



Dairy Farm Management Basics - Lesson 1

This is the first of a series of articles on topics related to the basics of dairy farm management. It is an attempt to share with you a lot of the things I have learned and observed during my years of association with dairy producers, professionals and industry leaders.

Throughout this series of articles, I will be focusing on some key areas of management that need to be addressed by dairy farm families, including:

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| Personal and business considerations | Feeding and nutrition |
| Startup considerations | Housing, cow comfort and cow behavior |
| Investment and expansion considerations | Reproduction and genetics |
| Factors affecting farm profits | Herd health |
| Production economics | Culling and merchandising cattle |
| Herd management goals | Herd replacements |
| Herd/farm management strategies | Feed production, procurement and storage |
| Farm records | Farm safety |

Personal Considerations

Farming can be a nice way of life. It provides a place for family members to live and work together, and a place where they can be close to Nature. They can be their own boss and more in control of their own destiny. However, before the family can enjoy these qualities of life, the farm must be a profitable business.

As you think about farming, ask yourselves some basic questions, such as the ones listed below. It will help give purpose to all that you do, and it can help keep you and your family more focused.

- Why are you farming or why do you want to farm?
- What do you want to accomplish in life, and what are your goals?
 - Earn an annual income of \$_____ to support the family
 - Maintain a reserve of \$_____ for emergencies
 - Create a college fund of \$_____ by what year _____
 - Accumulate a retirement fund of \$_____ by what year _____
 - Bring children into the business
 - Have time for family and community activities

Business Considerations

- What must the farm do to help you reach your personal goals, and what goals have you set for the farm? Some ideas are listed below.
 - Generate an annual profit of \$_____.
 - Produce and market high quality milk
 - Merchandise some breeding stock
 - Be an asset to the community
 - Be good custodians of the farm's natural resources
 - Accumulate \$_____ of net worth, by what year _____
 - Systematic growth of the business to
 - Meet increasing family expenses
 - Accommodate children or other business associates into the business
 - Strengthen your competitive position in the industry

- How much profit do you need per cow per year and per cwt milk to meet family needs? Table 1 can be a guide. Notice the big spread of about \$3.00 in profit needed per cwt to generate \$30,000 profit, comparing 40 cows producing 17,000 lb to 100 cows at 21,000 lb. How many cows (____) and how much milk per cow (____) do you need?

Table 1 Margin Needed per Cow and per Cwt of Milk for \$30,000 Profit

No of Cows	Margin Per Cow	Margin Per Cwt. of Milk Sold at Various Production Levels				
		15,000	17,000	19,000	21,000	23,000
40	750	5.00	4.41	3.95	3.57	3.26
60	500	3.33	2.94	2.63	2.38	2.17
80	375	2.50	2.21	1.97	1.79	1.63
100	300	2.00	1.76	1.58	1.43	1.30

- Dairy farming is a global business. It is a business that - -

- Converts feeds into milk, cattle and meat. It adds market value to the crops that are grown and to the feeds that are purchased - - hopefully for a profit
- Provides a return to land, labor, capital investments, and to management
- Builds equity for its owners
- Contributes to the local economy - - and to the larger economy

Westmoreland Milk Buyers Group Hopes To Boost Profits

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Indiana Correspondent

WESTMORELAND, Ind. — To Westmoreland County milk-producer Wayne Frye's way of thinking, there are two ways to boost profits in the dairy business: Generate more income or cut farm expenses.

"The experts say get bigger, get bigger, get bigger. I'm not sure that's the answer," Frye said.

So he's opted for the second route, and thinks the recently-formed Westmoreland Buyers' Group can help take him there.

Frye, who milks about 115 Holsteins, was one of the farmers in Westmoreland and Indiana counties who helped organize the buyers' consortium this past winter. The members decided to consolidate their shopping lists of supplies needed to run their farms, and then buy those commodities in large volumes to get discount prices.

Penn State extension agents Gary Sheppard of Westmoreland County and Gene Schurman of Indiana County acted as facilitators to get the group started.

"We pulled people together and said, 'Here's an opportunity. What do you think of it?' The concept is certainly not rocket science," said Sheppard, adding it's the same way some other farmers' cooperatives began.

Buying groups have gained appeal recently as dairymen increasingly have struggled to cut costs as prices paid for their milk stagnated or even dropped.

"Everyone's scratching to see if we can produce it for less," Indiana County dairyman Tom McNutt said of the milk-producing industry. "It's a tough business to turn a buck. It's forced farmers to get together and talk about prices."

And according to McNutt, the consortium has worked well so far, with farmers getting better prices and vendors getting their money up front.

Glenn Kerr, a self-employed agronomist from Greensburg, acts as the group's buyer.

By pooling their orders together and buying in volume, the group's 17 members have been able to realize substantial savings on some products. In certain instances an additional discount was also available because the orders are pre-paid through a line of credit established with a local bank.

This spring the group has purchased spray material for hay and corn crops, seed, fuel and veterinarian's supplies.

As an example, Kerr said the consortium purchased 10,000 gallons of diesel fuel for 58-1/2 cents per gallon — a 10 or 12-cent-per-gallon savings over the regular price.

He estimates the group's members go a 15 percent savings on the spray chemicals, as a 45 percent savings on the price of alfalfa seed.

"As a group we've bought about \$130,000 worth of supplies this spring," Kerr said. "We didn't expect the savings we got."

Purchases were made both locally and from companies out of the area. Some of the seed, for example, was bought from a New York company, but was purchased through a local farmer-dealer.

Kerr expects the members to meet again in the fall and possibly draw up a shopping list for wheat seed and dairy supplies. They're also considering a large order — perhaps 1,000 units — of semen for cattle breeding at an expected big savings.

Kerr said he knew a lot of the

suppliers and retailers, and originally agreed to serve as the consortium's buyer for a flat fee. On the last couple of purchases he's worked for a percentage.

Once a list of needed supplies is pooled, he "shops it around" with various vendors to find the best price on that particular volume.

Consortium members were assessed a one-time fee of \$100 to join the group. That money covered some of the costs of getting started, including setting up the line of credit and having checks printed.

Kerr said the group is not limiting its membership, but he notes the consortium can get the best deals only if its members are geographically close. If the group grows too large, it may be necessary to create two delivery locations so the vendors don't have to truck the deliveries all around two counties.

Kerr sees one minor drawback to the consortium concept. There are many products on the market, and most farmers have a preference for particular products and brands they want. Yet the members must agree to use a limited array of products to achieve the volume discounts, he said.

McNutt echoed that observation. The members sometimes have to sacrifice some independence to get lower prices. The group has to be able to say to the seller, "We'll all use Brand-X."

The majority of the members are dairymen, and Kerr is an agronomist, best able to help the crop farmers, according to Frye. He thinks an improvement could be made by adding a second buyer, someone who's an expert in dairy needs.

With 17 members, it now takes most of them agreeing to participate in a purchase to get

an order large enough to qualify for the volume prices. If more members join the group, it would be possible to place large enough orders without having to have everyone participate.

Frye thinks a logical evolution will be the eventual spin-off of another consortium — perhaps one just for Indiana County farmers. And on occasions the two groups might still consolidate their shopping lists for bigger savings.

Sheppard estimates the buyers group might save the aver-

age member \$3,000 to \$4,000 a year. And while that helps, he sees two other benefits. The savings represent a "mental bright spot" for dairymen who have been struggling financially, he said. And another plus is that the consortium brings dairymen together in a small group where they can discuss production techniques.

That informal exchange of tips and ideas will help the viability of the industry, Sheppard said.

State Resumes Testing Moisture Meters

HARRISBURG (Dauphin Co.) — State Agriculture Secretary Samuel E. Hayes Jr. this week announced that the state grain moisture meter testing program has resumed.

"The grain moisture meter testing program ensures that those who sell grain are using accurate equipment to measure their product," Hayes said.

The program follows requirements established by the National Institute of Standards and Technology (NIST). NIST requires all meters manufactured or placed into service since Jan. 1, 1998, to have a digital readout, printing capability and National Type Evaluation Program (NTEP) approval.

The new requirements do not include meters in service before Jan. 1, if ownership of the meter does not change.

In addition to the NIST requirements, the program will continue to monitor other requirements already in place, including: the availability of operating instructions and updated charts; cleanliness of

the meter and environment, suitability and accuracy of the scale for weighing grain samples; and suitability and accuracy of the thermometer for obtaining the temperature of grain samples.



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