

How will Pennsylvania maintain it's position as a top dairy state?

By SHERRY BUNTING
Special for Farmshine

HARRISBURG, Pa.—Facing low milk prices ahead for 2009, it's difficult to think about growth and opportunity. But Penn State Dairy Alliance information management specialist Brad Hilty would argue there is no better time than the present for the dairy farmers of Pennsylvania to take stock of their future.

In addition to its aggressive agenda of general session speakers, breakout session topics, and interactive discussions, the upcoming Pennsylvania Dairy Summit, Feb. 11 and 12, will also highlight the smorgasbord of available resources for operating a successful dairy farm. The showcase of resources is a pre-Summit bonus beginning at 8:00 a.m. on Feb. 11.

Among these resources are the business and management tools offered by the Penn State Dairy Alliance

"If ever there was a time that people need to look at their operation and see if they need to make changes: It's now," says Hilty, noting the importance of understanding the factors that limit profitability in different herd sizes and how shifts in management strategies can

improve profitability.

Hilty grew up on a small dairy farm. He loves dairy farming and the people involved in it. This fuels his dedication to constantly analyze the business side of dairying. And what he sees concerns him.

Growth is occurring at a rapid rate in other states, but Pennsylvania is losing ground. The business model research Hilty recently completed shows some of the challenges in Pennsylvania, as well as the opportunities.

In fact, during the months ahead in 2009, the PDMP page in *Farmshine* will feature a series of stories providing an in-depth look at the shape of Pennsylvania's dairy industry and the opportunities for making it stronger.

"We have 8400 herds and 85% of them are less than 100 cows," says Hilty. "My research shows that in 2005 and 2006 (covering both a high and a low milk price year) a vast majority of those herds were unprofitable."

By unprofitable, Hilty means this: "By the time we pull out fair compensation for labor and management (to the owners), what was left over for capital investment was negative. That is like taking money and depositing it in the

bank and thanking the bank by giving them 4% for holding it for you."

"What many producers fail to take into account is the concept of how much money they need to draw out of that business as a percentage of revenue for labor and management," says Hilty.

When he talks about business "growth," he's not talking just about adding more cows, but rather having a business model that allows for a minimum of 10% growth in the business per year. That growth can occur in production per cow, additional cows, or other opportunities to return more revenue to the dairy.

So, how can dairies adjust their business model to be more profitable in the future?

Hilty will open eyes next week with the results of his research during the first part in a special Profit Strategies learning series for dairy farmers at five locations throughout the state. The series will begin on Jan. 28 and includes a follow-up schedule for February and March. The program will be conducted from the Penn State University Harrisburg campus, but producers in other parts of the state can participate at satellite locations in the following

counties: Blair, Bradford, Lebanon, Somerset and Westmoreland.

Hilty will be joined by other instructors as well as a panel of three producers: Dale Hoffman (PDMP vice president) who's family operates a 680-dairy in Potter County; Glen Moyer, who operates a 300-cow grazing dairy in Bedford County; and Joe Hess (PDMP member) who's family operates a 350-cow dairy in Lancaster County.

Where is our dairy industry today and where is it going to be in 5, 10, 15 years? That is the question.

"If we ignore the signs and fail to make the changes we need to make to be profitable, it will be extremely difficult down the road," says Hilty, who is encouraged by the increase this year in people taking the accounting workshops to improve the quality of their business records. But that's just the beginning.

"What are the solutions our producers can implement to be competitive for the long term?" Hilty relates. "Our goal is to help people develop a plan for restructuring their dairy business so they can be profitable."

Animal well-being is more than a consumer issue

Summit breakout session will feature the profit opportunities

2009 PENNSYLVANIA DAIRY SUMMIT REGISTRATION

(Please print or type. Make a copy of this form for your records. Confirmations are only sent by email.)

Dairy Producers Register Here for WIB Discount (SS# Must be Provided to Receive WIB Discount)	All Others Register Here
Contact Person's Name _____	Contact Person's Name _____
SS# (Required) _____ Employer ID (if available) _____	Title or Position _____
Farm Name _____	Business/Organization Name _____
Mailing Address _____	Mailing Address _____
City _____ State _____ Zip _____	City _____ State _____ Zip _____
Daytime Phone _____ Daytime Fax _____	Daytime Phone _____ Daytime Fax _____
Email _____	Email _____
2nd Person _____	2nd Person _____
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<i>This form may be photocopied to add more names.</i>	<i>This form may be photocopied to add more names.</i>
Producer Registration to Attend the Full Summit: WIB discount does not apply unless SS# is Provided Above _____ people at \$80 = \$ _____ <i>This fee represents a \$120 per person WIB Discount.</i>	Registration to Attend the Full Summit: First Person at \$200 = \$ _____ _____ Additional people at \$150 per person = \$ _____
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Help us plan accurate seating and control costs. How many of the people registered on this form will actually attend the meals included in their registration?	Wednesday, Feb. 11 <input type="checkbox"/> People for Lunch <input type="checkbox"/> People for Reception <input type="checkbox"/> People for Dinner	Thursday, Feb. 12 <input type="checkbox"/> People for Breakfast <input type="checkbox"/> People for Lunch
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LANCASTER, Pa.—Over the past year we've been hearing a lot about food safety and animal well-being. Most dairy producers today recognize the need for demonstrating and communicating their commitment to safe, high quality milk production as well as their commitment to caring for their animals. This topic encompasses far more than just satisfying the desire of consumers to know more about where their food comes from and how it is produced. It comes down to the fundamentals of profitability on the dairy farm... beyond the price producers receive for their milk.

At the upcoming Pennsylvania Dairy Summit Feb. 11 and 12 in Lancaster, producers will have the opportunity not only to learn what the experts are seeing in consumer trends and issues that will affect the dairy industry, they'll also get to hear about a progressive, practical and profitable program developed in Pennsylvania this year: Dairy Animal Care & Quality Assurance.

For producers who are curious about how to get more money for their cull cows and bull calves, this program lays out the benefits of making a few quality-minded management changes that can result in selling cull animals from the dairy farm at prices averaging \$300 to \$400 more per market cow.

Furthermore, DACQA guidelines and best management practices help producers improve their overall herd management, which can return significant dollars in the areas of herd health and performance. This program has been developed to benefit both producers and consumers.

During the Dairy Summit general session Wednesday morning, Feb. 11, Dr. Wes Jamison, a professor at the University of Florida and Dr. Jim Reynolds, bovine practitioner with the University of California Davis Veterinary Medicine Research and Teaching Center will talk about "Animal Well-Being: An Opportunity and an Obligation."

Jamison is well-recognized for his research in the U.S. and Europe on ag politics, particularly related to the animal/human interaction and urban-rural issues. Reynolds chairs the American Veterinary Medicine Association Animal Welfare Committee.

Together, they will bring us up-to-date on the issues confronting dairy producers and how to safeguard the "social license" to operate our dairy farms.

Later in the afternoon on Feb. 11, the Summit breakout sessions will include a session about "DACQA: The Benefits of Doing the Right Things."

Paul Slayton, executive director of the Pennsylvania Beef Council and Drew Wilkins, cattle procurement manager for Cargill Meat Solutions, Wyalusing, will lead this breakout session where producers will not only learn how PDMP, Center for Dairy Excellence and Dairy Stakeholders worked with the Beef Council and extension veterinarians from Penn State and University of Pennsylvania to develop this program, they will also come away with a different outlook on the value of their cull animals to the food supply and practical tips for capturing this value in what they are paid for them.

