

# 3 steps to better feed buying decisions



**When it comes to buying feed, you have choices. You can actively manage bought feed quality, supply and price risks, or you can leave things to chance and ignore the impact poor risk management and flawed buying decisions could have on your business.**

**This fact sheet explains a 3-step process for buying feed.**

## A better approach to buying feed

### Meet Garry.

Garry remembers when buying grain, concentrates, fodder and other supplements wasn't really a big deal. Sure, there was plenty of debate about how to best use bought-in feeds on farm, but feed prices were reasonable most of the time and actually buying the stuff was simply a matter of picking up the phone and ordering it from your usual sources, as you needed it.



The past year or so came as a bit of a shock for Garry. He struggled to secure enough hay to get through last winter and had to search far and wide for alternatives. He had one deal he thought he had struck with a supplier fall through when the market price went higher, and he watched his monthly concentrate bill rise to unprecedented levels as grain prices steadily rose and broke through the \$400/tonne mark for the first time.

However, Garry now feels much more in control when it comes to buying feed. He is focused on improving his farm business's financial position and isn't prepared to risk it by simply taking his chances buying feed as required month-to-month like he used to.

Garry does his feed budgets carefully and knows what feed cost will allow him to achieve a reasonable profit for the year.

As a routine he keeps a close eye on the grain and fodder markets in Australia and worldwide.

### Key tips

The buying process has three steps:

- 1. Plan well** – prepare feed budgets regularly and determine the maximum feed price you can afford to pay and still make a profit for your business.
- 2. Buy right** – take into consideration feed quality, feed supply as well as price risks.
- 3. Feed carefully** – avoid unnecessary feed losses through wastage at delivery, storage and feed-out.



He understands that while he can't control the market price of feeds, and is highly unlikely to pick the bottom of the market (not even the experts can!), he can control his own feed cost using different buying tools and he is getting more confident using these.

He checks the quality of each feed carefully before buying to make sure he is getting value for money.

He isn't afraid of contracts any more – in fact he insists on them to secure his supplies.

He checks the quality of each feed at the time of delivery to make sure he is receiving what he paid for, and he makes sure that as little of the feed is wasted as possible when he feeds it to his cows.

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*Garry uses a 3-step buying process that allows him to effectively manage his quality, supply, and price risks. He's confident he has considered all the risks and has a plan to manage them. Garry prefers to sleep at night than continually roll the dice.*

**Figure 1: The 3-step buying process: plan well, buy right, feed carefully.**



**Tips for success (planning)**

- Ensure your feed budget is based on realistic assumptions, is free from errors and makes allowance for feed wastage. Consider getting help from an adviser.
- Ensure formulated diets encourage healthy rumen function and maximum feed to milk conversion rates.
- Accurately calculate your target feed price to achieve your target business profit.

**Tips for success (buying)**

- Aim to achieve maximum \$ value per unit of energy and protein.
- Check feed thoroughly before buying and at delivery for quality.
- Gain access to accurate feed market information.
- Stay within your pre-determined target feed price.
- Develop sound and professional relationships with suppliers.
- Secure supply using contracts.

**Tips for success (feeding)**

- Manage risks around feed shrinkage, spoilage and/or contamination during receipt and storage.
- Ensure formulated diets are correctly put together (mixed).
- Ensure milk production levels achieve budget.
- Ensure feed usage stays within budget by managing feed conversion and minimising feed wastage.



**What would you rather do? Roll the dice and leave things to chance or actively manage your feed buying and sleep at night?**



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