

Construction Progresses On Brand-New Farm Show Complex

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show.

Last year the Farm Show was recognized globally by taking home three out of 11 awards given to agriculture events around the world.

"That is the most recognition that's been bestowed on the Farm Show in its time," he said.

The awards recognized the show's involvement with production agriculture "and the way we display them and the broad-based participation that we get in our competitive exhibits."

Educating the nonfarm public is a critical role of the event. "Public policy is terribly important, and to pay attention for one week out of the year to agriculture is important to the future of agriculture," he said.

"We tell them (Farm Show attendees) how important our largest industry is in Pennsylvania, and how important it is to them, to have a constant supply of food and fiber right here at home."

Besides the non-farm public, however, the event is integral to unify the agricultural population.

"The reason that the Farm Show means what it does is the cultural and social aspect," he said. "It pulls together the social fabric of the rural community."

Pennsylvania has the largest rural population of any state in the union, noted Grumbine.

"All of us can relate to an agriculture heritage somewhere. When you have rural population as large as we have here, there is some attachment to the rural society and we like that. We have a sense of pride that the industry is in good hands."

"I believe that the Farm Show gives a lot back to the agriculture community in Pennsylvania," said Glenn Wenger, president, Wengers of Myerstown, a family owned and operated farm and construction equipment business.

The junior livestock sale, he said, benefits 4-H and FFA members with not only the livestock sale, which yields a premium for their livestock projects, but also the Farm Show scholarship program, which provides money for college-bound students.

This past year, proceeds from the sale over the market price for the animals were in excess of \$100,000.

According to Wenger, in 2002 the program awarded nine scholarships of \$2,000 each. To date the program, which began in 1993, has awarded approximately \$169,000 to students.

The food court is another example of the event's importance to Pennsylvania agriculture, he said. Various agriculture organizations from across the state take the opportunity to market their commodities to the thousands of event attendees.

"Each year those organizations combine to raise more than half a million dollars. Those funds go a long way toward their budget for the programs they provide for their members throughout the year."

In addition, more than \$300,000 of premium money is awarded during the event.

"So when you add this together, you get to more than \$1 million that the Farm Show puts back into the ag community," he said. "The Farm Show is not only a place to exhibit equipment and meet customers, it's a great two-way relationship."

Not only financial benefits but also relationships and ideas are by-products of the show. "The other angle is that the Farm Show does a lot to bring the agricultural community together in Pennsylvania," he said. Friendships are kindled and renewed during the Farm Show. "It's a family-oriented event. It adds to the fabric of agricultural life in Pennsylvania."

Also "a lot of good ideas are generated through meetings that take place during the Farm Show. This is a show that gives back a great deal to the agricultural community, our friends, and our family that participate in the Farm Show."

"I think it's important that agriculture input suppliers — equip-

ment, feed, seed, and fertilizer suppliers are all industries that benefit from agriculture in Pennsylvania — participate. That's the driving reason why I am involved with the Commercial Agriculture Exhibit Committee," he said.

"The new building gave us a real impetus to restructure the exhibition of commercial farm machinery supplies and products," said Don Hoover, sales and marketing, Binkley & Hurst Bros, Inc. Hoover is also a member of the Commercial Agriculture Exhibit Committee.

"While there are a lot of strengths of the Farm Show, for years one of the developing areas that needed improvement was commercial involvement.

"Farm show management acknowledged that and solicited the help and input of some of the participants.

"Our committee is made up of a good cross-section of the types of companies and businesses that we want to have represented. We are excited about the potential of filling the new hall with production agriculture equipment and suppliers of agriculture supports.

"We've come a long way from our initial discussions with farm show management and are very pleased with our progress on the implementation of some of our ideas since that first meeting. We

believe farmers and exhibitors alike will appreciate our efforts when they attend the 2003 Farm Show."

Ten years ago, said Hoover, the Farm Show "was more of a manufacturers' show." Today manufactureres are moving away from exhibitions and shows "and it is falling to dealerships and distributors to be responsible for exhibition and promotion and demonstration of farm machinery," he said. Hoover added that Farm Show management is looking to those who will be exhibiting to give some input for the next Farm Show.

The Farm Show Commercial Agriculture Exhibit Committee is comprised of Tom Yohe, general manager, Hooper, Inc.; Don Hoover, sales and marketing, Binkley & Hurst Bros., Inc.; Bill Burgess, general manager, Lancaster Farming; Glenn Wenger, president, Wengers of Myerstown; Bob Oberheim, manager, Ag Progress Days; and Dennis Grumbine, Farm Show executive director. Bob Weaver, former Bush Hog and Richardton representative, is serving as the committee's sales and marketing director.

Lancaster Farming will publish additional updates on Farm Show Complex construction, plans, and events in future issues.

'Profit Protection' Topic Of Ag Banker Conference

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monopolize the program," according to an USDA/Farm Service Agency (FSA) representative.

Robert Bonnet, chief, Guaranteed Farm Loan Branch, USDA/FSA in Washington, D.C., spoke about some proposed programs and changes to programs facing ag lenders during the start of a two-day Penn State-sponsored seminar.

Bonnet spoke to about 60 bank agri-industry representatives Tuesday at the 36th annual Pennsylvania Agricultural Bankers Conference in the Nittany Lion Inn at University Park.

The conference theme, "profit protection," applies to not only those who manage farm loan programs at banks and farm credit institutions, but also to young and beginning farmers.

The proposed system has no annual needs test, simplified the claims process, has a five-year eligibility portal, and certifies up to \$16,000 maximum with 80 percent guarantee to lending institutions.

Another important proposal in the works, according to Bonnet, is an "electronic loan," or e-loan, program. Beginning in June this year, Bonnet noted, those who want loans would be able to apply online with full and complete registration forms available over the Internet.

The link will be available through USDA. Though the "signature-necessary" issue to legalize the documentation is still being considered, users of the Website may be able to find out more at www.fsa.usda.gov.

Gary Snider, farm business consultant with Farm Credit of Western New York, noted major changes to come for dairying.

More than ever, processors are looking to differentiate quality in the product. For large-scale dairies, that is part of the business plan.

But for the producer with 40 cows and 500,000 somatic cell count, it could be a different type of "differentiating," Snider noted.

The best profitability could come from what Snider calls an "investor dairy," and more of those type of multifamily or co-owned and operated dairies are coming on line.

More dairy operators are dealing directly with handlers through investor dairies, which include a "critical mass" of dairy farms in the western part of New York state, he told those at the ag banker conference.

Snider said that the typical "turnkey" model for an investor dairy includes a 1,400/700 cow model (beginning with 700 cows, and a second 700-cow facility about 150 feet away), under contract management, with a general manager to oversee employees and a general manager to oversee company service and marketing.

"I see a trend to greater specialization," said Snider, which include heifer-rearing facilities or custom operations (customer cropping, harvesting, etc.).

The smaller producers, those with 100 cows or less, may be able to specialize within the industry, such as simply milking cows, growing feed, or raising heifers.

In a study conducted by the Western New York Farm Credit, the larger farms, those with a turnkey-type system, have "double the return on assets as smaller farms," noted Snider.

He spoke of one large operation that recently installed a 60-stall rotary milking parlor, what Snider calls a "merry-go-round." The rotary parlor inserts one cow to each milker every 8.5 seconds and will be able to process 375 cows per hour.

Snider said his observations about the large-scale dairies are that the business was already successful before expansion, the owner studied those who expanded and learned from them, the whole family supported expansion ("it's no time for a family squabble," said Snider), all aspects of the expansion were analyzed, and everything is budgeted (the capital budget is put together before the start). Additional

borrowing capacity was retained, a realistic timeline was established, and the owner manages people as well as cows.

For the transition to the larger type dairies to be effective, managers must look at other facilities ("leave the county, leave the state, and talk to people," Snider said), and study the overall management of the farm.

The most important profit center, noted Snider, is the replacement herd. Those replacements should be placed into the milking stream at 23 months or less. Cull rates have to be cut to 30 percent or less.

The safest way to grow, Snider said, is first with a good calf barn, then build a heifer barn, build the first dairy barn, build a new parlor, then add a second dairy barn. It's the "safest road to expansion," Snider said.

"Black holes," or problem areas to look out for, include budgets that aren't achievable, building and maintaining cow numbers, holding production levels to pre-expansion levels, building delays and cost overruns, manure handling systems, understanding capital replacement needs, and others. Also, running out of borrowing capacity can be real trouble.

Debt per cow should be less than \$3,500, net worth should be greater than 40 percent, and the herd must have high productivity, between 22,000-23,000 pounds on the rolling herd average.

To be successful in farming, the farmer's ability to lead defines the 2000s, noted Snider.

For many years, dairy farm managers have believed the "land was the legacy," noted Brad Hilty, information management specialist with Dairy Alliance. "But the business should be."

Hilty noted that while we give awards for centuries of farming and the heritage, the business itself should be the legacy.

"Our accounting systems are a mess," he said, with too much emphasis on the "tradition" of dairy farming rather than the "business."



Speakers at the 36th Annual Pennsylvania Agricultural Bankers Conference included, from left, Lou Moore, Penn State ag economist; Gary Snider, farm business consultant, Farm Credit of Western New York; John Blanchfield, manager, ag banking and rural development, American Bankers Association; Ted Bowers, vice president, First Union Bank; Mike Fullam, district manager, Telmark; and Brad Hilty, information management specialist, Dairy Alliance. Photo by Andy Andrews, editor

Rather than saying a producer is a dairy farmer, they should be saying they are a "farmer who operates a dairy business," Hilty said.

Hilty provided a review of the results of the Dairy Farm Business Summary from BusinessSense date collected last year. Hilty said he believes that producers "learn from producers," and that the Alliance strove to "train chief financial officers (CFOs) in operating a dairy business."

That included making use of best management practices in business and information management, standardizing information management practices, a systematic approach to business analysis, and looking at the business accounting.

Pennsylvania needs to step up production by two billion more pounds of milk, because critics indicate we have to boost productivity to keep processors in the state. California continues to

grow by leaps and bounds — while Pennsylvania still has a smaller herd size than New York (New York averages about 100 cows per herd).

Dairy CFOs should focus more on cost of product, or COP, and look at ways to help spread costs across various herd sizes and management schemes.

"We need to challenge producers to manage investments wisely," said Hilty.

Copies of the presentation from Hilty can be obtained through e-mail by contacting him at bhilty@psu.edu.

Other speakers include H. Louis Moore, Penn State ag economist; John Blanchfield, manager, Ag Banking and Rural Development, American Bankers Association; Doug Goodlander, Pennsylvania Conservation Commission; Mike Fullam, district manager, Telmark; Gene Gantz, independent crop insurance consultant; and Bob Ruth, president, Country View Family Farms.