



Farm Management Team Q & A's

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(B) Author's Note: These fact sheets are a result of questions posed to me and answered in a national publication over the years.

Better Solution than Selling

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Three good, young dairy families farming rental ground in our county are contemplating selling their cows (50 to 70) and quitting the dairy biz. I'd like to help them find a better solution. Might you have any suggestions? One suggestion was to jointly find a good parlor, and milk as a limited partnership.

Certainly there are ways to keep dairy farming even in light of the tight times we are facing. Why? Because it will turn around. However, there are unanswered questions. When will the turnaround in milkprice take place? How high will the milk price go? How long will it last? These days of cyclical milk prices are here to stay as we continue with the free world market program. We must realize that it is a free market and we are competing in the world market. It is no longer just the northeast, the east, nor the national market. We need to change our mindset and recognize that what happens in Brazil (corn, beans, meat, milk), Australia, New Zealand, and other places around the world affects us in this country, just as we affect their markets. It has been this way for more than 5-8 years. This is not a new phenomenon. Will there be some sort of supply control? That is something that the future will decide.

How do young farmers start up and continue in this capital intensive commodity program of dairy farming? In my mind, we first must accept that we are in the "perishable commodity business". Any long term government payments received will be "green payments" which help the environment and thus may help the milk price, but only indirectly.

Thus, young farmers must approach dairy as a business decision with the hard facts of finances being at the top to the list. A business plan must be completed, just as we complete the business plan for the grocery store, the garage, the clothing store, and restaurant downtown. The business plan must include your mission statement, your goals, a labor management/human resources plan, an operational plan, production plan, a 5 year financial projection, a marketing plan, and an exit plan. The margins for dairy are very small and they won't be getting any bigger (except for short "blips" in the market place). So we must be prepared for the competition and be the very best to compete with our neighbors overseas.

Who would have thought about a marketing plan 5 years ago, but Milk Futures and Options, organic milk, alternative dairy products, retail, and other niche markets must be considered. If you don't know about them, get use to all of them as they are part of our normal dairy business operation now. Many will not survive without utilizing one or more of those options.

In addition, sole proprietorships are probably not the wave of the future. The capital investment is so high, and the debt so deep for new college graduates, that limited partnerships, partnerships, S Corps, and other types of business arrangements are becoming common place. Renting a small farm all alone, or taking over for the retiring parents is becoming very difficult. Thus, it is very important that young people be entrepreneurs and work with experienced entrepreneurs. That is not to say it can't be done. However, it takes ingenuity, financial savvy, boldness, support, hard work, smarts, and commitment which are all traits of a successful entrepreneur.

First and foremost, put that business plan together with the help of your Extension Agent, your Ag Viability Specialist, college professor, consultant, or mentor. Then keep it on the front burner because it is a living document that you need to change on a regular basis.