



The Dairy Business

By
Newton Bair

How to Figure Odds

This may well be the worst of times for a young man to try to start farming. Having said that, I know that dozens of enterprising young fellows are going to try it anyway. Some will succeed and some will not, just as has been the case for many past generations.

There are two ways for a young person to approach the decision to start farming on his own. First, possessing an 'independent' spirit, he's fired up with the idea that since dad did it and Grandpa did it, he can do it too - (especially since he's a little smarter than both of them). He definitely needs that kind of fire and enthusiasm to get

the initial push. But the guy that thinks that's all he needs is heading for a fall.

The Business Approach

Farming, whether its Dairying or any other form you like, must be considered a method of making a living. Living expenses are the first items that enter the debit side of any income-expense ledger. Too many young people overlook or underestimate the cost of living when mentally calculating the profits to be made from farming. "We'll just take out what we need for groceries, then there'll be plenty to pay the other bills." It's going to be the "other bills" that will often set first priority, with

very little left for a decent living. Those other bills, for a young dairyman, are the real problem... Here's what it looks like for one young fellow who recently asked for advice on starting out on his own. He is able to rent a barn with 40 stalls, pipeline milker, 500-gallon tank and gutter cleaner, all ready to go. He would have the use of a tractor and spreader. A small cottage is available to live in. There is no land included. The rent asked is \$500 a month. Reasonable enough, but everything else must be purchased with borrowed money. All feed must be bought.

Watch loan payments

Using the budget worksheet from the Penn State Farm Management Manual, assuming milk worth \$13.00 cwt. and all variable and fixed costs at current values. If the young man manages to sell 14000 lbs. of milk per cow, he will realize a net return of \$517 per cow per year. Multiply that by 40 and he NETS \$20680 a year or \$1723 a month. Out of that net income must come rent, utilities, all living expenses AND the payments on any borrowed capital he might need to get started.

It will be those loan payments that determine whether this would be a workable deal or not. If he must borrow \$50,000 to buy cows, to be paid off in four years at 12.5% interest, the payments are \$1275 each and every month! Obviously, there would not be much left to pay rent, utilities and living expenses. However, if the loan can be amortized over TEN years instead of four, the monthly payments will be reduced to about \$702.

The point is, a payment schedule for borrowed money must be in harmony with the CASH FLOW generated by the farm operation. More cows won't necessarily furnish enough extra net cash flow, if the payments on extra borrowed capital are too high.

Push that pencil

This is the type of 'pencil pushing' that we've been hinting

about for a long time. Young farmers should arm themselves with the necessary tools to help them figure, calculate and analyze the financial pros and cons of farming. Get a set of amortization tables, or better yet, get a copy of the Penn State Farm Management Handbook. The cost is \$8.00, and it can be obtained by writing to, Box 6000, University Park, Pa. 16802.

Learn to use the many useful tables, planning guides and farm enterprise budgets it contains. You don't even need a computer to make wise financial decisions. But, to avoid the pitfalls of financial trouble, you must make use of all the tools and information available. At least start with a sharp pencil and some cold, hard facts.



This is Cal-Bet Star Jolly Julie, dam of Ro-Ka-H Pete Patent -ET-

Select Sires gets 2 Pa. bulls

PLAIN CITY, Oh. — Select Sires, the nation's largest family of farmer-owned and controlled artificial insemination (A.I.) cooperatives, has acquired two outstanding young Holstein bulls from the state of Pennsylvania. Based on their superior pedigrees, Ro-Ka-H Pete Patent-ET and Pack-Herd J Tristam have been chosen as two of only 130 Holstein bulls from throughout the United States to enter Select Sires' Program for Genetic Advancement (PGA) sire sampling system in 1983.

Ro-Ka-H Pete Patent-ET was bred by Robert Henry, of Union

City. His dam is one of "Ivanhoe Star's" highest producing daughters, Cal-Bet Star Jollie Julie. She is Very Good (88) with four records over 32,000M and three over 1,300F. Her best record, at ten years, is 35,414 of milk and 1,373 of fat. The grandam is Cal-Bet Jerry Juliette, an Excellent (92-2E) "Tidy Burke Jerry" daughter with records to 25,320M and 1,034F. The sire of this fine bull is Straight-Pine Elevation Pete, renowned for this superior genetics.

Pack-Herd J Tristam was bred by Richard Packard, of Troy, and acquired from Jackson Holsteins of Boulder, Colorado. His dam is Pack-Herd Jet Stream Tiara, an Excellent (90) "Jet Stream" daughter over 29,000M. The grandam is a Very Good "Ivanhoe Star" daughter over 28,000M and 1,100F and the third dam is a Gold Medal Dam twice over 24,000M, 1,000F. This young bull is sired by a great sire of proven sons, Glendell Arlinda Chief.



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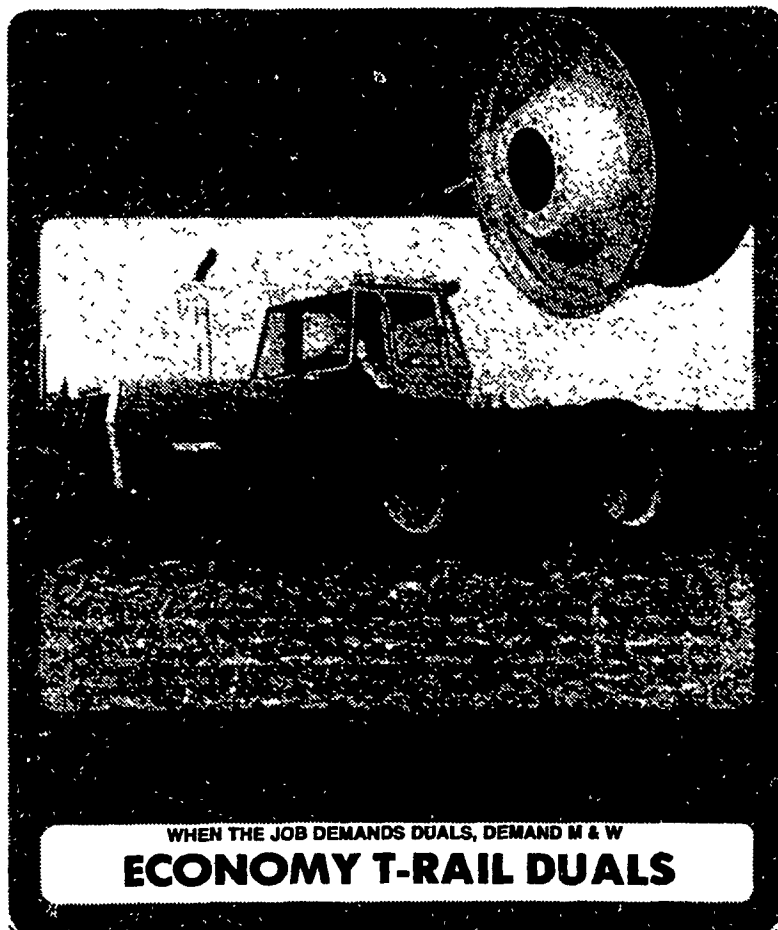
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