



## New Resources And Added Profits For Dairy Farms

PSU Dairy Cattle Nutrition Workshop  
November 1, 2006

Gary Heckman

## PA Milk Production

- 201,240 tanker loads in 2004
- End-to-End Reach from Philadelphia to Los Angeles
- THAT'S OVER 2,714 MILES!



## Impact of PA Dairy Industry

- PA Dairy Farms
  - 42% of PA's Agricultural revenues
- \$1.7 Billion of Revenue



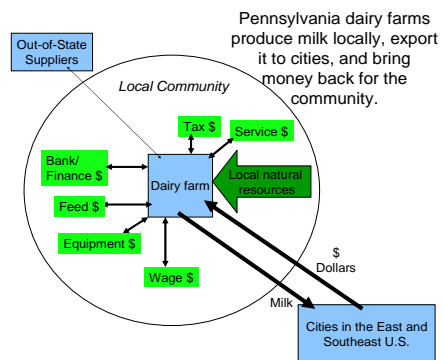
## Impact of PA Dairy Industry

- 555,000 Dairy Cows in PA
- \$13,737 Local Economic Impact per Cow
- \$7.6 Billion of Economic Impact



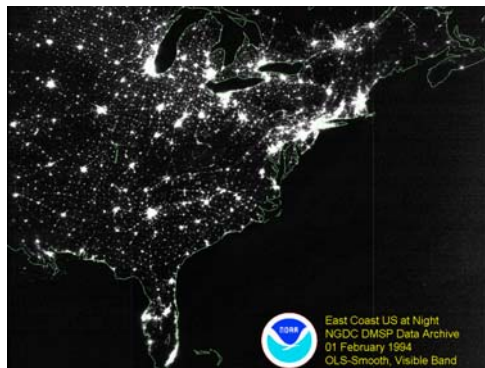
## Local Impact of a Dairy Farm

- 50 Cow Dairy
  - \$686,850
- 100 Cow Dairy
  - \$1,373,700
- 500 Cow Dairy
  - \$6,868,500

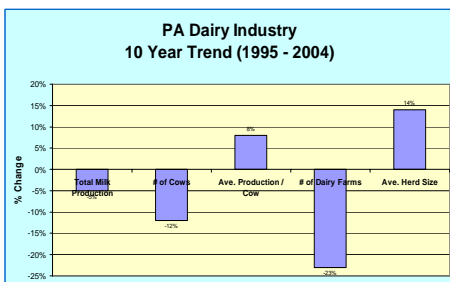


### Lancaster County Example

- 5% of Income is from PA
- 74% of revenue is spent in the county
- 92% of revenue spent in Lancaster and Adjacent Counties



### PA Dairy 10 Year Trends



### Center for Dairy Excellence



- To Identify people & resources to strengthen industry,
- Form appropriate partnerships w/ them,
- To improve the profits of whole dairy industry.

### Center for Dairy Excellence

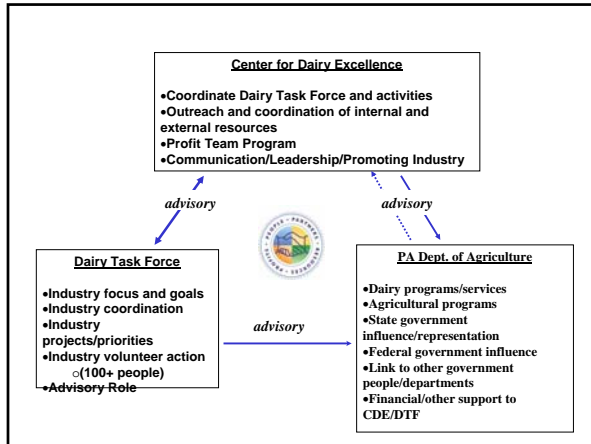
- 501C6 Non-Profit Organization
- 9 Member Board of Directors
- 2 Full Time, 2 PT Staff, PDA Clerical
- 100+ Volunteers (Dairy Task Force)
- PDA Facility / Services Support



### PA Dairy Task Force Today

- 100+ "Volunteers"
- 18 Dairy Producers
- 47 Industry Entities
- Regional Alliance with NY & VT


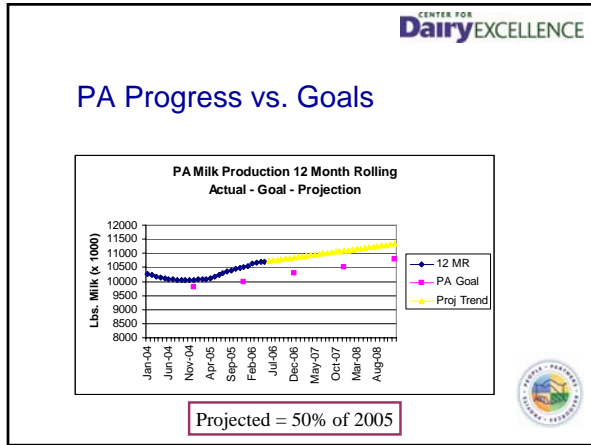




CENTER FOR DairyEXCELLENCE

### PA Dairy Industry Goals


- Grow PA Milk Production to 10.8 Billion Lbs by 12/31/08
- Profitability Goal
  - 8% - 10% Return on Assets
  - On every farm possible

CENTER FOR DairyEXCELLENCE

### Production Per Cow Focus

- Daily Production Monitor Tool
  - Track Daily Lbs Shipped / Cow
  - Compare to Benchmarks / Goals
  - Post for All to See
  - Increase Accountability

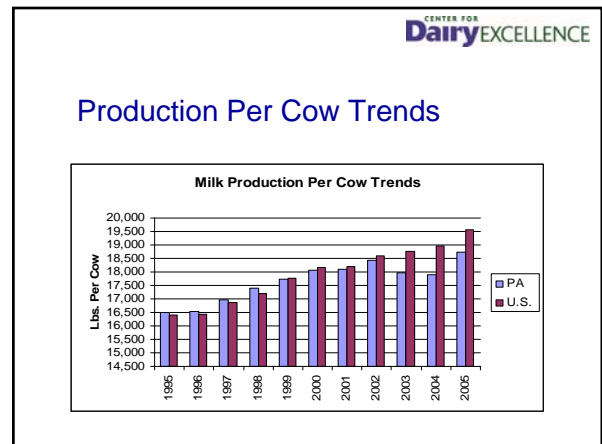


CENTER FOR DairyEXCELLENCE

### Key Profitability Focus

.....Milk / Cow

- Income per lb of milk = \$.13 - \$.15
- Cost to produce extra lb = \$.03 - \$.04
- Profit per extra lb / cow = \$.10
- Ship 3 lb/cow/day more (\$100 profit/cow)
- Ship 5 lb/cow/day more (\$160 profit/cow)
- Ship 10 lb/cow/day more (\$330 profit/cow)



## One PA Dairy Profit Goal Indicator

- 818 Lbs / Cow Increase in 2005
  - \$82 / Cow Profit Improvement
- 560 Lbs / Cow Increase Jan – Sept 2006
  - \$56 / Cow Profit Improvement
  - \$70 / Cow for 2006?
- Two-year Increase 1500 Lbs / Cow
  - \$150 Increased Profit / Cow



## Dairy Advocacy & Resource Team

- “DART”
  - Utilize Allied Industry On-farm Personnel to Deliver and Implement Resources Better, Increasing Profitability
  - 6 Regional Meetings Held Quarterly
  - Standard Program Qualifies for 2 CEU credits (ARPAS & Vets)
  - Consistent Messaging at Farm Level



## DART Program Topics

- Profit Team Program
- PA Dairy Tool
- Heat Abatement (Methods & Impact)
- Dairy Farm Finance Summary / Strategies
- Improved Value of Culling
- Reproductive Management
- Risk Management



## Profit Team Program

- Management Assistance Program
- Team (Board of Directors)
  - On-farm members, vet, nutritionist, financial advisor, other allied industry, Facilitator
- Improved Accountability
- Improved Decision Making



## Profit Team Program

- Getting Started:
  - Farm Applies for the Program
  - Selected Farms Determine Team Members
  - Workshop for New Teams (Several Farms/Teams at Workshop)
  - First PT Meeting Within a Month



### Profit Team Program

- Successful PT Approach
  - Monthly Meetings of Full Team
  - Business Assessment
  - Best Opportunities Prioritized
  - Action Plans Established/Implemented
  - Progress Monitored/ Next Steps



### Profit Team Program

- CDE Support of the Program
  - Promotion / Education
  - Conduct Team Workshops
  - Resource Support
  - Team Member/Facilitator Training
  - Financial Support (\$250/Mtg/\$2000 Max)

### Profit Team Program

- \$249/Cow Added Profit – Year 1
- \$70,000/Farm for Pilot Farms
- 68 Farms Now Participating
- Continued New Interest
- Goal = 100 Farms by 12/31/06



### Dairy Profitability Tools

- PA Dairy Tool (Bottlenecks)
  - Whole Farm Evaluation Process
  - Financial & Production Parameters
  - Software Application
  - Profit Opportunities Identified and Quantified



### Dairy Profitability Tools

University of Pennsylvania Vet School

- Software Applications
- Performance Evaluations
  - Reproduction
  - Cull Values
  - Internal Herd Growth
  - Heifer / Replacement Efficiency



### Dairy Profitability Forum

- November 3<sup>rd</sup> in Harrisburg
- Total Focus is Profit Improvement
- Target is “Average Sized farms”
- Industry Specialists/Producers
- Topics: Milk Quality, Reproduction, Team Approaches, Information Management, Nutrition, Decision Making



### Risk Management Initiatives

Training Available to Producers and Industry Personnel

- COP, Basis, Futures/Forward Contracting
- Crop Insurance, AGR Lite
- Managing Milk Solids & Quality
- Dairy Outlook Meetings



### Risk Management Opportunity?

- Milk Revenue Insurance Program
  - Like Crop Insurance
  - Milk Income / Cow / Year
  - Compared to 5 Year Average
  - Data Being Gathered
  - Assessment / Evaluation
  - Potential Future Pilot



### Other Projects / Partnerships

- Precision Feeding for Dairy
- Farm Permitting Coordination
- Business Planning Guide/Template
- Business Model Research



Pennsylvania Department of Agriculture

**PAgrows**  
INVESTING IN OUR FUTURE



888-PA-GROWS | pagrows.com

Edward G. Rendell  
Governor

Dennis C Wolff  
Secretary



### What is PAgrows?

Technical assistance designed to help farmers access the capital they need to begin, continue or expand their operations



### ...and the sometimes how of PAgrows

- **The First Industries Fund**
  - \$150 million of bond financing
    - Low interest loans (SBF/MELF)
    - Planning Grants
    - Loan Guarantees
  - \$100 million for Agriculture
  - \$50 million for Tourism
  - Commonwealth Financing Authority administers



## First Industries Fund

- **Eligible activities**
  - Production agriculture (farming)
  - Agribusiness
  - Sale of farm commodities at wholesale
  - Sale of farm commodities at retail by urban/rural supermarkets in underserved areas
  - Farmers' markets
  - Best practices re: agricultural waste and byproducts
  - Any other activities deemed to involve agriculture



## First Industries Fund

- **Small Business First**
  - 4.00% - 5.00% fixed rate financing
    - 15 years on land and buildings
    - 10 years on machinery and equipment
    - 3 years on working capital
  - Up to \$200,000 or 40% of total eligible project costs whichever is less
  - **Can Not** refinance existing debt



## First Industries Fund

- **Machinery and Equipment Loan Fund**
  - 4.00% - 5.00% fixed rate financing
    - 10 years on new machinery and equipment
  - Up to \$5,000,000 or 50% of total eligible project costs whichever is less
  - Can be new or used equipment
  - **Can Not** refinance existing debt



## First Industries Fund

- **Loan Guarantees**
  - 50% loan guarantee up to \$2.5 million
  - Bank loans made for land & building, machinery & equipment, or working capital purposes
  - Commercial lending institution on behalf of a borrower
  - Only part of FIF that could be used to refinance

Center For Farm Transitions  
Pennsylvania Department of Agriculture

A planning resource  
for the Commonwealth's changing  
agriculture

## Agriculture in Pennsylvania is Changing

"There are many reasons for change, among them consumer preferences, markets and economics. It is believed that more than 25% of PA farms will change hands in the next 10 years."

Dennis Wolff  
Secretary of Agriculture

## Ready > Set > Plan

- Succession Planning
- Business Planning
- Getting Started
- Changing Careers



## Ready > SET > PLAN

The Center for Farm Transitions assists farmers to get started, make changes to their operations, or transition their assets to retire or for new careers.

Call toll free (877) 475 – 2686  
Visit: [www.iplantofarm.com](http://www.iplantofarm.com)

CENTER FOR  
**Dairy**EXCELLENCE

## Your Leadership Needed

“Its not the resources that we lack as much as it is the knowledge of the them and their implementation.”

.....Dr. Terry Etherton  
PSU Dairy & Animal Science Department



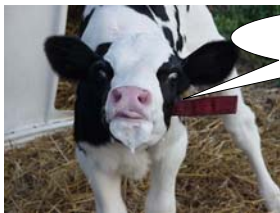
CENTER FOR  
**Dairy**EXCELLENCE

## Focus On Our Goals



CENTER FOR  
**Dairy**EXCELLENCE

## Questions?? Ideas??



THANK MOO!

Gary Heckman  
[c-gheckman@state.pa.us](mailto:c-gheckman@state.pa.us)  
717-346-0849

[www.centerfordairyexcellence.org](http://www.centerfordairyexcellence.org)

