

Graze

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'by graziers, for graziers'

From zero to \$300,000 in five years

Young couple shows there's money in start-up grass dairy

By Larry Tranel

There is no money in dairying. Dairying is too much work. It takes too much capital to start dairying.

You can't graze dairy cows profitably. You cannot outwinter dairy cattle and survive. You can't crossbreed dairy cows. You can't start dairying with high-priced land and cows.

You can't be profitable with 15,000 pounds of milk per cow. One person cannot handle 80 cows. Profits of \$1,000 per crop acre or \$1,000 per cow for return to labor cannot be done. Earning \$30-\$50 per labor hour milking cows is impossible. Landlords are better off getting rid of the dairy cows and cash cropping the farm. You can't earn a 20% return on assets from dairying. You need more than 80 cows or 80 acres to make it dairying. The naysayers go on and on.

Enough is enough!

There is money in dairying! All the negative statements above can be translated to realistic, positive statements, as all these things are being done on dairy farms.

And they can be accomplished by young, start-up farmers if they can find the right opportunity. By following some basic principles for production and labor efficiencies, a young dairy farm family can leverage the advantages offered by management-intensive grazing to make an excellent family living and rapidly accumulate business equity. (See article on page 10.)

Eric and Amanda Gaul, who are renting my farm in southwestern Wisconsin, are a shining example of this. In just five years, and without any off-farm income, Eric and Amanda have gone from virtually zero net worth to more than \$300,000 in net equity through astute use of the tools offered by grazing.

Many of the details of that farm and our progress to that point were included in the October 2005 edition of *Graze*. What follows is a brief review of those details, along with an update on the progress Eric and Amanda have made since then.

The Gauls and I began planning and signing contracts in the fall of 2002 for a 32-stall barn on 70 acres. Together we built a swing-10 milking parlor in a lean-to (just over 15 feet wide) off the stall barn at a total cost of \$12,000, plus a few thousand dollars more for used milkhous equipment. We replaced the old stanchions and a maternity area with sand-bedded freestalls. The alley floors were lowered to the depth of the barn cleaner gutters to allow skid-steer cleaning. With sweat equity and used stall dividers, the capacity of the old barn was increased by 50% at a cost of \$2,500, while labor demands in the barn were actually decreased despite the additional cows.

We added a fence-line feeder (about \$1,000) and a small manure pit. For more cattle housing, we added six "cow-tel" freestalls under another lean-to at a total cost of less than \$50 per stall. In the following three years, 33 more cow-tels were added in a new single-row, open-sided shed along a concrete cattle lane. The per-stall cost for this housing averaged less than \$200.

The property had been in grass, but was re-seeded to boost productivity. This is highly productive and well-drained land that is capable of handling more than a cow per acre with proper grazing management and moderate levels of supplemental feed.

All told, about \$35,000 was spent on facilities and pasture upgrades to triple this farm's capacity from the original 32 cows, with the Gauls paying about one-third the total along with half the labor to install the improvements. In doing so, we improved labor efficiencies enough to allow the Gauls to operate a 90-cow dairy with no more labor than they would have needed with the old 32-stall set-up.

In year one, Eric started out as a sharemilker earning 25% of the milk check in return for his labor. In years two and three, the Gauls took ownership of the cows on a note from a private lender. In 2003 they purchased 90 cows valued around \$1,200 apiece, along with \$15,000 in machinery. The value of the machinery line grew to \$48,000 by 2007. By 2007, Eric and Amanda held just \$35,000 in debt.

The Gauls and I had developed a projected budget, and that budget has been more than matched, according to analyses through my Dairy TRANS financial monitoring program.

Yes, there were some good to great milk prices during those four years: the Gauls averaged \$17.11 per

hundredweight for milk from crossbred dairy cows with a Jersey and Holstein base, shipping just over 15,000 pounds of milk per cow. About two-thirds of the herd is calved in the spring.

The average return to labor after an equity charge was taken out was \$84,277 over that period, ranging from \$55,577 in 2006 to \$134,080 in 2007. Not too bad for a young guy who didn't go to college! While there are financial risks with this, where else can a young person earn that much?

Thanks to the grazing and crossbreeding, the culling rate has averaged under 20% per year, which earned the Gauls an annual average of \$24,150 in breeding livestock gains. The Gauls have about 31 hours of annual labor per cow thanks to the seasonal calving, the low-cost parlor, and the grazing and feeding systems. Purchasing feed rather than growing it also contributes to this low labor cost. Labor earnings per hour ranged from \$25.26 to \$44.69, and averaged \$34.99. Again, not bad!

Average milk production cost, with all labor and equity charges included, was \$12.97 per hundredweight over the four years. The gross income per hundredweight equivalent (including cattle sales and other non-milk income)



In this 2005 photo, landlord Larry Tranel and renters Amanda and Eric Gaul stand in front of "cow-tel" freestalls they built along the concrete lane leading to the paddocks. Such low-cost, yet labor-efficient innovations have been key to the Gauls' tremendous financial progress since starting five years ago with no equity.

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