

PROFIT SEMINARS

By Julie Berry

Dairy Acceleration Program helps farm sustain future

A Northern NY farm family has used Dairy Acceleration Program funds to take steps to secure the farm's future.

Randy Conway, and his sons Derek and Jake, are transferring management and ownership, as well as expanding their farm, Conway Dairy Farms LLC in Turin, NY. They began the process with the return of Derek from Morrisville State College in 2004 and continued after Jake's Morrisville graduation in 2008. Initial projects included conversion of a tie stall to a parlor and construction of a freestall barn to house the expanding herd. With the opportunity to purchase a neighboring farm, Dairy Acceleration Program (DAP) funding was used for business planning, which resulted in an addition that doubled the size of the existing freestall barn and construction of a new manure storage.

With DAP funding the Conways hired Mark Mapstone, Farm Business Consultant with Farm Credit East in Central NY, to conduct a SWOT (strengths, weaknesses, opportunities and threats) analysis, write a formal business plan, and develop cash flow budgets and capital spending plans as preparation for their future. To maintain equity the Conways decided to purchase 400 acres of a neighboring farm and rent the remaining acres. Cows were moved into the new 117 by 410 foot deep-bedded sand freestall in January. The next step is to grow the herd to over 400 cows to match the available land.

"The Conways are a great example of generational transfer, from a smaller farm to a larger farm transition, and taking it in steps. It can inspire other farms who are going from 100 to 500 cows, and

Conway Dairy Farms LLC expands farm and transfers management.

are transitioning the next generation into full management," Mapstone said. "The Conways are typical of many of my farm clients -- very close knit and not afraid of hard work. They've established common goals and have a healthy respect for each other. They are sharing equity growth in the farm together through a profits interest agreement. With a profits interest agreement, next generation LLC members may have limited capital ownership to begin with, but share at a higher level the future equity growth

that they help create."

DAP is an initiative of Governor Cuomo in partnership with the NYS Department of Agriculture and Markets and the NYS Department of Environmental Conservation designed to enhance profitability of New York dairy farms while maintaining a commitment to environmentally responsible dairy farming. The program is coordinated through Cornell University PRO-DAIRY and in collaboration with Cornell University Cooperative Extension. DAP information is online at: <http://prodairy.cals.cornell.edu/dairy-acceleration>.

Funds may be used for the creation of strategic business plans focused on increasing the viability of the dairy, design of new or remodeled facilities, development or update of Comprehensive Nutrient Management Plans (CNMP) and the design of eligible best management practices (BMPs) identified in the farm CNMP. Farms must have lactating dairy cattle and be shipping milk. 40 farms have completed projects since the program's inception two years ago. Investment per project has ranged from \$5,000 to \$10,000, and an estimated \$15 million has been reinvested in dairies as a result of these projects.

The Conway family has worked with Mapstone for four years, and the DAP program supported additional planning and budgeting with him.

"I started with the Conways in 2011. At that time they were around 220 cows. They had a vision to expand to 400 to 500 cows over the next five years. They had an opportunity to buy a neighboring farm. How do you do that without more cows? They started with small steps including budgeting, benchmarking and profitability analysis. Their strategy was to buy a neighboring parcel in steps rather than all at once. Renting allowed them to keep debt lower and to have funds to expand the dairy herd," Mapstone said. "The DAP program helped put more intensity into planning of the latest phase of expansion. With the expansion they needed to plan facility layout and design, buy cows, plan for dry cow and heifer housing, invest in machinery and equipment, and further define management roles and responsibilities in the farm's organizational chart. DAP touched on a lot of that. We had extra time to do the process cor-



Derek and Jake Conway, Conway Dairy Farms LLC, Turin, NY.

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rectly. They were willing and appreciative of the help.”

While Jake initially thought the farm could do their own planning he soon recognized the value of hiring a professional business planner.

“Business planning was most important. It opened our eyes to see what kind of position the business is in financially and to see where the business can go. The biggest value was setting up the LLC,” Jake said. “Mark helped us budget five different scenarios with varying herd sizes. It gave us confidence to begin the new facility. Our goal is to have 400 cows by the end of the year.”

The business planning process has also helped prepare them to meet successfully with loan officers and to develop a relationship that will support them as the farm heads into a year of tight milk prices, Jake said.

“They had to take two leaps of faith: one was with the initial barn and parlor and with production improvement, and they did it. The second big leap was purchase of the neighboring farm, which started the second phase. They’re still not where they want to be in the long run, but they have a lot of determination. One of our goals is to increase to 400 cows quickly to help with cash flow,” Mapstone said.

The farm also is implementing a Comprehensive Nutrient Management plan. As part of that, new manure storage was built and plans are underway to build feed storage. While Environmental Quality Incentives Program (EQIP) funds were used for the manure storage construction, the Conways said it was useful to have DAP funding for the planning process while they were waiting to receive EQIP funding.

“One of the biggest challenges to building a barn is cash flow. The hardest part of the manure storage was waiting on grant money,” Jake said.

“The process to receive funding through DAP is simple,” said PRO-DAIRY DAP program coordinator Caroline Potter. “It fits well with other programs and facilitates design of funded projects to get Best Management Practices implemented quickly. They can begin

planning while waiting for project funding from other grant sources to come through.”

DAP also encourages farmers to tap into outside expertise and through DAP consultants are working with farms they haven’t worked with before, Potter said.

“DAP has helped me get in contact with the next generation on many farms that I may never have had the opportunity otherwise,” Mapstone said. “DAP really helps bring smaller farms along in monitoring budgets, timelines and financial understanding. The process of benchmarking helps them improve financial performance and record keeping, to see where they compare, and to develop strategic moves.”

Farms who are thinking about expansion or generational transfer should use the system, Randy said. He also recommends a profit team, because, he said, it helps all their consultants be more accountable.

“There are a lot of experts out there. The more ideas you have, the better management decisions you can make,” Randy said. “It’s really helpful to bring a team together to help plan for the future. Even if you’re not expanding there’s always planning to do.”

The next steps for the farm depend on land availability. The herd can grow to 500 cows with existing land resources. But, the brothers can also envision growing to 1,000 cows, if more land were to become available.

“We’re really blessed. I certainly wouldn’t be doing this without the boys. I have the best job because I get to work with my boys. I want to be financially stable so hopefully they will have free time and quality of life,” Randy said. “In this day and age you can’t farm without all the consultants and the extra help. As we’ve grown there’s been a learning process. Without them it would be overwhelming.” □

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The economics of milk quality

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carry the embryo to term. The cost of having a cow open longer than 150 days is \$2 to \$4 per day.

It’s one thing to figure potential lost income due to milk quality, but another to figure out what steps to take to improve. Improvements have to make sense financially and have to pay for themselves over time. A way to consider options for improving is to evaluate the potential cost versus the potential reduction in costs associated with mastitis for each option. A strategy that has an equal cost compared to benefit would break even. Strategies with a lower cost than benefit are financially advantageous for the farm and should be considered. Many common practices in the industry are good examples of financially beneficial strategies, such as pre- and post-dipping, dry cow therapy and routine equipment testing.

Figure 2 shows the comparisons of costs and benefits. Each “x” is a different strategy or combination of strategies to improve milk quality. Those that have a cost equal to the reduction in mastitis-

related losses will break even. Those that have a lower cost compared to the reduction in losses are beneficial to the dairy and are closer to the “loss-expenditure frontier” and are the best “bang for your buck.”

Every farm can continue to improve its milk quality, increase income and reduce expenses. Smart approaches to reduce the risk of mastitis, along with making intelligent treatment decisions, will reduce expenses from antibiotic use and milk down the drain. It should also result in a fatter milk check through cows that are able to reach their potential and increased quality premiums. All changes should be evaluated objectively to ensure that the potential benefit outweighs the cost to the dairy so that each dollar spent is a wise investment during leaner months. In the end improving milk quality is good for the dairy farmer and the dairy consumer! □

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