and are fed a balanced total mixed ration utilizing available commodities. Fans are used in the summer to help keep cows cool and production up. The calves are housed in individual hutches until they are weaned at eight weeks of age and then they are placed into small groups according to age and fed a balanced ration. The average age of Wayne’s heifers at calving is 22 months. He is able to maintain a calving interval of 12.8 months with an average days open of 120 days. His culling rate is currently running 8 percent. He strives constantly to produce a high quality product, with his somatic cell count averaging 180,000 cells/ml milk. He is also constantly working toward improving the herd genetically by breeding exclusively artificial insemination to the top 10 bulls in the breed. Not only does he breed all animals AI, he has had 23 bulls in AI studs. Production and functional type are high priorities when selecting the bulls to use. Wayne has utilized embryo transfer since 1980.

Wayne has shown tremendous leadership ability in helping to advance the dairy industry not only in Davie County but also in the state of North Carolina. He has served as Chairman of the Davie County Extension Advisory Council, President of Davie County DHIA, NC DHIA Board of Directors, Director of NC Dairy Foundation, member of Governor Hunt’s Show and Sale Committee, President of NC Jersey Breeders, President of NC Purebred Dairy Cattle Association, President of NC Dairy Youth Foundation, member of NC Dairy Producers Association, NC American Dairy Association director, chairman of Davie Young Farmers and Ranchers, Davie County Farm Bureau director and a member of the NC Young Farmers and Ranchers committee. Wayne has been recognized with several awards: Soil Conservation Farm Family of the Year in 1990, NC Jersey Breeders and Outstanding Young Dairyman in the American Jersey Cattle Club in 1983.

Wayne Lutz Receives “Marvin E. Senger” Outstanding Dairy Farmer Award

Edited nomination citation by Nancy Keith, Area Specialized Dairy Agent
Wayne has been very involved and supportive of the extension educational activities over a long period of time. He has opened his farm up for numerous activities over the past several years for local, regional, state and multi-state dairy related activities. He has allowed his facilities and animals to be used for NC 4-H State Dairy Judging Contests, State Dairy Judging Clinics, NCPDCA Type and Evaluation Workshops, Tri-State Dairy Youth Retreat Workshops, and Southeastern Dairy Youth Retreat Workshops. Wayne has also has hosted the NC Jersey Field Day, worked with county wide Farm Animal Day that is held each year for all second grade students in the county, and has hosted many school and summer 4-H groups explaining how milk gets from the farm to the family. He serves as a dairy judge at many local and district dairy shows.

Wayne was involved with the beginning of the NC Dairy Youth Foundation and has served in advisory capacities of dairy youth activities prior to the foundation. As a youth, Wayne was very involved in the 4-H dairy program and has given of his time and skills to help develop the skills of youth today in the North Carolina Dairy Youth Program.

The NCSU Department of Animal Science is pleased to present the 2006 Marvin Senger Outstanding Dairy Farmer Award to Charles Wayne Lutz.

Dr. Roger McCraw, Head of the NCSU Department of Animal Science (left), presents plaque to 2006 Marvin E. Senger Outstanding Dairy Farmer Award recipient, Wayne Lutz.

What Will The Southeast Dairy Industry Be Like In 2015?

At the 2006 NC Dairy Conference, Dr. Greg Bethard from G&R Dairy Consulting, Inc. in Wytheville, VA gave a presentation on the topic shown in the title above. Printed below are his comments.

What will the dairy industry in the southeast look like in 10 years? What will it look like in 5 years? I don’t pretend to know, but past history suggests that the southeast will continue to lose cow numbers and milk production. If current trends continue for another 10 years, a few people and a handful of cows may be all that is left. Some believe this has already happened in certain regions of the southeast. I don’t believe this will happen throughout the southeast, but trends are trends.
Lending has changed markedly since the period of low milk prices several years ago. Lenders require more equity up front, and are less willing to loan to dairies that lack strong financial backing. Starting up a dairy is getting to be more and more difficult – the equity drain in the first couple years is difficult for many to overcome. This difficulty will get worse and not better in years to come. For this reason, it is much easier for dairies to start where ownership has another existing dairy to ease startup. The first dairy can seed the expansion dairy with cows, people, and systems, offering a tremendous advantage over a brand new startup. In many cases ownership is involved in other businesses and desires the tax advantages of a new startup dairy. A new startup dairy is a somewhat unusual business in that the business can pay its bills yet show large losses on paper.

To alter the trends in the southeast dairy industry, several things need to happen:
1. Well managed dairies have the ability to generate profit
2. Successful dairies add cows or build more dairies
3. Owners on other businesses get involved in the dairy business.

Technology will continue to evolve as always. Technologies such as RFID, sexed semen, and robotics will impact our industry in the next 10 years. Successful dairies are not necessarily the ones that adopt all new technologies, nor are they necessarily the ones that avoid new technologies. In the end, there are many models in the dairy industry that are successful such as low input, high input, niche, large, etc. Which is right for you?

Areas for dairy expansion throughout the US will be limited by water, people, and environmental issues. Will this provide an opportunity for the southeast down the road? Does the southeast offer critical resources such as cheap land and water? There are certainly areas in the southeast that meet these criteria that have not been tapped.

Margins continue to shrink in the dairy industry, but opportunity for profit and growth remain. There is still a wide range of profit within our industry, with reported cost per hundredweight ranging from just over $10 in some herds to nearly $20 in other herds. Do other industries have this much range in Cost of Production? It is generally accepted that southeast herds have higher costs of production. Do we really know what our costs of production are? How can a dairy business be evaluated without this information?

What makes a dairy business financially viable? Are dairies that milk 3x more profitable than dairies that milk 2x? Are herds that use bST more profitable than herds that don’t use bST? Do larger herds generate more profit than smaller herds? Do high producing herds profit more than low producing herds? Do dairyman who wear brown boots make more money than dairyman who wear black boots? What is profit?

Many in our industry proclaim that particular management strategies, such as the proceeding questions suggest, result in more or less profit. In my experience, there is no management style that is optimum, but successful dairies have common traits:
1) Cash Flow, 2) Low Cost of Production, 3) Wise investment, 4) Efficiency, 5) Execution, 6) Attitude, 7) People

Monitoring Cost of production, and striving to lower these costs, is key to long term financial success. To properly monitor Cost of Production, a dairy should establish a relationship with an accounting firm that can accurately handle dairy-specific issues such as herd turnover. For some dairies, more production from management strategies like bST, 3x milking, cow cooling, etc result
in lower cost per cwt and fit their management style. For other dairies, lower investment and less aggressive management style lowers their cost of production and fits their management style. Each dairy should strive to find the most profitable management style to suit their resources, abilities, and personality. Dairies can profit under numerous management styles, provided they establish a philosophy, stick to it, and execute it daily.

Once a dairy knows their Cost of Production, they naturally want to compare their performance to others. This is fraught with error! Many issues can make the comparison invalid. For example, if one dairy ships 4% fat milk and receives a 50 cent quality premium, is it fair to compare to a dairy that ships 3.3% milk and gets no quality premium? The dairy receiving premiums will certainly have some costs (that will raise their cost/cwt) associated with the additional income from the quality bonuses.

Dairy producers have the opportunity to incorporate various inputs into their operation. They are constantly barraged with a host of products and services that cost money but promise to yield a return. Dairyman need to carefully scrutinize these inputs, since most are impossible to measure. Any product that promises less than 2 lbs of milk response is difficult if not impossible to measure on the farm.

In my experience, any input that favors forage quality has a high chance of return. Forage quality is the base for which cow health and productivity reside. Selected cow comfort imports can also favor healthy and productive cows. Milking 3x or incorporating bST generally work if managed properly. Expansion and facility changes need to be carefully evaluated. Growth or expansion should be a goal and not an ultimatum. Other inputs such as feed additives need to be carefully scrutinized.

During low milk price times, which are sure to come again, dairies need to focus on basics to lower Cost of Production:
1) Keep barn full, whatever full is for that particular dairy. 2) Low fresh cow culling. 3) Milk profitable cows – identify and remove unprofitable cows. 4) Get quality premiums and ship high component milk. 5) Generate pregnancies. 6) Control feed and labor costs. 7) Cheat effectively.

A simple formula to guarantee profit in the dairy business does not exist. However, the dairy industry has offered the opportunity for profit and will continue to do so in the future for herds that can produce milk efficiently and at a low cost.

Summary
Trends suggest that at some point in time the dairy industry will cease to exist in the southeast. What will it take to alter this trend? In the simplest terms profitable dairy businesses must exist for the industry to remain long term. Profitable dairies tend to have the following traits: Positive Cash Flow, Low Cost of Production, Wise Investment, Efficiency, Execution, Attitude, and People. Dairy owners will need to develop from other industries, where the tremendous tax advantages of a dairy can benefit other businesses. Existing successful dairies need to build more dairies to change the trends. There are numerous profitable and successful dairies in the southeast, and numerous models that are successful. The potential for profitable dairying currently exists and will continue to exist in the southeast for some time. In the future, just like in the past, good dairies in the southeast will make money and prosper.

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