



The Dairy Business

By
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Should You Sign Up For DO

It's decision time for the new Federal Dairy Option Program. Every Dairyman, including YOU, should study it carefully before making a decision whether to sign or ignore it completely. Please remember that even if you decide to ignore it, you will nevertheless be affected by the success or failure of the program Nationwide. You will be making a commitment either way.

What Information Do You Need?

1. Obtain copies of your monthly milk statements for the calendar years 1981 and 1982.

2. List them month by month on the work sheet obtained from A.S.C.S. List the butterfat percent for each month, and calculate a weighted average fat percent for the two years. Here is the formula for one month:

$$\frac{(\text{Jan. '81 lb. milk} \times \% \text{ fat}) + (\text{Jan. '82 lb. milk} \times \% \text{ fat})}{(\text{Jan. '81 milk} + \text{Jan. '82 milk})}$$

1981		1982	
#Milk	%Fat	#Milk	%Fat
4500	3.4	5500	3.1

For example:

$$\frac{(4500 \times .034) + (5500 \times .031)}{4500 + 5500} = .0323 \text{ \% weighted average for January.}$$

This must be repeated for each month in order to establish your base.

A.S.C.S. will require the weighted average butterfat for each Quarter of your base year, as well as the actual production for the base year. Your base production will be the higher of 1982 milk or the average of 1981 and 1982.

3. You will also need to list your plan to cull or sell the cattle (over six months old) during the 15 months of the contract period. Obviously, you can't reduce your herd all at once, but you should have a plan for reducing the number of producing cows so that you can stay within the contracted production level.

4. Decide the amount of reduction that will be most advantageous to you. Many herdsmen will find their highest total return by selecting the highest percentage contract reduction, or 30%. However, to be on the safe side and avoid the penalty for exceeding 30%, don't contract to reduce your base production more than about 27%. You are allowed a tolerance of 3% above or below your contracted base.

The only way to decide how much to reduce production is to use some kind of work sheet, so you can see the financial effects of your decision. That means a lot of pencil pushing, but it will be time and effort well spent.

Benefits Of The Program

Reduced costs: (Herd of 50 cows, reduced base by 23%).

1. Cost to keep cow 15 months, \$1400 x number culled.
2. Increased income:
3. Income from sale of culls.
4. Sale of excess feed and forage.
5. Reduced labor.
6. Diversion payments (\$10.00 per hundredweight for the milk not produced).
7. Interest income from invested money.

A test run on the computer, using the worksheet published by Doan's Agricultural Service, shows that one dairy of 50 cows with a herd average of 17600 lb., culled 20 cows over a 15 month period (average of only 190 cow months because they were not all culled at once). Reduced production is 23% of base. His reduced costs will be about \$16800, and increased income will be \$50950.

He will have reduced income of about \$30927, leaving a total benefit of in excess of \$20,000.00.

The big decision of course, centers around what will happen after 15 months. Will you continue at the reduced production level, come back to the present level, or go above the 1983 level? And how will you come back? Will you raise heifers, buy cows, or both?

Use a Computer

There are several computer programs in the hands of competent people that can help you make a wise decision. Don't give up without trying to estimate the effects on your operation. We all hope that the "other fellow" will cut back enough so that we don't have to. You may be missing some benefits by not giving it a try

Drug workshops planned

UNIVERSITY PARK — Two workshops will be held to update ag business personnel on the legal, economic and public health concerns of drug residues in meat, milk and eggs.

The sessions are open to feed company personnel, animal health product distributors, ag business professionals, and any point-of-sale person who is handling animal health products, medicated feeds or farm chemicals.

The first workshop is planned Feb. 16 from 9 a.m. to noon at the Sheraton Inn, State College. This meeting immediately precedes the Penn State Dairy Herd Management Conference Feb. 16 and 17.

The second is March 9 from 1 - 4 p.m. at the Lancaster Farm and Home Center.

The program includes topics such as: Residue situation in Pennsylvania, What are the rules (and laws)? Why withdrawal times? Economics of residue violations, Tests for residues, Prescription vs. over-the-counter drugs, Responsible drug salesmanship, and materials for producers and agribusiness.

Cole crops to be topic

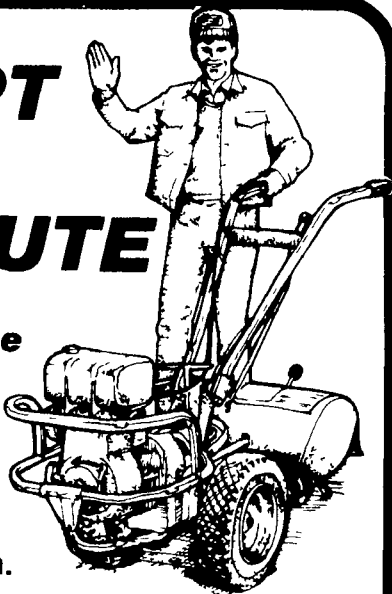
DOVER, Del. — Arthur Loughton, horticulturist at the Agriculture Canada Experiment Station in Simcoe, Ontario, and an internationally recognized authority on cole crops, will be a major speaker at the sixth annual Delaware Vegetable Growers' meeting, Tuesday and Wednesday at the Sheraton Inn in Dover.

Loughton's specialty is variety selection and production of broccoli, cauliflower, brussels sprouts and cabbage.

"With In addition to his formal presentation on Tuesday, Delaware growers showing increasing interest in these crops, Loughton will participate in an informal breakfast meeting on the information he will present should be most timely," says Wednesday to give growers further opportunity to discuss new developments in cole crops.

For more information regarding interest in these crops is also on the overall program for the two-rise for both the fresh and day event, contact county extension offices in Newark, Dover processed products. Other parts of the country also are producing or Georgetown, or call Ed Kee at 856-5250.

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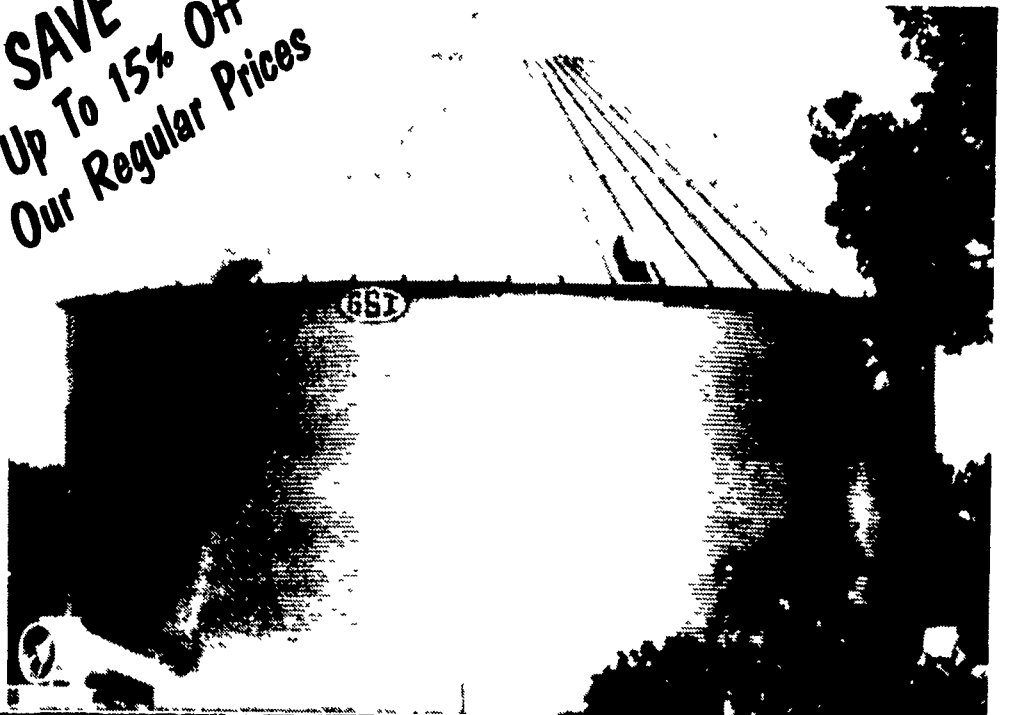
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