

WAUPACA COUNTY UW-EXTENSION AGRICULTURE NEWSLETTER

Greg Blonde, UW-Extension Agriculture Agent...715-258-6230 (ext. 12) or greg.blonde@ces.uwex.edu

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“STAYING UP IN A DOWN ECONOMY”

The economy in 2009 has been a challenge...to say the least. And agriculture is no exception. Although we don't read or hear as much about the effect of this recession on our farm economy (compared to the attention given to manufacturing, retail or auto industries), this is without a doubt one of the most challenging years farms and agribusiness have ever faced.

The good news? It appears the recession is ending and recovery has begun. Prices for some farm inputs and outputs are beginning to improve as well. The challenge ahead seems to be surviving the long climb back to prosperity.

Of course, coming from a university employee, you may think those of us associated with the “ivory tower” are once again immune from the reality of the current situation. Not so. In fact, we've been “furloughed” (laid-off without pay) for a total of sixteen days through June, 2011. Waupaca County employees will also lose five days of pay before the end of this year. Bottom line, we are all effected. Granted, some more so than others, but we are all affected, one way or another. The question is, “what do you do about it?”

Roger Williams, professor emeritus at UW-Madison who worked with many farm families during the 1980's says there are some things we all can do to help “stay up in this down economy”. He suggests we adopt the following ideas to help get through these tough times:

Watch what you eat...get a good breakfast and at least one more balanced meal each day; cut back on caffeine, high refined carbohydrates and saturated fats; get plenty of fruit, vegetables and fiber in your diet. This diet helps sustainable energy levels rather than “peaks and valleys” that lead to “energy crashes” and depressed moods.

Get regular exercise...Farmers frequently say “I get plenty of exercise on the farm,” and there was a time when farmers did. But today, much of the back - breaking work is now replaced by mechanized technology. Lack of regular exercise can cause headaches, backaches, depressed moods, anxiety attacks and insomnia. Try walking more; take time to stretch, especially muscles between your head, neck, shoulders and lower back to avoid head/backaches.

Use positive self-thoughts & talk... transforming negative thoughts or talk into positive ones is very helpful. First, recognize when you use negative self-thoughts or talk like swearing, putting yourself down or blaming others. Positive thoughts and language allows you to better understand and deal with the situation at hand.

Practice the art of relaxation...get comfortable in a peaceful, quiet setting; close your eyes; take a few deep breaths; let your muscles relax completely; and then visualize yourself in a peaceful, relaxed setting for a brief period of time. Only five minutes daily will help you feel more relaxed and centered, and better able to deal with opportunities and challenges.



Managing Thru The Mess
Nov. 4th - Manawa

This program is for dairy farmers and their spouse (or managing partner) and will focus on market strategies and how to use your own cost of production numbers to help manage your way through this current financial mess. Registration is due by Friday, October 30th. Contact your lender or Greg Blonde at the Waupaca Co. UW-Extension office to register.

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SURVIVING LOW MILK PRICES

By Greg Bethard, Dairy Consultant, Virginia
2009 Florida Dairy Production Conference

During tough economic times it's important to evaluate your business. There are many measuring sticks for success, but the most useful for dairy farms, in good and bad times, may very well be cost per hundredweight. Here are my top ten keys to making money in the dairy business:

Keep a Full Barn - Keeping a full barn means averaging 100% of capacity over a year's time. Anything less is a lost opportunity, other than the rare circumstance where a marginal cow is not making money. The definition of "full" or "100% capacity" does not necessarily mean one cow per stall or one cow per headlock. It could mean less or more depending on the facility, environment, and management. Every dairy needs to figure out what "full" is for their facility and management, then strive to stay there all year round.

Healthy Fresh Cows - Trickle-down economics relating to fresh cows are simple: poor fresh cow health leads to excessive fresh cow culling, poor reproduction, high replacement costs, high cost/cwt, and eventually a dairy in financial trouble. The number one herd health priority should be healthy fresh cows. Healthy fresh cows trump high milking fresh cows.

Offer a Career Change to Unprofitable Cows
Cows that are not covering variable costs need to be traded in for a new cow, or her spot should be left vacant. A breakeven level of production can be calculated to determine if variable costs are covered as follows: $(\text{variable costs})/(\text{milk price per pound})$. Variable costs are those that disappear if one cow is culled. These include feed, bST, chemical/teat dip, interest, and antibiotic risk. If these costs are not covered by the income the cow generates every day, then the cow is not covering her variable costs. For example, suppose variable costs totaled \$5.50 per day and milk is \$12/cwt; breakeven level of production is $\$5.50/\$0.12 = 45$ lbs. In this case any cow below 45 lbs should be culled. This calculation is independent of the cow being replaced. Practical uses of this calculation involve adding some common sense to the equation. Pregnant cows (for sure those >100 days carried calf) on most dairies would not be considered for culling. Cows would need to have two test days below breakeven levels to be considered (some cows may have had a "bad" test day), and the manager or herdsman should visually evalu-

ate before culling to be sure the milk weights are real. Pregnant cows may be eligible for early dry if it would be less costly to feed her in the dry pen compared to keeping her in the milking string. In this case, breakeven production would be: $(\text{variable costs} - \text{dry cow feed costs}) \div (\text{milk price per pound})$. For example, suppose variable costs are \$5.50/day, dry cow feed costs are \$2.50, and milk is \$12; dry-off level of production is $(\$5.50 - \$2.50)/\$0.12 = 25$ lbs. In this case any pregnant cow below 25 lbs should be early dried. This logic works to a point – it doesn't make a lot of sense to early dry a cow with a poor mature equivalent (ME) that is less than 100 days carried calf.

Quality & Component Premiums - Milk quality generally offers the largest premium, followed by protein then fat. Total premiums can exceed \$1.00/cwt on Holstein herds and more on Jersey and crossbred herds. When milk was \$20, a \$1.00 premium seemed like icing on the cake. Today with \$10 milk it is monumental and potentially lifesaving for the dairy.

Maximize Income Over Feed Cost (IOFC) - Income over feed cost is calculated as $(\text{milk revenue per cow per day}) - (\text{feed costs per cow per day})$. If cows are milking 70 lbs, milk is 12/cwt, and feed costs are \$5.50/day, then $\text{IOFC} = (70 \times 0.12) - (\$5.50) = \$2.90$. Any change that increases the \$2.90 is likely good provided it does not impact cow health. The IOFC is driven by several factors. Obvious are feed price and milk price. Others include feed conversions, milk per cow, and the value of milk (i.e. components and premiums). Day to day feeding and management decisions should be evaluated using income over feed costs. Feed cost per cwt is a useful tool to gauge the entire feeding program (milking and dry) over a longer period of time, and is also affected by feed buying, shrink and waste. IOFC is a useful tool to guide short term feeding and management decisions (see next page for IOFC table and graph for Wisconsin).

Procure High Quality Forages - Forage quality is the ultimate trickle-down economics on a dairy farm. Cows eating lots of high quality forage under good management will be healthy, productive, and fertile. It's difficult to have healthy, productive cows with poor forage.

Generate Pregnancies - There are many calculations available to determine the value of a pregnancy,

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and everyone is well aware of the benefits of getting cows pregnant. But often the importance of heifer pregnancies is forgotten and they generally account for 35% of all pregnancies generated on a dairy. They are often the easiest (particularly in summer), and equally valuable to cow pregnancies in generating “cow flow”. The number one reason for culling on most dairies is reproduction (often called low milk). Dairies that purchase springing heifers to maintain herd size are buying pregnancies. It’s much cheaper to generate them on the farm.

Minimize Replacement Costs - Replacement costs are usually the second largest cost of producing milk, behind feed costs. Conceptually, replacement cost is the cost of maintaining herd size and structure. Although dairy accountants have various methods to determine replacement costs, all methods are similar to the following: (value of cows sold - cost of replacement) ÷ cwt milk sold. The value of cows sold is impacted by the kind of cows that are sold (fat, late lactation culls that sell well or beat-up fresh cows that are thin and sell poorly), and the number that are actually sold (deads are generally not sold). The cost of replacement is impacted by what you pay for a new heifer, or the money invested in the home-raised replacement. Amount of milk shipped also greatly impacts this calculation. Our industry focuses on cull rate as a measure of herd turnover. Replacement cost/cwt, trumps any other measure of herd turnover. A reasonable goal in most areas of the country is <\$1.50/cwt.

Cut Costs Intelligently - Cutting costs is necessary and good dairyman can do this intelligently. Cost cutting is OK provided the following areas are not impacted: Forage Quality, Cow Health, Fresh Cows, and Pregnancies. Dairies that cut in these areas are signaling that they do not intend to be in the dairy business long term.

Control Labor Costs - There are many measures of labor efficiency. They include cows/employee, and pounds of milk sold/employee. While some of these measures have some utility, the ultimate measure is labor cost per cwt. It really doesn’t matter how many employees you have if labor costs per cwt are “good”. Several issues can skew this number, including contract labor (outside breeding services, outside maintenance ser-

vices, etc) and if replacements are raised on or off the farm. Ideally only labor involved in taking care of the milking herd should be included. Labor involved with replacements or farming should be considered separate.

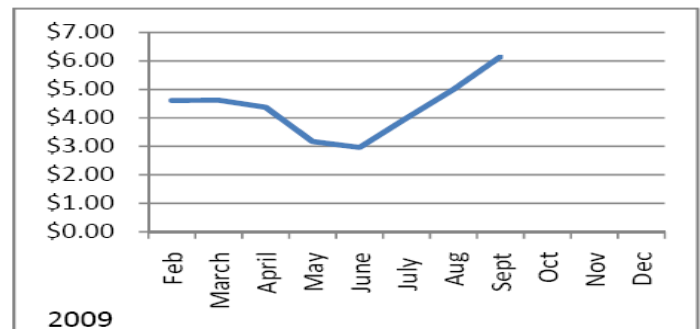
Note...a recent article in Hoard’s Dairyman found that low production cost did not mean profitability for all dairy farms. In fact cost of production could only explain profitability for approximately half of a group of farms in a north-east study. Other significant factor contributing to profitability were productivity, as well as the scale or size of operation. Bottom line, there is no “one-size fits all” solution to the economic challenges of dairy farming. But high productivity with outstanding cost control, and a scale or size of operation that optimizes labor, management and capital investment is an excellent goal for any farm business.

**Returns Over Feed & Variable Costs
For A Mail Box Price of \$13.16/CWT
September 2009 Milk**

Lbs./Cow /Year	Return Over Feed Cost \$ / CWT	Return Over Variable Cost \$ / CWT
18,000 lbs.	5.82	1.94
20,000 lbs.	6.00	2.51
22,000 lbs.	6.15	2.98
24,000 lbs.	6.25	3.36
26,000 lbs.	6.38	3.69
28,000 lbs.	6.46	3.97
30,000 lbs.	6.54	4.22

Dairy producers may receive an additional \$0.60 per CWT (predicted) to apply towards feed, variable and fixed costs if they qualify for a payment under the Milk Income Loss Contract (MILC) Program.

**2009 Monthly Trend
Wisconsin Calculated COP for Milk
Return Over Feed Cost
22,000 lb Production**



DAIRY MARKET UPDATE

By Bob Cropp, UW-Extension
Dairy Marketing Specialist

USDA's latest price outlook shows milk price recovery to be a slow process. However, Class III futures have shown improvement. September 18th Class III futures for December settled at \$13.97, January 2010 at \$14.03, July at \$15.01 and December at \$15.80. **There is some optimism about the possibility of Class III above \$14.00 by December, near \$16 by July 2010, and in the high \$16's by December 2010.** But, for these higher prices to occur milk production needs to continue to decline into 2010 and domestic sales needs to show improvement. History shows milk prices can increase quickly with anticipation of tightening in the market. So milk prices could recover quicker and higher....at least there is always that possibility and hope.

AgDairy marketing consultant Robin Schmahl recently suggested “the focus should be on protecting feed prices for next year, as well as hedging milk prices, but leaving room to capture some upside in milk if the market does improve. Corn price near \$3.00 per bushel for the December contracts and soybean meal at or below \$275.00 per ton should be locked in for the year. He suggests a

strategy for up to 20% of your milk is to initiate a fence position for the first half of 2010 with a \$2.00 price spread between the purchased put option and the sold call option (buying \$14.50 put options and sell \$16.50 call options for 50 cents establishes a \$14.00 floor and a \$16.00 ceiling). Protecting the bottom while having the ability to capture some upside price potential is important as time moves forward (*note, Robin will be one of the featured speakers at our annual Cow College program in Clintonville on Tuesday, January 5th*).

FSA UPDATE

By Dave Heideman, Waupaca Co. FSA Director

Farm Storage Facility Loans (FSFL) are now available though the Waupaca County USDA Farm Service Agency (FSA) office. These loans are for new construction of structures to hold commodities raised on the farm, including refrigeration and cold storage facilities for fruit and vegetable growers, as well as grain, dry hay or silage storage structures (including pads or bunkers with at least two sides) for cash crop, dairy and livestock farmers. The loan must be approved prior to construction. For more information, contact the Waupaca County FSA 715-258-7162, ext. 2.

Equivalent Price/Ton* of: High Moisture Shelled corn

Gary Frank, Center for Dairy Profitability
Price per Dry Bushel

Moisture % Wet	lbs Wet Kernels	% Shrink	Dry Bushels	\$2.75	\$2.85	\$2.95	\$3.05	\$3.15	\$3.25	\$3.35	\$3.45	\$3.55	\$3.65
15.0	2000	0.00	35.71	\$98.21	\$101.79	\$105.36	\$108.93	\$112.50	\$116.07	\$119.64	\$123.21	\$126.79	\$130.36
16.0	2000	1.09	35.32	\$97.14	\$100.67	\$104.21	\$107.74	\$111.27	\$114.80	\$118.34	\$121.87	\$125.40	\$128.93
17.0	2000	2.28	34.90	\$95.98	\$99.47	\$102.96	\$106.45	\$109.94	\$113.43	\$116.92	\$120.41	\$123.90	\$127.39
18.0	2000	3.46	34.48	\$94.82	\$98.27	\$101.71	\$105.16	\$108.61	\$112.06	\$115.50	\$118.95	\$122.40	\$125.85
19.0	2000	4.64	34.06	\$93.66	\$97.06	\$100.47	\$103.87	\$107.28	\$110.68	\$114.09	\$117.49	\$120.90	\$124.31
20.0	2000	5.83	33.63	\$92.49	\$95.86	\$99.22	\$102.58	\$105.95	\$109.31	\$112.67	\$116.04	\$119.40	\$122.76
21.0	2000	7.01	33.21	\$91.33	\$94.65	\$97.97	\$101.29	\$104.62	\$107.94	\$111.26	\$114.58	\$117.90	\$121.22
22.0	2000	8.19	32.79	\$90.17	\$93.45	\$96.73	\$100.00	\$103.28	\$106.56	\$109.84	\$113.12	\$116.40	\$119.68
23.0	2000	9.38	32.37	\$89.01	\$92.24	\$95.48	\$98.72	\$101.95	\$105.19	\$108.43	\$111.66	\$114.90	\$118.14
24.0	2000	10.56	31.94	\$87.84	\$91.04	\$94.23	\$97.43	\$100.62	\$103.82	\$107.01	\$110.20	\$113.40	\$116.59
25.0	2000	11.74	31.52	\$86.68	\$89.83	\$92.99	\$96.14	\$99.29	\$102.44	\$105.59	\$108.75	\$111.90	\$115.05
26.0	2000	12.93	31.10	\$85.52	\$88.63	\$91.74	\$94.85	\$97.96	\$101.07	\$104.18	\$107.29	\$110.40	\$113.51
27.0	2000	14.11	30.68	\$84.36	\$87.42	\$90.49	\$93.56	\$96.63	\$99.69	\$102.76	\$105.83	\$108.90	\$111.96
28.0	2000	15.29	30.25	\$83.19	\$86.22	\$89.24	\$92.27	\$95.30	\$98.32	\$101.35	\$104.37	\$107.40	\$110.42
29.0	2000	16.48	29.83	\$82.03	\$85.02	\$88.00	\$90.98	\$93.96	\$96.95	\$99.93	\$102.91	\$105.90	\$108.88
30.0	2000	17.66	29.41	\$80.87	\$83.81	\$86.75	\$89.69	\$92.63	\$95.57	\$98.51	\$101.45	\$104.40	\$107.34
31.0	2000	18.84	28.98	\$79.71	\$82.61	\$85.50	\$88.40	\$91.30	\$94.20	\$97.10	\$100.00	\$102.90	\$105.79
32.0	2000	20.03	28.56	\$78.55	\$81.40	\$84.26	\$87.11	\$89.97	\$92.83	\$95.68	\$98.54	\$101.39	\$104.25
33.0	2000	21.21	28.14	\$77.38	\$80.20	\$83.01	\$85.82	\$88.64	\$91.45	\$94.27	\$97.08	\$99.89	\$102.71
34.0	2000	22.39	27.72	\$76.22	\$78.99	\$81.76	\$84.54	\$87.31	\$90.08	\$92.85	\$95.62	\$98.39	\$101.17
35.0	2000	23.58	27.29	\$75.06	\$77.79	\$80.52	\$83.25	\$85.98	\$88.71	\$91.43	\$94.16	\$96.89	\$99.62
36.0	2000	24.76	26.87	\$73.90	\$76.58	\$79.27	\$81.96	\$84.64	\$87.33	\$90.02	\$92.71	\$95.39	\$98.08
37.0	2000	25.94	26.45	\$72.73	\$75.38	\$78.02	\$80.67	\$83.31	\$85.96	\$88.60	\$91.25	\$93.89	\$96.54
38.0	2000	27.13	26.03	\$71.57	\$74.17	\$76.78	\$79.38	\$81.98	\$84.58	\$87.19	\$89.79	\$92.39	\$94.99
39.0	2000	28.31	25.60	\$70.41	\$72.97	\$75.53	\$78.09	\$80.65	\$83.21	\$85.77	\$88.33	\$90.89	\$93.45
40.0	2000	29.49	25.18	\$69.25	\$71.76	\$74.28	\$76.80	\$79.32	\$81.84	\$84.36	\$86.87	\$89.39	\$91.91
41.0	2000	30.68	24.76	\$68.08	\$70.56	\$73.04	\$75.51	\$77.99	\$80.46	\$82.94	\$85.42	\$87.89	\$90.37

*If you harvest the corn, subtract the harvesting costs; and if you can only use dry corn, subtract drying costs. Of course the price you pay will be determined by supply and demand conditions in your area and negotiations between you and the buyer/seller, but unless there are special circumstances it should not be above the prices shown here.

DAIRY FINANCES 101 BY LARRY TRANEL, DAIRY FIELD SPECIALIST, ISU

During times like these, most dairy operations are simply trying to avoid losses and maintain a positive cash flow absent any profit. Tight cash flow may be affecting quality of life as well. At times like these, producers need to turn the financial and production data they have into information for making knowledgeable decisions and survival strategies.

One goal of this is to give creditors more “insurance” or confidence in your management abilities. So, where do you start? Begin with a Net Worth (NW) Statement on January 1st (or when your tax year begins and ends) so you have a snapshot of your business at the beginning and ending of each accounting (tax) year. Constructing the NW Statement ten days later than the beginning or end of the accounting period could skew the information needed for inventory adjustments to analyze profits. Table 1 shows a sample NW Statement with important information about your business.

Current assets (\$48,500) minus your current liabilities (\$36,850) shows Working Capital (WC) of \$11,650. Current assets divided by current liabilities gives a Current Ratio (CR) of 1.32. Working Capital should be enough to cover family living and current debt payments with a current ratio of 1.5 or higher meaning that is the amount of assets in excess of liabilities that can be turned to cash within the next year.

In this example, with WC at \$11,650 and CR at 1.32, a lender would be concerned about the farms ability to make payments in the short run. The NW Statement measures the distance between you and insolvency (Net Worth less than \$0) and thus is the first and most important step to assess where you are in your business at a particular point in time. This NW Statement also shows a 57% debt/asset ratio which could also be a concern to a lender.

The second statement needed is the Net Farm Income from Operations (NFIFO) statement (next page, Table 2). While the NW statement below shows beginning and ending points, the NFIFO statement in Table 2 shows how you got from beginning to end. It is extremely important that producers take their cash records and then account for changes to inventory and other things that don't get “turned into cash” that same year...like a gain or loss in cattle or crop inventories, and even depreciation. It is truly a gain or loss, but is not turned into cash during the year.

On the next page are the components of a NFIFO Statement (Table 2) showing both cash and non-cash income and expense changes from the NW Statement. These adjustments after Net Cash Farm Income is calculated use a + or – sign to reflect the gain or loss in the adjustment.

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Table 1. The Net Worth Statement (or Balance Sheet)

Farm ASSETS (what you own)		Farm LIABILITIES (debt you owe)		**JAN 1, 2009	
Current		Current			
Cash, Savings	\$7,500	Taxes Due	\$2,350		
Feed on hand	\$35,000	Accts Payable	\$22,000		
Acct. Receivables	<u>\$6,000</u>	Principal Due	<u>\$12,500</u>		
Total Current	\$48,500		\$36,850		
<i>Note: \$48,500 - \$36,850 = \$11,650 of Working Capital</i>		<i>\$48,500 / \$36,850 = 1.32 Current Ratio</i>			
Non-Current		Non-Current			
Cows /Heifers	\$167,000	Dairy Bank	\$142,000		
Machinery/Eq.	\$103,000	Creamy Creditor	\$119,000		
Buildings/Land	<u>\$330,000</u>	Land Contract	<u>\$69,000</u>		
Total Non-Current	<u>\$600,000</u>		<u>\$330,000</u>		
Total Assets	\$648,500	Total Liabilities	\$366,850	57% Debt/Asset	
Assets – Liabilities = Net Worth		\$648,500 - \$366,850 = \$281,650			

Table 2. Net Farm Income from Operations (NFIFO)

= Cash Farm Income (from Schedule F)
 - Cash Farm Expenses (from Schedule F)
 = Net Cash Farm Income (+\$300 per cow)
 + Prepaid Expense Adjustment (End-Beg)
 - Accounts Payable Adjustment
 + Feed Inventory Adjustment
 + Livestock Inventory Adjustment
 - Depreciation
 = NFIFO
 - Equity @ 6% (opportunity cost of capital)
 = Return to Unpaid Labor

The reason net cash farm income needs to be adjusted for inventory can be seen in Table 2 showing a net cash farm income of \$300 per cow. This does not mean the farm made \$300/cow because they may have lost more than that in feed or livestock inventory adjustments. Dairy farm managers are encouraged to break down farm income and expenses on a per cow and per hundredweight basis. Return to Unpaid Labor, often the managers annual pay, should be higher than family living expenses. If not, it could be cause for concern, because it can create a negative cash flow without other nonfarm income. This leads to the third important statement—the Cash Flow Statement—which shows all sources and uses of cash, monthly or yearly.

Table 3. CASH FLOW STATEMENT

Beginning Cash Balance \$1,500
Non-farm Income \$0
Income Taxes Paid \$21,465
Principal Payments \$20,000
Family Living Expenses \$45,000
Capital Purchases \$12,000
Capital Sales \$0
New Monies (loans, savings, etc.) \$0
Net Farm Cash Income \$134,798
Ending Cash Flow \$36,333

The example dairy has a \$36,333 ending cash flow which is a 7-8% surplus. However, ending cash flow under 10% may lead to trouble if prices paid or received change and put the farm at risk. Producers may even be experiencing or projecting negative ending cash flows. In this situation, decisions need to be made and solutions need to be developed ASAP to deal with mounting bills and other financial obligations before they get out of control.

Managing Feed Costs

By Lee Kilmer, ISU Extension Dairy Specialist

Typically, feed costs account for half or more (40-60%) of the total cost of producing milk. The current financial challenge has many producers asking *“how can I reduce feed cost without losing milk?”* While there is no one answer that will work for everyone, here are a couple of ideas to consider:

1. Reduce “over-feeding”. Many dairy producers will feed for a 5% refusal rate with the goal of always having feed available. Reducing the target from 5% to 2% could save almost \$4/cow each month. Although refusal feed from the milking string is often fed to other animals on the farm, it is more expensive than what they really need. Feeding for less refusal and feeding more often could help save money.
2. Look at every ingredient in the ration. If your not sure, take it out...or at least get another opinion.
3. Test your forages often. Now is not the time for “book values”. Fiber, energy and protein content of alfalfa and corn silage can vary widely between fields, and sometimes even within field causing more supplement feeding or less milk production. Either way, you lose. Test often, especially if you notice changes in milk, manure or the forages themselves.
4. Ask your nutritionist to formulate dairy cattle diets at the recommended level, but not above. Although diets balanced for higher nutrient levels do offer some insurance against limiting production, even cheap insurance can be expensive in times like these. Sharpen your pencil and feed to meet, but not exceed the nutrient requirements of your cows.
5. Regularly monitor the moisture of your wet feed stuffs...at least a couple times each week if not daily. Dry matter content of haylage and silage will dictate the quantity of most other ingredients, including supplemental purchased feeds. The payback from a microwave or Koster moisture testing equipment is literally over-night.

The bottom line is current conditions require dairy farmers to do everything possible to cut costs without giving up production. The old saying, “penny wise and pound foolish” certainly can apply if cost cutting measures are made randomly with out good, sound advice. Be careful about just cutting for the sake of cutting...your intended results could boomerang and make the situation worse. Talk to your nutritionist and veterinarian about possible ways to make your feeding program more cost effective.

Options for Financing On-going Farm Operations

By Tom Anderson, former Shawano Co. UW-Extension Agriculture Agent with input from local Agriculture lenders

Sometimes, things just don't work out. And, when combined with high input costs and low commodity prices, it creates a real challenge for the farm checkbook. What follows are some thoughts from local agricultural lenders about securing credit to bridge those unexpected expenses.

How does a farm operator take advantage of cash discounts, meet unexpected costs, and stay current on existing accounts to preserve a good credit rating? While some farmers pay cash, an operating loan is the most common way to meet annual occurring expenses such as feed, seed, fertilizer, fuel and taxes. Operating loans are structured as closed end or open end lines of credit. Many will automatically extend credit to your checking account avoiding frequent trips to the bank, as well as the embarrassment of checks returned due to insufficient funds.

What are the repayment terms for operating loans?

Repayment terms for operating loans vary by lender. Some may need to be repaid with monthly payments over 12 months. Other lines of credit require a set amount of the principal be repaid each month. And still others require interest is paid each month and the principal repaid some time during the year as the borrower has the ability to pay.

Do farm operations need collateral for an operating loan or a line of credit? In most cases, livestock, machinery or the crop to be grown, harvested, and sold secure operating loans and lines of credit. In a few cases, it is possible that an unsecured line of credit could be extended to a farm operator if financial statements can show financial stability and an excellent credit history.

What other options are there for operating credit if existing collateral is already pledged on other loans?

You can seek point of purchase financing from the seller or vendor of the seed, fertilizer, or feed you are buying. You may also request that your existing lender look at restructuring your debt, or shifting some of your debt to other collateral. Finally, you might explore the option of refinancing with another lender.

What if this unexpected operating loan results in a negative monthly cash flow? You may have to ask your lender to treat your operating loan request as an extraordinary occurrence. That may allow for a longer payback period than one year. While it is true that amortizing your operating expense over several years will improve cash flow, it is not a good practice to follow except in a true emergency. In extreme cases, you may need to pledge additional collateral such as land to secure operating capital.

What approach should I take with my lender? Establish a routine of getting your annual line of credit worked out as early in the year as you can. Once you have your farm earnings statement and updated balance sheet, make an appointment with your lender. This should happen no later than March. Then if you need access to additional funds, contact your lender as soon as you are aware of your need for new credit. Be prepared with your specific request. The turn around time for approval may vary from one day to several weeks.

Are there any state or federal loan programs that exist for emergencies? Wisconsin has a WHEDA CROP program for financing certain operating expenses such as feed. The loans range from a minimum of \$2000 to a maximum of \$100,000. These loans are guaranteed to the lender. The maximum interest rate is the prime rate, plus 1%. The non-refundable application fee (1% of the loan or a minimum \$500) can generally be included in the loan. To qualify, your debt to asset ratio must be greater than 40%. These loans are commonly secured with the crop or the feed being financed. WHEDA loans are to be repaid by March 31st of the following year. WHEDA loans are available through participating agricultural lenders and farm supply cooperatives. More information on the WHEDA CROP loan program is available through the WI Department of Commerce at 608-264-6856.

The USDA Farm Service Agency also provides direct loans and, from time to time, federal emergency loans. Contact your local FSA office to see if there is an emergency loan Program or direct loan program available to meet your needs. Farm Service Agency also has programs for guaranteed operation loans and line of credit programs. Contact your agricultural lender for details about these guarantee programs. FSA loans for Waupaca and Outagamie County are administered through the Shawano County FSA office (715-524-4814).



<p style="text-align: center;">Silo Gas by Cheryl Skjolaas, UWEX Ag Safety Specialist</p>	<p style="text-align: center;">Conservation Stewardship Program by Lisa Neuenfeldt, Waupaca County NRCS</p>
<p>Where does silo gas come from?</p> <p>Shortly after green plant material is ensiled, it begins to ferment. Oxygen then combines with plant nitrates and nitric oxide gas is released. This combines with oxygen in the air to form nitrogen dioxide, a heavier-than-air, toxic gas which can injure or kill people or animals. Silo gas forms within a few hours up to 3 weeks after filling conventional, non-airtight upright silos. Dry growing conditions may leave more nitrates in the plant material. Weeds and corn are both naturally high in nitrates. Nitrate levels in corn can be higher after rain following a dry period. Harvesting the plant higher can help reduce nitrate levels.</p> <p>What is “silo-filler's disease”?</p> <p>Silo-filler's disease is the term for lung injury from exposure to silo gas. Inhaling even a small amount can result in serious, permanent, or fatal lung injury. The nitrogen dioxide combines with water in your lungs to form highly corrosive nitric acid. High concentrations of nitrogen dioxide may make a person helpless in 2-3 minutes. Symptoms include coughing, burning, shortness of breath, chills, fever, headaches, nausea, or vomiting. While symptoms may not be obvious at first from mild exposure, in 3-30 hours there is a slow, progressive inflammation of the lungs which can result in fatal fluid buildup in the lungs. Relapse 2-6 weeks later may also occur.</p> <p>How can you prevent silo-gas exposure:</p> <ol style="list-style-type: none"> 1) Stay out of the silo for at least three weeks after filling. 2) Be alert for bleach-like odors and/or yellowish brown gases in or near the silo. 3) If you must enter the silo to set the unloader, do so immediately after the last load. 4) Do not wait several hours or overnight. Run the blower 15-20 minutes before entering and keep it running while inside. 5) Keep a door open at the silage surface, and have someone keep in contact with you while in the silo. 6) Ventilate silo room for up to three weeks after filling. 7) Keep the silo room door closed to prevent silo gas from entering the barn and affecting the animals. 8) If you experience throat irritation or coughing in the silo, get fresh air immediately. 9) <i>See your doctor immediately after exposure to silo gas.</i> 	<p>Sign-up Now for CSP in 2010</p> <p>Farmers can now sign up for the Conservation Stewardship Program (CSP) at the NRCS office in the USDA Service Center in Waupaca. CSP encourages farm and forestry producers to maintain existing conservation activities and adopt additional ones in exchange for annual payments. The 2010 sign-up continues through January 14.</p> <p>CSP involves a five-year contract with the farmer or forestland owner to maintain existing conservation practices and implement additional conservation practices during the life of the contract.</p> <p>Who is eligible for the Conservation Stewardship Program (CSP)?</p> <ul style="list-style-type: none"> • You must be established as an operator with the USDA Farm Service Agency prior to application, • You must have documented control of the land for the term of the contract (5 years), • The applicant and the farm must be in compliance with highly erodible land and wetland conservation provisions, • The applicant must have non-farm income less than \$1 million or meet the adjusted gross income provisions. <p>There are many questions and issues that are covered in the CSP application and in the ranking process. The current and planned level of stewardship will be evaluated and ranked for various resource concerns, such as soil erosion, soil and water quality, energy, air quality and wildlife habitat. Those who demonstrate high levels of stewardship across more areas will likely be rated higher and more likely to receive funding.</p> <p>The national average CSP annual payment is mandated by Congress at \$18 per acre for cropland and \$9 per acre per year for forestland; however, payments to individual farmers and forest land owners will vary.</p> <p>Contact the Waupaca NRCS office for more information or to set up an appointment to further explore the Conservation Stewardship Program (CSP). The NRCS office in Waupaca is located at 1337C Royalton Street (same building with FSA across from the Courthouse). For more details, call (715) 258-8380 or go online at:</p> <p style="text-align: center;"><u>www.wi.nrcs.usda.gov/new_csp</u></p>

Staying Up In A Down Economy...continued

Talk with family members...stress will often cause us to “clam-up” and fail to talk with the most important people in our lives. It happens because we might be embarrassed by the situation or feel we’ve failed, or it may be we just don’t know what to say or how to say it. But chances are family members already know there are problems...tension doesn't lie. Talk openly with family to help you get the concerns/frustrations off your chest. You might get their help resolving the issue. Share your situation in an open, honest way that is sensitive to other family members concerns. It could be one of the most helpful conversations you ever have.

Build a positive support system...one of the most common responses when we find ourselves under long-term stress is to withdraw or pull back from family, friends, church, school, or organizations. Although common, it’s not healthy because family, friends, and other people in our life provide us with a great buffer for stress by allowing us to vent, explore options and identify resources that can help in difficult situations. Build and maintain trusting relationship with people who are in a position to help you succeed.

Deal with conflict...proactive communication on your part is the key. Consider these guidelines:

-- Talk directly with the other person. Don’t avoid or go around them or it will make the situation worse. If you have overdue bills or miss any payments, talk to your lender or creditor and share your situation with them. Offer to work out a repayment plan.

-- Choose a time that works for both of you. Be considerate of the other person’s schedule and find a time when you can truly focus on the issue.

-- Take a listening stance into the conversation. The other person will be more likely to listen to you when you have demonstrated that you are listening to them.

-- Be assertive, but not aggressive. Make sure you help the other person understand your perspective and be clear about your needs.

-- Talk it all through. Don’t avoid the big, uncomfortable issues or they will come back to haunt you.

--Identify mutually agreeable solutions. Strive for win/win solutions and keep talking about options until you find one that will work for both of you.

-- Reach out for help. There are mediators available to help settle difficult conflicts so seek out help if you reach an impasse with the other person.

Take time to laugh and play...when times are tough, farm families often work harder by farming more land; milking more cows; starting a new enterprise or business venture; or working off-farm jobs. This can also lead to a loss of perspective, and your humor. It’s important to take time to laugh, play and to engage in fun activities with others. By getting together with others, you are also strengthening your support system. Both things are important during tough times!

SIGNS OF DEPRESSION OR SUICIDAL INTENT

The more signs or symptoms, the greater the concern and need for intervention. If someone is exhibiting the following signs of depression or suicide, it is important that they get help ASAP. All cries for help, obvious or otherwise, need to be taken seriously.

Depression:

- Appearance:** sad, slow movement, unkept look
- Unhappy feelings:** discouraged, listless, hopeless
- Negative thoughts:** “No one cares” or “I’m a failure”
- Reduced activity:** everything is a big effort
- People problems:** avoiding people and feeling lonely
- Physical problems:** sleeping less or more headaches
- Guilt and low self-esteem:** “It’s all my fault,”

Suicide:

- Anxiety or depression:** Intense feelings of anxiety or depression; both may be present
- Withdrawal:** lacks friends and support; prefers to be alone
- Helpless/Hopeless:** Sense of complete powerlessness
- Alcohol abuse:** often there is a link with suicide
- Previous attempts:** May have discussed or even attempted suicide previously
- Suicide plan:** Frequent thoughts of a specific plan
- Cries for help:** Making a will, giving possessions away; statements like “I’m calling it quits” or “My family would be better off without me”.

For more information, contact the WI Farm Center Hotline at 800-942-2474. Also, a number of additional resources are available through UW-Extension at:

www.uwex.edu/ces/ag/farmingindifficulttimes/

<http://dairyteam.uwex.edu/>

www.uwex.edu/ces/dairymgt/tools/index.cfm

Waupaca County UW-Extension
Courthouse
811 Harding Street
Waupaca, WI 54981

Non-Profit Organization
U.S. Postal Paid
Waupaca, WI 54981
Permit No. 3



Upcoming Events:

November 4

UWEX Farm Finance Work-
shop "Managing Thru The Mess"
Masonic Center, Manawa

November 11

Local farm visits with UW-
Extension Ag Engineer

November 17

UWEX Pest Mgmt Mtg; Fond
du Lac Co. 920-929-3170.

November - December

2nd Annual Crop Production
Webinar Series, Lower Level
Courthouse, Waupaca
Dates & Times TBA

January 5, 12 19

Cow College 2010

Wednesday, November 4th
"Deal or No Deal...
Managing Thru This Mess"



*This program will be held at the new Masonic Center located just north of
Manawa on Hwy 22.*

10:30 a.m. Managing Market Risk: Pricing Your Inputs & Outputs

11:15 a.m. Calculating & Using Your Cost of Production

12:00 noon Dinner (chicken & beef)

12:45 p.m. Finance Options for 2010

1:30 p.m. Other Options & Resources to Consider

**Register by calling the Waupaca Co UW-Extension Office at 715-258-6230 or
send an Email to: greg.blonde@ces.uwex.edu by Friday, October 30th.**

**Cost is \$20 (no charge for second person from the same farm). Payment will be
collected at the door. Check with your lender to see if they are sponsoring custom-
ers to attend this meeting. Participants or their lender must contact Waupaca Co.
UWEX office no later than Friday, October 30th.**