

Dairy Business Analyses Suggest Guidelines For Boosting Profitability



Laureen and Lyle are shown with their DHIA Herd Management Award.

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fun getting through chores that way so we could go watch them play."

Their children are the fourth generation to have lived at Way View Farm. While the girls have chosen to pursue other vocations, Darrin has yet to decide which direction to take.

"Right now, he's not planning (to make the farm his life)," said Lyle. "He's only 16. He sees us tied down, that farming can be a burden. When you have cows, it's

a 24 hour-a-day surveillance job. He's got a big choice to make."

As with any job, the positive and negative aspects are on a personal level. For Lyle, the best part of farming is the independence. For Laureen, it's working with the animals.

Whether their son chooses to follow in their footsteps or not will be a decision the Wrights will respect. After all, their philosophy on farming is the same as on life: plan early, and take each day as it comes.

UNIVERSITY PARK (Centre Co.) — The results of two annual surveys of Pennsylvania dairy farms suggest guidelines for farmers who wish to improve their efficiency and profitability, said a dairy economics specialist in Penn State's College of Agricultural Sciences.

In 1990 and 1991 Pennsylvania Dairy Farm Analyses reveal that low milk prices and drought have affected farm income significantly. Average net farm income for the 1991 sample farms dropped more than 50 percent from 1990, falling to \$15,013. Net cash income on those farms was \$24,315.

"Like other business people, milk producers need to set goals and objectives in managing their operations," said Dr. Stephen Ford, assistant professor of agricultural economics, who conducted the analyses. "These surveys offer some hints about what helps certain farms excel."

The 1,060 farms surveyed had an average of 69 cows, each producing 16,088 pounds of milk. Over 91 percent of these farms' gross income came from milk and dairy livestock sales.

The cash cost of producing milk on these farms averaged \$10.32 per cwt. "But when costs were adjusted for inventory changes and depreciation, the cost of producing milk rose to \$12.15 per cwt," Ford said. "This leaves only \$0.77 per cwt to pay the farm's owner, other family members, and

cost of equity in the business."

To get a better understanding of what made some farms more profitable than others, Ford took a closer look at some of the more successful operations in the sample. "Because successful operations often make good models for other farms, the performance measures of these farms can serve as guidelines or targets," Ford said.

Ford selected a group of 119 top farms from the 1,060 farms in the analyses. "Based on net farm income, these farms were in the top 25 percent of farms in both the 1990 and 1991 analyses," he said.

These farms averaged 102 milking cows and sold an average of 17,901 pounds per cow. "Net farm income for the leading farms averaged over \$65,000 in 1991, compared to the overall average of about \$15,000," Ford said.

The analysis indicates that the leading farms utilized labor more efficiently than average, with 38 cows per worker and 683,015 pounds of milk sold per worker. "The average for all farms was 32 cows per worker and 514,708 pounds of milk sold per worker," he said.

The top farms also had better debt figures than overall average. "For the top group, total debt was only 19 percent of the market value of assets," Ford said. "The overall average was 27 percent."

These farms also saved money on feeding costs. "Purchased feed costs for the top farms were \$3.01 per cwt of milk," Ford said. "That's \$0.58 lower than the average for all farms in the sample."

The farms in the top group were efficient enough to reduce the cost of producing milk. "The average cost of producing milk for the top group was \$10.30 per cwt in 1991, \$1.97 less than the average," he said. "This cost reflects all costs associated with milk, adjusted for inventory changes, except the values of unpaid owner and family labor, management, and equity."

Using 1991's average milk price of \$13.20 per cwt, these top farms had \$2.90 per cwt of milk to cover their unpaid costs of labor, management, and equity. "Improving the management of labor, debt, and purchased equity appears to have a positive effect on farm profitability," he said.



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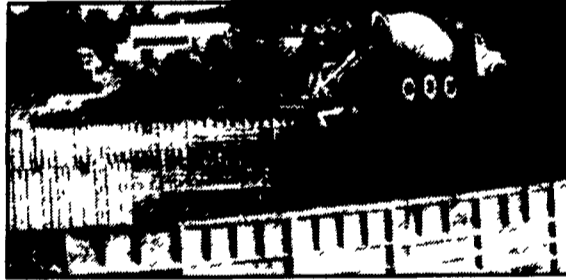
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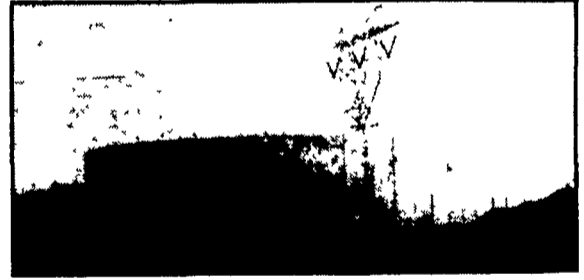
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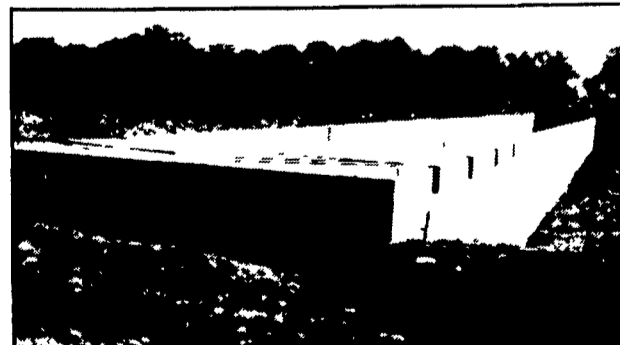
Far Left: 1-Million Gallon Circular Manure Storage Tank
Far Right: 2 Silage Pits In-Barn Manure Receiving Pit



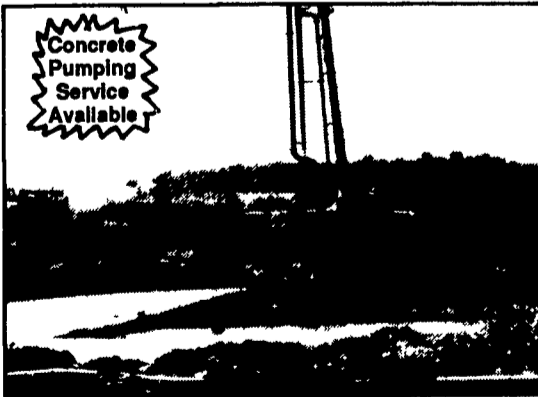
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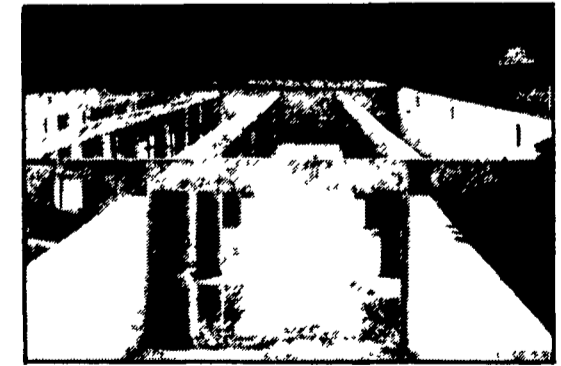
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