

# Price Contracts for Dairy Cattle Concentrate or Grain Mixes

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Price contracting is an excellent tool used by many dairy farmers to lock in prices for their dairy businesses. With known costs, dairy production costs (usually feed costs) can be estimated and these known prices then can be used in budgeting and planning throughout the year. Many dairy farmers have routinely contracted with a local feed company for a certain tonnage of a complete grain mix (complete feed) or protein supplement to be delivered for a set time frame, usually one year.

Requesting a price bid from a feed company can be done in various ways:

1. Ask the feed company to balance a ration for your cows and available forages at a set milk production level and price the grain mix needed to support that milk production
2. Ask for a grain mix price that meets a set of nutrient specs (i.e. crude protein, energy, minerals, feed additives etc.)
3. Provide a grain mix recipe which the feed company then prices

All of these ways will work in arriving at a bid or contract price for a grain mix. I would guess that the first option is the method used most often by Kentucky farmers. One advantage of options 1 and 2 is that cost effective substitutions for corn and soybean meal can be made that meet the nutrient needs of your cows but attempt to economize ration costs without sacrificing milk production. However, a limitation of both options 1 and 2 is when you want to compare prices between companies. In option 1, each company could use different nutrient specs to balance the ration assuming you provide current forage analysis results. In option 2, even though the constraints are tighter, companies may use different energy values for each feed ingredient, thus making comparisons between companies difficult. For example, the NEI value for soyhulls could range between 0.66 to over 0.80 Mcal/lb dry matter. Although option 3 will allow one to compare prices between companies, it does not allow companies to utilize ingredients that provide nutrients cows need but at a more economical cost. In this price climate, it is imperative that you keep your options open. For example, for the University of Kentucky's heifer mix, I was able to save \$80/ton or \$7000 per year for these heifers by using byproducts versus corn and soybean meal exclusively. But, the point here is that keeping an open mind toward utilizing some urea or other by-products can reduce feed costs as long as the nutrient needs of the cows and heifers are met without compromising milk production, health, reproductive performance or growth.

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