

## DAIRY FARM MANAGEMENT BASICS

A Farm Management Course by  
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### Dairy Farm Management Basics - Lesson 2

#### Startup Considerations

Dairy farming can be a profitable business, if managed properly. However, it is a very complex, a very competitive, and a capital intensive business. Milk prices and feed prices can be very volatile. Poor management decisions and mistakes, drastic swings in market prices, and unexpected herd health problems and weather problems can be very costly. In this kind of business environment, there is very little room for error.

Be realistic and true to yourself and to your family. As mentioned in article one, discuss family goals, determine what you want out of life and how you expect the farm to help support your life's mission.

Before you commit your family and your hard earned savings to dairying and take on a lot of debt, consider some of the following pointers.

Work for someone else before starting on your own. Earn while you learn. Determine if you, your spouse and other family members are ready, willing and able to make the commitment that is necessary for a dairy farm business to be successful.

Recognize your strengths and weaknesses, as well as your likes and dislikes.

Align yourself with some experienced, knowledgeable, trustworthy -- people who you can work with and people you can confide in and turn to for good advice.

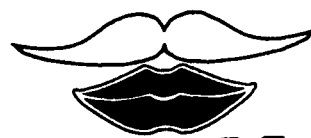
Acquire sufficient equity before start-up so you are in a position to borrow enough capital to finance a business that is of adequate size and one that is adequately equipped -- one that has a chance to be efficient, profitable and enjoyable, and one that has a chance to remain competitive for years to come

Keep debts at levels you can afford (the next article addresses debt levels and investment strategies). Look at ways you can buy into an efficient sized operation gradually over time, at a rate you can afford. Some ideas are:

- Invest in good, functional cattle first. They don't have to be high-price fancy cattle, but a few good foundation cows can be beneficial if you have the ability to breed and manage them well. Also ask yourself, why is that cow being sold, and do I really want her in my herd? Don't buy your problems when you can get them free! In other words, be sure the cows are healthy. Concentrate on fine-tuning your management skills and getting the herd to perform at peak efficiency.
- Don't be too quick to invest in a lot of expensive machinery and equipment, especially when custom services are available.
- If necessary, rent facilities until you have sufficient capital to invest in machinery, facilities and land. When you rent facilities, consider how the facilities will affect cow comfort, herd health, labor efficiency and the quality of feed in storage. Poor facilities rented at a very low price can be very expensive if they are not conducive to good cow performance and efficient use of labor. If you rent from an individual who is phasing out of farming, you might have an option to purchase the operation at a later date, perhaps with owner financing. The question then will be, does it meet the criteria below, and can I afford it?
- If you can't afford to buy the whole farm or a large-enough farm initially, consider investing in buildings only initially, and purchase the land at a later date. This may require subdividing the property so the farmstead can be deeded separately from the land. Or, purchase a small farm that has potential for expansion, and located in an area where additional land or farms can be purchased later. Or, buy shares in an ongoing dairy operation.

When purchasing a farm, consider these points:

- Are the facilities conducive to good cow comfort, good herd health, preserving feed quality, efficient use of labor, and the protection of environmental quality? If not, can the facilities be remodeled or expanded into an efficient operation? If not, be cautious about investing your money in operations that have limited future potential or sale value.
- Is there an abundant supply of good quality water?
- Are the soils productive, and is the farm located in an area where climates generally favorable?
- Is the farm in an area where there are good markets, and where there is good sales and service support.

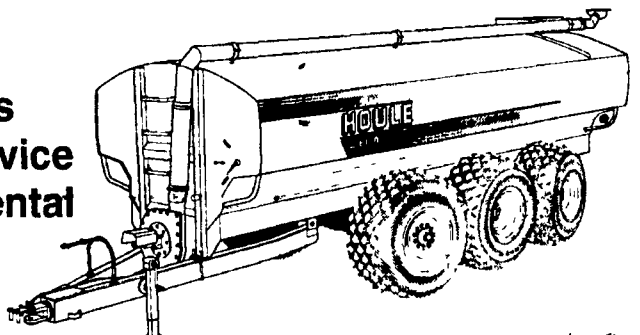


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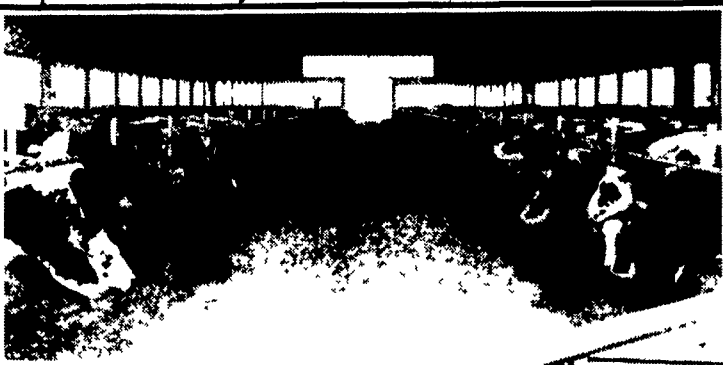
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