

Research Brief #58

Starting your own dairy farm

Is there a future in dairy farming?

Yes. Despite volatile milk prices, hundreds of new farmers get started in dairying each year. Compared to other types of livestock farming, dairying can provide a higher income per animal, monthly paychecks, and, in many areas, more markets.

From 1996 to 1999, the UW-Madison Program on Agricultural Technology Studies (PATS) and the Center for Integrated Agricultural Systems (CIAS) surveyed over 300 beginning dairy farmers across Wisconsin and conducted in-depth interviews with 30 beginning farmers. These results show that there are a variety of ways to start a successful dairy farm.

Do I have to start big to succeed?

No. Most of the beginning dairy farmers who participated in this study started out with smaller than average herds. Over 90 percent of the beginning farmers surveyed had less than 75 cows. Their average herd size was 46 cows, which is slightly below the average for all Wisconsin dairy farms.

What are the best ways to build equity?

Most beginning dairy farmers pursued a “herd first” strategy – that is, they built up their herds before they made fixed investments in land and buildings. Why? Buildings and equipment depreciate. Cows don’t. Cows are also a flexible investment, as they are relatively easy to buy and sell. The “herd first” strategy is a good way to start generating an income while managing debt.

Only 65 percent of the beginning dairy farmers owned land, compared to 95 percent of all Wisconsin dairy farmers. Many beginning farmers built equity while renting some or all of their ground.

Key to building equity was keeping living expenses low. Some beginning dairy farmers built equity by working a full-time job before getting started in farming. Families can help beginning farmers by sharing equipment or providing living space.

How important is family support?

Although family dynamics play the biggest role in family farm takeovers, most beginning farmers can benefit from family support such as equipment

sharing, labor, help with maintenance and repairs, and advice.

For family farm takeovers, the family dynamics of the farm transfer can make or break the success of the operation. Family farm takeovers generally work best when parents are close to retirement age. If parents are young—perhaps in their 40s—they are less ready to turn over management to their kids.

During the transition from the older to the younger generation, enough income must be generated to support both families. Income and expenses of both families must be carefully evaluated. Farm net income may be increased during this transition by increasing herd size, increasing milk production per cow, decreasing production costs or diversifying.

Many beginning farmers, especially those who don’t come from a farming background, may not be able to draw on family support. For these farmers, neighbors and grazing networks can provide many of the same benefits as family. Networks give farmers a place to learn from each other, purchase supplies in bulk, and share equipment. In general, successful beginning dairy farmers build strong social support networks with family or neighbors.

Is grazing a good way to start?

Sometimes. Beginning dairy farmers in Wisconsin are much more likely to use management intensive rotational grazing (MIRG) than established dairy farmers. Thirty percent of the beginning farmers in



Wisconsin School for Beginning Dairy Farmers intern Amanda Shine looks over some calves.

this study used MIRG, compared to 15 percent of all Wisconsin dairy farmers. In this study, half of the beginning farmers without a family farm background used MIRG, but fewer beginners with farm backgrounds used MIRG.

MIRG decreases milk production costs by intensively managing pastures and cattle. Cows are moved frequently through pasture paddocks, maximizing forage quality and quantity. Farmers using MIRG can reduce their investments in buildings and equipment, but MIRG won't necessarily save a farm in trouble.

How important is an off-farm job?

In this survey, 51 percent of beginning dairy farmers without a family farm background or their spouses worked off farm. Twenty-four percent of those taking over the family farm and 33 percent of those starting out on their own had off-farm jobs.

Off-farm jobs can provide beginning farm families with additional income, health insurance, life insurance, and other benefits. Off-farm income can help meet family expenses when milk prices are low. With an off-farm job, often a family farm can support two households without having to expand herd size or increase the number of milkings per day.

What if I didn't grow up on a farm?

Twelve percent of the beginning dairy farmers participating in the survey had no family farm background. Although these farmers are at a disadvantage when it comes to hands-on farming experience, they have the advantage of coming to the farm without preconceptions. Researcher Steve Stevenson says, "It is likely that in the future dairy farmers will increasingly come from non-farm backgrounds."

Most of the farmers in this study at least had significant childhood contact with farming through relatives, neighbors, or 4-H. If a new farmer didn't grow up on a farm, experience is critical. Formal

Start-up advice from beginning farmers

"Get a **positive credit and community history** built up in the area where you want to farm. Get references and individuals, especially farmers and ag support people, on your side."

"**Do it yourself** whenever possible. Production costs can be controlled if you are willing and able to do more than you hire someone else to do. Buy used equipment and maintain it."

"Get **experience** on someone else's farm before going it on your own. **Build equity in cattle** while you work."

"Remember, **you can't have it all the first year**. Add or improve something every year, but take it gradually."

"Be willing to **start with a farm that needs work** to get a better deal on the purchase or rental price."

"**Listen to other farmers.**"

"If you can, **milk a barn full of cows** rather than starting with too few and not having enough cash flow."

"**Don't get too far in debt**. Specifically, stay at or under \$2,000 per cow."

"Management skills are key. **Work smarter, not harder.**"

training programs like the Wisconsin School for Beginning Dairy Farmers can help new farmers gain knowledge and experience.

Where can I go for help?

The following resources provide specialized services for beginning farmers. Information is also available at UW Extension offices and the Wisconsin Vocational-Technical Colleges.

Training in grass-based dairy management:

Wisconsin School for Beginning Dairy Farmers—**Dick Cates**, Center for Integrated Agricultural Systems, 1450 Linden Drive, Madison, WI 53706, 608-265-6437, e-mail rlcates@facstaff.wisc.edu

Farm transfer assistance and finding a farm:

Wisconsin Farm Center—**Gwen Garvey**, WI Department of Agriculture, Trade and Consumer Protection, 2811 Agriculture Drive, Madison, WI 53708, 800-942-2474, e-mail center@datcp.state.wi.us

Information on Wisconsin and regional grazing networks:

USDA-NRCS—**Mary Anderson**, River Country RCD, P. O. Box 645, Whitehall, WI 54773, 715-538-4396, e-mail mary.anderson@wi.usda.gov

For more information about this study, contact:

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The Center for Integrated Agricultural Systems (CIAS) brings together university faculty, farmers, policy makers, and others to study relationships between farming practices, farm profitability, the environment, and rural vitality. Located at the University of Wisconsin-Madison, it fosters multidisciplinary inquiry and supports a range of research, curriculum development, and program development projects. For more information on the Center or on the research in this Brief, contact:

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This Research Brief is part of a series. Contact CIAS for other titles. CIAS staff members are grateful for the reviews of this research update by UW-Madison and UW-Extension faculty and CIAS Citizens Advisory Council members. Printed on recycled paper. October, 2001.