

Economics Drive Franklin County Farmer To Expand



As Greg takes over more management responsibilities on the farm, Doug is looking forward to getting more involved in his church. Right now Doug handles crop management and machinery maintenance on the farm.

JAYNE SEBRIGHT
Lancaster Farming Staff
Editor's Note: This is the fourth article in a special June Dairy Month series on "Dairy Profit Possibilities."

MERCERSBURG (Franklin Co.) — When Greg McCulloh joined his father Doug on the farm several years ago, Doug knew they had to expand to provide enough income for both.

"The economics today push you to expand," said Doug. "If you're running the same type of milking equipment or machinery for a 220-cow dairy that you were for a 120-cow dairy, you're getting more income by spreading out your costs."

The McCullohs milk 220 cows and farm about 450 acres in Franklin County. Up until last summer, they were milking 120 cows.

The McCullohs' herd average is about 25,222 pounds of milk with 967 pounds of fat and 818 pounds of protein.

21-year-old Greg returned

from college to the farm in 1997 when Doug was laid up in the hospital recovering from surgery. When Doug recovered, Greg decided to keep working on the farm.

"We needed to build a new parlor and, with Greg coming into the operation, we needed more income," said Doug. "So we decided to expand."

Another reason the McCullohs decided to expand was because they wanted to use all of their ground to feed the herd. "We were selling 80 to 100 acres of corn each year," said Doug. "And we were taking a chance on the price."

The McCullohs relied on plans from Hoards Dairyman and Penn State to design the new 100-cow freestall barn. Along with the builder, the veterinarian and their cooperative's field representative offered a lot of advice on what worked at other dairy farms.

The McCullohs designed the para-bone double-nine parlor on

their own. They purchased a used double six parlor and added three stalls on each side. The parlor was made by Germania.

"The parlor is still angled like a herringbone parlor, but we can milk between the back legs," said Greg. "We have the same visibility of a herringbone with the convenience of being able to milk from the back."

Fortunately the McCullohs were able to expand while keeping costs low. "We kept it simple," said Doug. "We bought cows from a local cattle dealer and purchased used equipment. We also recycled some of our existing equipment."

Now the McCullohs have improved profitability and cash flow because of their expansion which they hope to pay off in five years.

Although the McCullohs did try to keep costs down, they still went over budget in the expansion. (Turn to Page A29)

Expansion Dollar And Sense

It's difficult to put an exact value on expansion because every farm is different. The success of an expansion depends on many variables, including your management style, the amount of planning invested in the expansion, and your current situation.

According to Harold Moyer, Dairy Business Specialist for the Dairy Business Services department of Land O'Lakes feed division, you have to look at your unit costs.

"Before a farmer considers expanding, he should make sure he is less than 50 percent in debt," said Moyer. "Costs also need to be controlled."

Moyer gives the following bench marks for controlling

costs. Feed costs shouldn't be more than \$1,200 per cow per year. Vet bills should be less than \$75, and foot trimming bills should be under \$12. BST costs should be below \$90 per cow per year.

"Your debt service should be \$600 or less per cow per year," said Moyer. "If it gets higher than \$700, you're working more for the financial institution than you are for yourself."

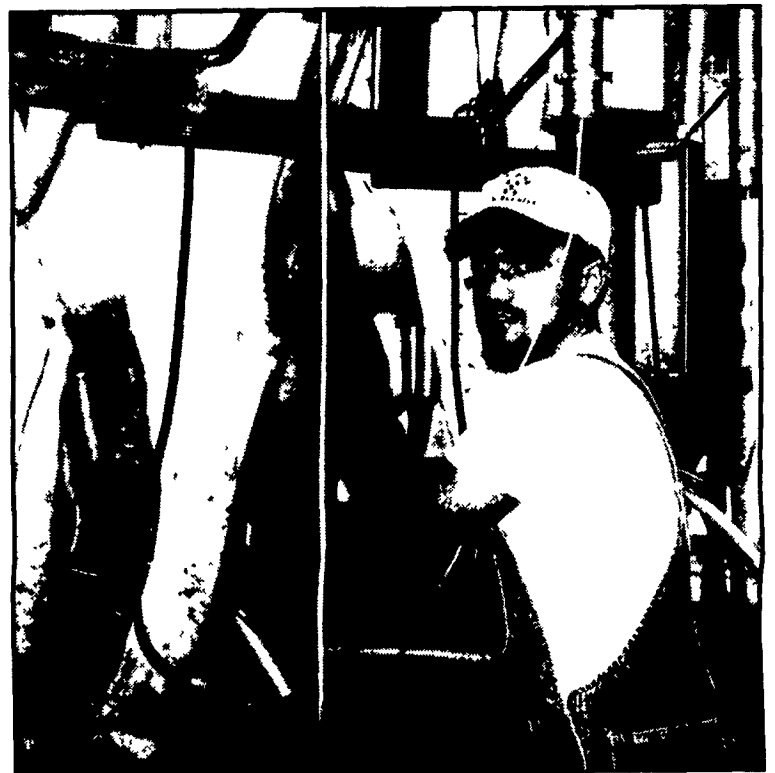
Another thing to consider before expanding is the attitude of all parties involved with the operation. "You can't have partners who aren't totally behind the expansion," said Moyer. "Everybody has got to be supportive. If not, you're just asking for trouble and making a costly mistake."

Once you do expand, the most significant benefits are found in labor needs, cash flow, and cow comfort.

"You get to realize the benefits of economies of scale," said Moyer. "Your labor needs and unit costs per cow reduce. And you have the ability to hire outside labor."

Another benefit that Moyer sees in expanding is the ability to specialize. "You can rely more on custom work and purchased feed while concentrating on the dairy," he said. "You may even want to have someone custom raise your heifers."

"Expansion gives you the ability to give up some of your other responsibilities and concentrate more on the dairy."



21-year-old Greg is responsible for the 220-cow milking herd on the McCulloh dairy operation. Greg returned to the farm after spending a year at Penn State Mount Alto campus.



Our 20,000 Sq. Ft. Facility Enables Us To Serve You Better

Your One-Stop Hydraulic Shop

Beiler Hydraulics is a Full Service Facility Specializing in:

- **Engineering**
All types of hydraulics & pneumatics
- **Air Compressors**
Complete Rebuilding of all brands
Road service
Lots of parts in stock
- **Cylinders**
Complete rebuilding
New parts machined
Custom built cylinders
- **Machinery conversions**
Hydraulic & pneumatic
- **Pumps & Motors**
Complete rebuilding of all brands
Lapping & resurfacing
Authorized build center for Permco
- **Fully Equipped Service Truck**
Hydraulic installations
Maintenance
Repair
- **Truck Systems**
Wet line installation
Trouble shooting
- **Hose Assemblies**
Made to order
- **Hydraulic Power Units**
Custom built to your specifications
Gas or electric
Stationary or portable

Beiler Hydraulics
HYDRAULICS • PNEUMATICS • POWER TRANSMISSION
440 Concrete Ave • Leola PA 17540 • 717-656-4678 • Fax 717-656-4682



Water problems on your farm?

Martin
WATER CONDITIONING

Your Water Treatment Center

Myerstown • Lancaster
Stoystown • Cleona
Quarryville

800-887-7555

Serving -

PA - NY - NJ - DE - MD