

Mercer County Farmer Is Positive About



Judy spends time halter breaking "Promise," one of 40 Scottish Highlands that the Ligos have "mostly for fun."

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farmer can do," said Ligo. "When prices turn down, it's the time to take stock in your business and really stand by your suppliers."

"You have to identify your limiting resource and maximize it," said Ligo. "It's different for every farmer."

For example, if a farmer's barn is full, then their limiting resource is the number of the

cows they have. According to Ligo, the best things that farmer can do is maximize production per cow. If a farmer has limited capital, he shouldn't waste it purchasing expensive equipment. Ligo suggests investing in livestock instead.

To maintain a steady cash flow during the ups and downs of milk prices, Ligo prepares an annual budget so he will know what his expenses will be each year. Then, each month when he pays his bills, he projects his anticipated cash flow over the next

several months.

"Profitability is the lifeblood, but business lives and dies by cash flow," said Ligo. "If you can't cash flow, you're done."

"Projecting my cash flow helps me decide whether I have enough money to invest in any



Inside the milking parlor, John reviews the daily milking sheet. The herd averages 75 pounds of milk daily and 200 days in milk. The Ligos don't breed any cows back until they're 180 days in milk to prevent excess stress and increased cull incidences in the herd.

"Low prices can open up opportunities for farmers who stay positive," said Ligo. He pointed out the lower priced cattle and equipment that can be purchased during low price periods. Dairy facilities come up for sale. Good heifers become available.

The Ligos are helping a younger couple get started on a neighboring dairy farm. "If milk was expensive, that farm wouldn't be available," said Ligo.

The Ligos farm more than 1,000 acres in Mercer and Venago counties. They raise all of their own replacements, and they feed a TMR formulated for 75 pounds of milk. They use home-grown forages and high moisture corn, purchasing commodity mixes and custom-mixed minerals.

Since purchasing the original 460-acre farm in 1988 and building a double-10 milking parlor and 212-stall freestall barn in 1990, the Ligos have purchased several more farms.

"We're having a good time dairy farming," said Ligo. "Cash flow has not always been good, but our profitability has been excellent."

According to Ligo, there are several elements in a business that lead to profitability. "Dairying requires a lot of capital, labor, and management, plus it's risky," said Ligo. "Therefore there's profitability there. If it were easy and fun, then everyone would do it."

For Ligo, profitability is extremely important. "It allows you to keep your word," said Ligo. "It allows you to be responsible to yourself, your employees, and your suppliers. It's the lifeblood of your business."

When producing a commodity, Ligo claims it's essential to be a low cost producer. "Everyone gets the same price for their milk," said Ligo. "The only handle you have is to drive your cost of production down."

Ligo recommends that farmers look at their top five expenditures and analyze them closely. He cautions against spending time analyzing expenditures that don't affect the bottom line.

"For example, we buy any semen we want regardless of what it cost because it is not going to benefit the business to cut semen costs in half," said Ligo. "On the other hand, if we can cut the feed bill by five percent, it would save me thousands of dollars."

He also encourages farmers to make sure that a short cash flow doesn't interfere with profitability. "Don't end up doing something costly because you have a cash flow problems," said Ligo. "If you can save a thousand dollars buying seed in February, perhaps you should borrow money to buy it. But don't buy soybeans in bags just because you can't afford a truckload."

For Ligo, a very important point in profitability is maximizing his most limited resource. "Some people don't have enough land, but they think they need to grow oats on it when they should only be growing forages," said Ligo.

If they can destroy 10% of your corn overnight, think what they'll do with more time.

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