

# The Dairy Business

By Newton Bair

There is now, and always has been, a whole host of ways that a young fellow can get into the dairy business.

Getting started isn't too difficult — it's getting a healthy business going with enough momentum to continue to grow and prosper that's tough.

The popular press is full of success stories about how certain couples overcame great odds to succeed in dairying. They are encouraging to young reader, but almost always carry overtones of failure.

Let's assume most young people who have a true urge to start farming have served a period of apprenticeship on the farm. Now they are ready to go on their own — start a new herd, cash in their own

milk check. Maybe own their own piece of Earth called a FARM. It's a dream that every ambitious young dairyman wants to come true.

The big problem isn't knowing how to milk a cow, drive a tractor, or plant a seed. These skills must be learned first, and perfected by long practice. The real toughie is money — enough to start with, and how to manage it well when it starts to flow. That's the key — memorize it.

Getting the money to start may not be the big problem, but investing it wisely and managing it properly once it starts to flow will make or break a young farmer. I'm assuming that nearly everyone is familiar with the many sources of money to finance a start in

farming, so we'll skip that angle. Instead, let's take a look at some ways to put together a package that should work.

The package includes money, management systems, social arrangements, division of responsibility and whether to own, lease, or rent. This latter can apply to land, buildings, cows and machinery.

Many young people get started by working on the family farm, then gradually take over as the parents get older and decide to take it a little easy. It seems like an ideal way to start, if the son is allowed to become something more than a hired hand.

When a son grows into the business, a sound financial arrangement must be worked out which allows him to become an actual owner and manager. Responsibilities of partners must be established, whether a formal partnership is set up or not.

Partnerships can work between friends as well as family members. An interesting example of one type of partnership was recently reported in the Holstein World. Dave Slusser made his hired man Bill Gibson a business partner in a rather unique way.

Each of the 70 cows in the herd, whether owned by Dave or Bill, must pay for 1/70th of the farm's operating expenses. They use the DHIA computer accounts as a record system to split costs and profits. And they make sure that

every cow is paying her way or out she goes. Every young farm couple should read their story in the January 25 issue of the World.

Now, what about owning land? Can a young farm couple pay \$3000 to \$4000 an acre for the privilege of farming? The question can be answered only after a complete analysis of a whole lot of factors and figures that fit a particular situation.

The odds are against it, but there are sure to be any number of exceptions where it will work. My conservative background requires a long, slow look before you leap.

Whatever the situation is, even assuming that the land will be worth twice as much in 10 years, it must be able to support a business that will generate enough cash flow to pay all the bills, service the debt and the interest, and make a decent living for the family.

What about renting? Most farms that I know of renting for less than three percent of their market value. Many can be rented for two percent. \$4000 per acre land ren-

ting for \$100 an acre is just 2.5 percent. Try to match that against buying the land at 15 percent. You'll be paying \$600 an acre per year in interest alone!

High prices and high interest might make renting cows and machinery more attractive than buying them, especially for a beginner with limited means. Just make sure that your figures don't lie when you push the pencil on the deal. There must be a working margin of profit, and a minimum of risk against loss.

Young, beginning dairymen should consider sharing as much machinery as possible with a neighbor to cut overhead costs. It no longer makes sense for every farmer to own expensive harvesters, planters and a whole stable of tractors that work only part time but require full time payments to the bank.

Pride of ownership is a great thing, but the feeling of economic stability is even greater, if the ownership is hazardous to your wealth.

## Dairymen to receive \$13.46 for New York market milk

NEW YORK, N.Y. — Dairy farmers supplying milk plants regulated under the New York-New Jersey marketing orders during January will be paid on the basis of a uniform price of \$13.46 per hundredweight or 28.9 cents per quart.

Market Administrator Thomas A. Wilson also stated that the uniform farm price per hundredweight was \$13.44 in December 1980 and \$12.25 in January 1980.

The uniform price is a marketwide weighted average of the value of farm milk used for fluid and manufactured dairy products.

The total amount of milk received from the 17,500 dairy farmers supplying the New York-New Jersey Marketing Area was 896,582,198 pounds during January 1981. This was almost 37.7 million pounds above last year. The gross value to dairy farmers for milk deliveries was \$124,215,646.84.

Wilson explained this included

differentials required to be paid to dairy farmers but not voluntary premiums or deductions authorized by the farmer.

Regulated milk dealers utilized 403,002,833 pounds of milk for Class I, 44.9 percent of the total. Class I milk is used for fluid milk products as homogenized, flavored, low test and skim milks.

For January 1981, handlers paid \$14.77 per hundredweight, or 31.8 cents per quart, for the milk used in Class I products compared with \$13.52 a year ago.

The balance of the milk, 55.1 percent, was used to manufacture Class II products including butter, cheese, ice cream and yogurt. For this milk the handlers paid \$12.67 per hundredweight.

The uniform price is based on milk containing 3.5 percent butterfat. For January 1981, a differential of 16.9 cents was applied to the price for each one-tenth of one percent that the milk tested above or below the 3.5 percent standard.

All prices quoted are for bulk tank milk received within the 201-210 mile zone from New York City.

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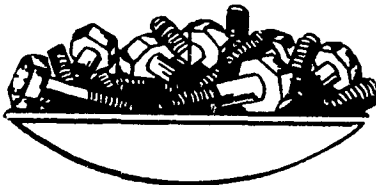
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