

# Starting Out With Wise Investments

1. Work for someone else
  - Gain dairy experience
  - Build equity
2. Lease barn, purchase cows to fill barn
  - Consider contract heifer raising
  - Consider purchasing all feed
  - Hire custom operators for crop work
  - Develop a good advisory team:
    - Lender, nutritionist, Veterinarian, production manager, accountant

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3. When cows are paid off, and equity is built up:

- Acquire “key equipment” for timely operation:
  - Forage equipment
- What kinds of forages will be used?
  - Will you use a combination of grazing and barn feeding?

4. What would an “ideal” facility include:

- Barn, concrete lot, sacrifice lots, pastures
- Facilities should be healthy and cow friendly, not fancy

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## 5. Consider land purchase when:

- Cows and equipment are paid off
- Advantages:
  - Buffer for the farm operation
  - Excellent investment that appreciates in value
  - Allows you to control critical business resources
  - May be needed to deal with community issues: odor, public relations, nutrient management

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- When purchasing a farm, consider:
  - ◆ Will structures, land base, location be useful 15-20 years from now?
  - ◆ Can you build and develop something to pass on?
  - ◆ You may have to start gradually and work toward long-term goals and vision

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- Leveraging needed capital assets:
  - ◆ What are your negotiation skills?
    - How do you evaluate farm rental rates?
    - How do you determine fair prices on crops and maintain quality standards?
    - How will you evaluate terms and offers?
  - ◆ Proper herd financial records are needed to evaluate investments

# Dairy Farm Rental Rates

Market	Rental		Affordable		Cows or A. (No.)	No. of Mo.	Total Rent per Year
	Values	per	Farm Rental	per			
Rentable comp	per	per	per	per			
	Mo.	A.	Mo.	A.			

1 House

a. Full market

Per month

b. Farm value

(about 1/2 to 2/3 of market value)

X 12 =

2 Dairy Facilities (cow and heifer barns, plus storage and handling equipment for feed, milk and manure)

(Cost per milking age cow per month in a (choose the appropriate line):

a. Good, labor efficient setup

Good dairy economy, etc.

x

x 12 =

OR

b. Poor, labor-intensive setup

poor dairy economy, etc.

x

x 12 =

3 Tillable Land—rent per A. per year, if:

a. Cash cropped for corn (see note at 3B below)

b. Crops rotated, manure applied, etc.

(about 2/3 to 3/4 of corn rent)

X

=

4 Pasture Land—rent per A. per year if it is (choose the most appropriate line):

a. Productive, convenient, has water, etc.

X

=

OR

b. Poor, inconvenient, no water

X

=

Total calculated farm rent

per year

per month