

Farm Management



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A major car manufacturer recently used a television commercial with the profound statement that happiness is derived from what you have, not what else you can buy. In other words, a person needs to manage what they own to give them the greatest personal benefit. As of late, farmers do not seem to be getting much benefit out of dairying. If there is not a low milk price, low calf price, late bill, machinery breakdown, sick cow, disgruntled neighbor, or unmotivated employee to deal with, it's been a pretty rare day. In many cases, reviewing your farm procedures will help you by-pass these (and other) problems. Here are some possibilities for improving the benefits you get from producing milk.

The first management step toward improving the status of your farm is to establish a system of controlling. You can control of the things that seem to control you! Various activities take place on a farm each day. Keeping track of each activity and making adjustments - BEFORE major problems arise, is to control the activity. By looking at milk produc-

tion daily, crop growth weekly, or accounts payable balances monthly, you can tell if they are adequate or starting to go astray.

Milk price is one aspect of farming that receives a lot of complaints. Here are two ways to increase the price received for milk. First, increase the quality of the milk shipped. Depending on who buys your milk, you can receive as much as 40-cents more per cwt. Hedging against low milk prices is a new opportunity for dairy farmers. By understanding the use of milk futures, you could have received a dollar more for milk shipped last August.

Dairy producers have a number of opportunities to cut costs on their farms. Many farms could benefit by evaluating the individual enterprises and making appropriate changes. Enterprises are the separable pieces of the farm operation. If you raise corn for on-farm grain, silage, and to be sold, you have three corn enterprises- feed grain, silage, and market grain. This also applies to animals. There can be enterprises for heifers, milking cows, pigs, broilers, etc.

By analyzing your farm as group of enterprises, you can look the results you want and how they may be met more cost-

effectively. Is there another way to get that same outcome for less cost? What I mean is, can you buy corn for less than it cost to raise?

When it's time to replace equipment it's also a good time to think whether the new equipment is worth its cost, or could the money be used elsewhere. Are custom operators available that will do as good (possibly better) a job for roughly less cost per year? Lancaster Farmer recently published the 1998 Machinery Custom Rates list that the Pennsylvania Agricultural Statistics Service (PASS) released this year. Copies of this list are available in most Pennsylvania county extension offices.

The animal enterprises also have possibilities. Keeping the herd at its maximum size allows you to receive more income with which to pay for fixed costs- like the cow barn and silos. Is the lack of quality replacement heifers eroding the profit your farm should generate? Some dairy farms contract out the raising of their heifers.

A new development has been the formation of buyer groups. These groups take advantage of the discounts available when large-lot purchases are made.

Finally, farmers need to redouble their efforts to keep current on all outstanding bills. A 1% or 1.5% charge per month on balances may not seem like much, over a full year this is 12 to 18%. For every \$1,000 in average bal-

ances carried, you are paying \$120 to \$180 per year. If the interest is compounded, you are paying even more. Watch for incentives to pay early. A 1/2% discount for paying within 10 days is the equivalent of an 18% annual discount. How often can you borrow on your line of credit for less than 18%?

These are some ideas for improving the performance of your farm. Improving your income while limiting expenses and risks should be goals of every manager. Many of these changes do not involve investing any more money. However, they can help ensure that you enjoy dairying for many years to come.

Ag Horizons Conference July 28

HARRISBURG (Dauphin Co.)
— Ag Horizons IX Conference is scheduled July 28 here at the Wildwood Conference Center.

Risk Management is the focus of the program. As an educator, you need to understand the principles and techniques of managing risk through trading commodities, using hedging, options, and futures.

Ag Horizons is a program designed especially for educators in agriculture, whether in a classroom, club, adult farmer program, or in extension. The Southeast Regional Council of Cooperatives, the Pennsylvania Council of Cooperatives, and Penn State University sponsor this program. Please encourage a fellow educator, perhaps someone from the faculty of your area high school's

social sciences department, to attend with you.

Graduate credit at Penn State can, as in the past, be earned in conjunction with Ag Horizons. If you wish to register for credit or want more information on registration at Penn State, please indicate this on your registration form. The cost for one graduate credit is \$266 (in state), \$447 (out-of-state), and \$66.50 if you are a Penn State employee.

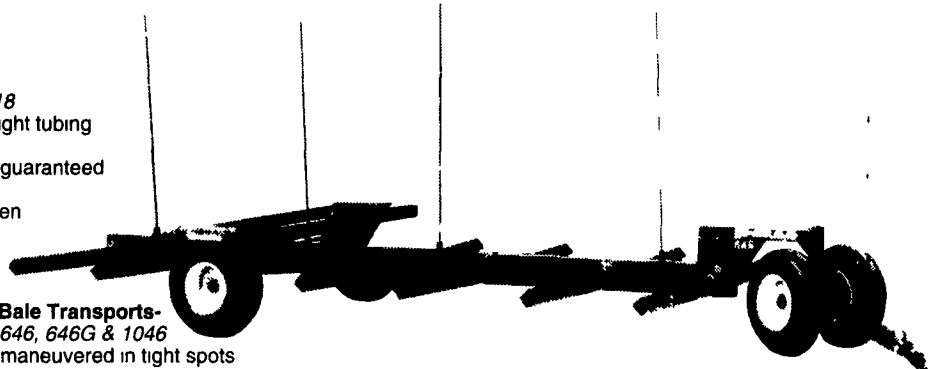
For more information, contact Jim Barnett (215-322-0200), Richard Poorbaugh (814-863-0644), Carol Duncan (610-693-5601), John Schwartz (717-394-6851), James George (717-368-3066), Jeff Stoltzfus (717-354-1522), Jerry Oglie (717-249-1711), Chuck Suloff (215-257-1175), or Jerry Phillips (717-291-4543).

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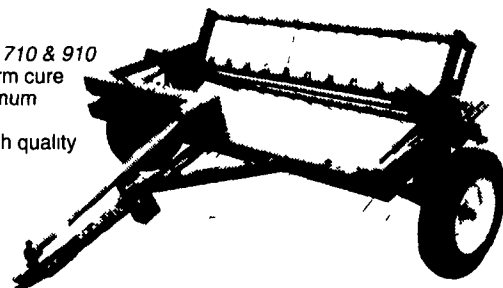


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