

Computer Helps Brothers Find Bottom Line In Dairy Operation

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PENRYN (Lancaster Co.) — There are perhaps few who know the bottom line of lower milk prices better than a pair of brothers trying to maintain a fourth generation dairy farm in northern Lancaster County.

While most dairymen have an idea of how far their milk check will go, few have as detailed a breakdown of farm profits and expenses as do Steve and Dale Hershey.

With their computer and software, the two have recently calculated and number crunched in an attempt to come up with a plan to keep the farm income stable.

And while the computer doesn't necessarily print out good news, it does show the two where they stand.

Keeping track of expenses and profits is nothing new for the Hersheys; they've been setting annual budgets and monthly goals for almost a decade.

And while the most recent set of calculations doesn't look good — any way they examine the numbers — they have formed a plan: make more milk, spend no more money.

As simple as that sounds, it isn't simple, according to the brothers.

There were many other options that had to be sifted through and without the speed and accuracy of the computer, they would have spent days, if not weeks, breaking down operational ideas to see if they would fly, at least on paper.

With the computer, different numbers can be entered and within seconds, the new numbers are calculated. The brothers can see what can work.

The use of the computer, and the decisions that result, may just well be what keeps these two in dairying.

"I don't see how I could get along without it," Dale said. "The other day I looked at 10 different possibilities (of operating the farm). I looked at several different milk prices.

"Once the formulas are set up, I can say, 'What if?' and it can recalculate in seconds. I have access to information over years," he said.

"When I look back to when I wrote things out in books, I know a computer is also much more accurate.

"I used to say I'd give up a tractor before I'd give up a computer. But now, trying to imagine farming without a computer is like trying to imagine farming without some sort of power to pull equipment."

The two milk an average of 50 all-registered Holsteins in a tie-stall barn three times a day. Most of the equipment is about 20- to 25-years-old, but holding up well.

The farm contains 135 acres, 90 of which are tillable. They rent additional acreage for a total of 200 acres tilled. The crops are corn, alfalfa, soybeans, barley and small grains. All crops are used to feed the herd. Sometimes there is some extra corn that can be sold.

Steve and Dale Hershey have been farming together for almost 10 years. They started working with their father and bought the place from him.

For a couple of years they led the county in rolling herd average milk production. Their operation has been held out by county extension agents of an example of how to do certain things well.

But the reality of the current milk price is that no one is doing well — some are just doing worse than others.

The Hershey operation is located in one of the last remaining "isolated" areas of Lancaster County. Several miles to the west lies Route 72. Several miles to the east is Route 322. Just north is the state turnpike. Except for the constant rumble of turnpike traffic, the area is relatively quiet.

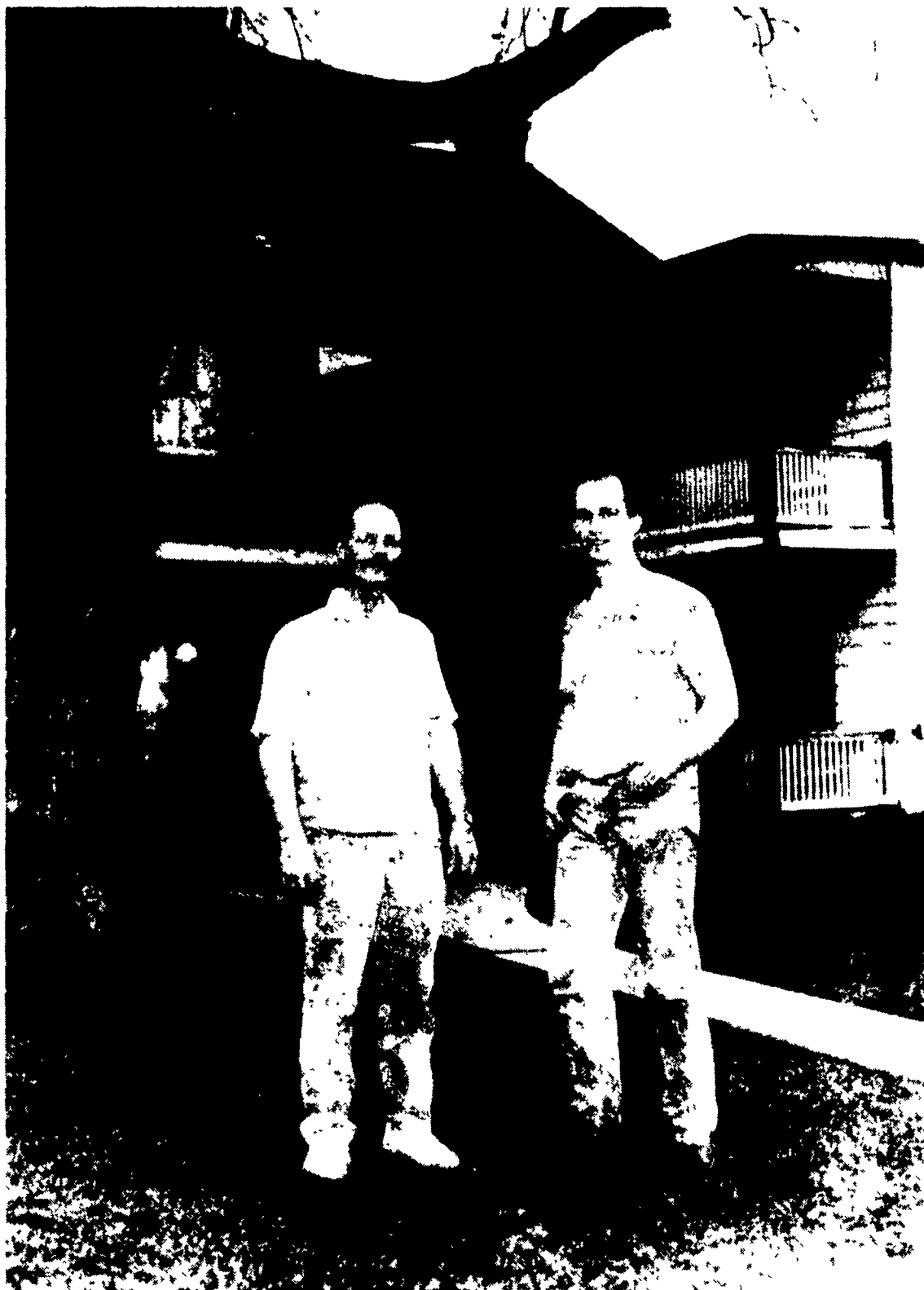
A seemingly haven of days gone in southeastern Pennsylvania, the atmosphere belies the modern techniques and tools used by the Hersheys.

Steve handles the herd while Dale takes care of the crops and finances. The exact split of work has fallen into place over the years.

Every check written and every dollar brought in is recorded on the computer — it is filed according to budget category.

Every morning, for at least half an hour, while the children are getting ready for school, Dale sits down to review items in the computer.

With the aid of the electronic memory, he knows what needs to be done that day. He prioritizes a list of "must-be-done" and also adjusts anything else that may have happened during the last 24 hours



From the left, Dale and Steve Hershey stand by a tree planted by their great grandfather, in front of the family farm house the two share. Dairy prices have hurt every operation. They are hoping the use of their computer and careful control of farm expenses will see them through difficult times.

to affect financial flow.

If a piece of machinery needs repaired, he can pull up the cost of the piece when it was new and compare it to the cost for a rebuilt piece, or whatever is relevant.

The value of the computer is, according to Dale, to make quicker and better decisions. They are decisions based on accurate recollections of on-the-farm experiences and past decisions. He doesn't have to guess, or go with a gut-feeling.

He eliminates, as much as possible, waste of time and money.

Luck is always a part of success, but the two always attempt to eliminate their dependence on luck, as much as possible.

For example, every January Dale makes an annual budget, eliminating as many variables as possible. He is not looking for a balanced budget, he is looking for a budget that keeps the operation in the black.

According to Dale, with this year's milk price, a status quo operation would equal an end-of-year loss. It is unacceptable.

Therefore the operation needed to be examined harder than ever.

The two examined expanding their herd to milking about 75, putting in additional free-stall space and continuing to milk in the tie-stall section.

The brothers said that although expansion sounded like a good

idea, once all the costs, interest loans, increased milk production, feed and overhead costs were balanced out against the increased income, the computer figures showed that the two would be working harder and still end up almost the same amount in the red.

They said they answer seems to lie in applying extreme caution in spending, while managing the herd closer for higher production and trying to milk a few more cows.

Dale said he is figuring his budget on a milk check based on \$11.50 per hundred pounds of milk.

That's about half a dollar lower than county extension agents recently said they expect the price to level out at, but the Hersheys have to err on the side of financial safety — they have two families to support and it is not inconceivable that the price of milk could drop lower.

"I suppose most dairy farmers are in the same position — a tight budget, although there may be some variance with debt load," Dale said.

Steve does his own computations with the computer.

He said that back when they first bought the system, "Dale got a financial program and sat down and learned to use it. I got a spread sheet and learned to use it."

So now, immediately after every test by his representative of the

Dairy Herd Improvement Association (DHIA), Steve takes the information and adds it to his computer.

After keeping records for so long, Steve can show a number of breakdowns of his herd, and he can make decisions as to cull or not, feed more or not, he knows precisely what is going on with his herd. He also eliminates as much guess work as possible.

He also keeps information on breeding and can determine success with that, over a time.

In fact, based on his data and the recent financial data, he said he is planning to change some of his breeding strategies.

The herd has been practically closed for many years. Almost every cow can be traced back to a couple of good cow families and within his great grandfather's herd.

"In 11 years we bought two cows," Steve said.

The two have been lucky recently in the breeding program. "We always raise enough heifers to sell a few each year. In 1989 we have 37 heifer calves out of 50 cows," Steve said, adding how extremely high that replacement production was.

Adding some of those to the milking herd may help, but in order to get them on board with no extra capital expense, they have to maximize cow space efficiency in the 50 tie stall barn.

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Dale Hershey works in his office managing the finances of the Hershey Brothers farm near Penryn. All expenses, household, crop and dairy production are included within files in the computer's memory.