

THE FORAGER

Agronomics with livestock in mind!

DETERMINING THE ECONOMIC VALUE OF CORN SILAGE

Corn silage is a critical part of most high-energy dairy rations. Producers are working with forage growers on a more frequent basis, often contracting out their acres for corn silage production. As a result, it is important for both forage and dairy producers to assign an accurate economic value to corn silage. Dr. Bill Weiss (The Ohio State University), shares the following advice on evaluating the economic value of corn silage. Price is not always equal to the place where supply intersects with demand. The cost of corn silage is based upon the following four items: price of the standing crops; cost of harvesting; cost of storage; and shrinkage. Shrink accounts for any seepage and dry matter losses.

To a buyer or feeder of corn silage, this feedstuff, as any other feedstuff, should be viewed as a bunker full of protein, fiber and energy. It's important to note that cows do not necessarily require corn silage, but they do require nutrients.

ECONOMIC VALUE OF FEEDS

The value of a feed should approximate the sum of the value of its nutrients. To come up with the overall value of silage, estimates must be made for the nutrients provided by the silage, such as energy, protein and fiber. In theory, this is great; however, in practice, arriving at this figure is much more difficult.

There are three reasons the first estimate may not be completely accurate. First, the composition of the silage may not be known at this point. Next, there is still a significant amount of risk remaining, especially if the crop is still standing in the field when the price is negotiated. Finally, the first estimate may change due to differences in forage quality. The ending crop of corn silage may not be as high in quality as what the buying producer anticipates.

MASTERING THE NEEDS OF BOTH PARTIES

The seller and the buyer both want to maximize their profits. The grower wants to maximize dry matter yields per acre, while the feeder wants to maximize milk yield per cow. These two goals are not necessarily compatible. Four recommendations should be followed if the corn silage buyer and seller are going to conduct a successful transaction for corn silage. These include:

- ✓ Both sides must agree up front on who will pay for what: includes chopping, storage, losses due to shrink.
- ✓ Each party must agree on a base price to be paid per ton of dry matter.
- ✓ They must also agree on the adjustments that will be made based on quality.

- ✓ It is critical that they put all contractual obligations, stipulations, and commitments in writing, before chopping starts!

The grower needs to take into consideration the dollar value of the corn silage, relative to the alternative of having grain corn to sell. A typical method of determining this is: 1 ton of silage at 35% dry matter X 7 X corn price (\$/bu.) + adjustment for nutrient value and quality. The feeder will estimate the dollar value of the corn silage. This value is found after considering the (nutrient value) – (chopping and/or storage costs) – (shrink) – (risk) +/- (quality adjustment). The grower must also share in the value of these adjustments.

Corn silage carries a lower risk at approximately 30-38% dry matter. If dry matter is above or below these ranges, there is a higher risk associated with this feed that must be taken into consideration. Adjustments should take into account the following items: risk based on dry matter content; nutrient composition, which should be sampled and tested by a reputable lab; and *in vitro* NDFD testing. Whether you are working with the grower or the feeder, it is important to find middle ground when establishing the forage contracts. This ensures the contracts used take both parties' into consideration and that the contract is fair and acceptable to both sides.

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(edited from an article by Mycogen Seeds)

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