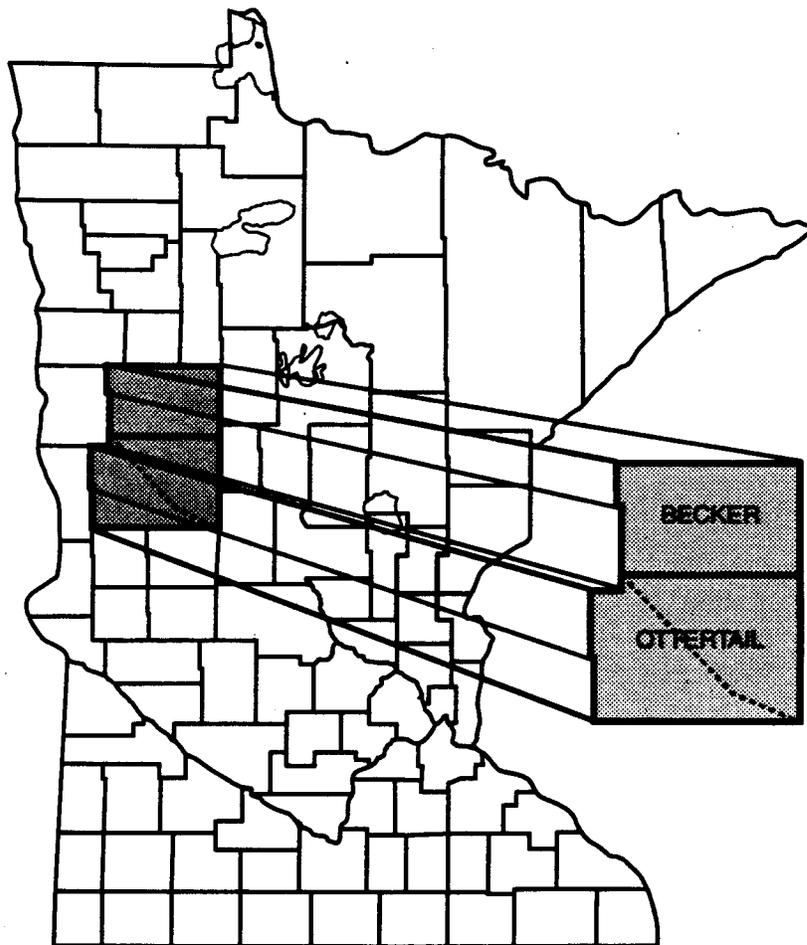


BECKER/OTTER TAIL DAIRY RETENTION AND ENHANCEMENT PROGRAM

Executive Summary
June 1995



State Sponsor:

Minnesota Extension Service/University of Minnesota

Local Sponsors:

Land O'Lakes, Inc. Cheese Plant, Perham
Otter Tail Power Co., Fergus Falls
Perham Co-op Creamery

Becker/Otter Tail Dairy Retention and Enhancement Program

**Executive Summary
June 1995**

Overview

On January 5, Becker/Otter Tail dairy operators, agricultural industry leaders, and community officials undertook a Dairy Retention and Enhancement Program in Becker County and Otter Tail County. Seventy-four community leaders visited 132 dairy farms to learn about their concerns, information needs, and future plans.

The primary goal of this program was to help community leaders, farmers, and agribusiness leaders develop action plans to strengthen the area's dairy industry.

The surveys were sent to the University of Minnesota and entered into a computerized data base. After some analysis, a team of 35 dairy professionals (university faculty, state agency personnel, Becker/Otter Tail farmers, and business people) met to review the research results and to develop suggested recommendations for the Becker/Otter Tail Dairy Task Force.

On April 28 and May 17, 1995, the Becker/Otter Tail Dairy Task Force established the priorities reported here for initiatives to strengthen the dairy industry in these two counties.

Becker/Otter Tail Leaders in the Program

There were 74 local leaders from Becker/Otter Tail counties that organized this program. The Leadership Team served as an executive committee to organize the details of the program. The Task Force and volunteer visitors provided overall guidance, visited firms, and participated in the retreat to determine the final priorities.

The local effort was guided by a Business Retention and Expansion Master Consultant who was certified by Business Retention and Expansion International as a qualified professional in BR&E.

BR&E Master Consultant:
Nancy Nelson, MN Extension Service

The Leadership Team:

Ken Herbranson, BR&E chairman and dairy producer
Mark Helland, econ. dev. consultant
David Rupp, Farm Credit Services
Allen Schroeder, dairy producer
Julian Sjostrom, dairy producer
Jerome Stenberg, dairy producer
Gene Zepper, dairy producer

Lisa Axton, ext. educator-Becker
Denzil Cooper, ext. educator-Otter Tail
Harold Stanislowski, ext. educator-
Otter Tail

Task Force and Volunteer Visitors:

Dean Aanderud, banker
 Chuck Arvidson, dairy producer
 Art Bakker, Farm Credit Services
 Gerry Beehler, veterinarian
 Chuck Berg, Mid-Am milk plant
 Angela Berge, extension educator
 Phyllis Beyer, banker
 Myron Brusven, Farm Credit Services
 Denzil Cooper-extension educator
 Bruce Coufal, dairy producer
 Winty Dokkebakken, Mid-Am
 milk plant
 Rick Drevlow, banker
 Carolyn Engebretson, co. commissioner
 Roger Engstrom, dairy producer
 Pete Fjestad, Farm Bureau
 Chuck Fredley, financial institution
 Donna Geiser, extension educator
 Greg Gilbertson, dairy producer
 Brad Grant, Becker Soil/Water Dist.
 Mike Guetter, banker
 Steve Gunderson, businessman
 Tom Haggart, veterinarian
 Mike Halbur, Farm Credit Services
 Roger Hallberg, LOL milk plant
 Gunder Hanson, school administrator
 Brian Hartmann, businessman
 Jon Holzhauer, dairy producer
 Sheila Holzhauer, dairy producer
 Lee Johnson, district commissioner
 Norm Kolstad, MN Milk Producers
 Curt Kozitka, Farm Service Agency
 Mike Leonard, banker
 Mark Levang, businessman
 Jeff Lukken, veterinarian
 Harlan Lycne, insurance
 Dr. Mike Magnusson, veterinarian

Don Matteson, banker
 Bruce Meyer, lender
 Ron Monson, dairy consultant
 Bruce Nelson, dairy producer, DHI
 Syd Nelson, Rep. Peterson's office
 David O'Gorman, economic developer
 Kevin Olson, Farm Bureau
 Blake Otteson, LOL milk plant
 Kevin Pederson, Perham Coop
 Creamery
 Clarence Peterson, retired manager,
 Rural Electric Coop
 Bob Reinbold, banker
 Mark Remer, Otter Tail Power Co.
 Scott Rocholl, banker
 Lee Rogness, farm machinery lender
 Ken Rose, farm mediator
 David Rupp, Farm Credit Services
 LeAnn Sallstrom, dairy health co.
 Clay Schott, CPA
 Allen Schroeder, dairy producer
 Vern Seal, county commissioner
 John Sethre, farm mediator
 Julian Sjostrom, dairy producer
 Al Sletten, veterinarian
 Geoff Smith, milking equipment
 Harold Stanislowski, ext. educator
 Carol Stender, media consultant
 Darrel Strand, rural econ. dev.
 Keith D. Stavnes, banker
 Jerome Stenberg, dairy producer
 David Tjoass, LOL consultant
 Dick Trana, dairy equipment
 David Veum, minister
 Gene Watnaas, retired ADA rep.
 Tom Welle, businessman
 Harley Windels, county commissioner
 Eugene Zepper, dairy producer

**Participants in
"Suggested Recommendations" Meeting**

**Dairy producers from
Becker/Otter Tail:**
Ken Herbranson
Bill Hurl
Bruce Nelson
Allen Schroeder
Eugene Zepper

**Agribusiness leaders from
Becker/Otter Tail:**
Myron Brusven
Roger Hallberg
Mark Helland
Charles Grunewald
Paul Kinn
Jeff Lukken
Chris Mullen
Clarence Peterson
Karla Rose

University of Minnesota staff:
Brian Buhr
John Fetrow
Earl Fuller
Inhyuck Ha
Bill Lazarus
Dick Levins
Jerry Hammond
Theresa Heiland
Jerry Miller
Doris Mold
George Morse

Minnesota state agencies:
Wayne Marzolf
David Nelson
Sydney Nelson
Elton Redalan

Minnesota Extension Service:
Denzil Cooper
Ed Frederick
Harold Stanislawski
William Stone
David Weinand

Background on Farms Visited

Sample Size and Selection:

The sample includes 132 dairy farms in Becker/Otter Tail counties, or 12.2 percent of their herds. The data were collected in personal interviews of approximately one hour in length, with a 97 percent response rate.

The average herd size of the sample was 65 cows, compared to 46 cows per herd in the two counties. Figure 1 shows the percent of small, medium, and large herds.

Rotational Grazers:

Currently, 7 percent of the sample practice rotational grazing. Another 2 percent expect to be doing this within the next three years, and 11 percent more are considering it.

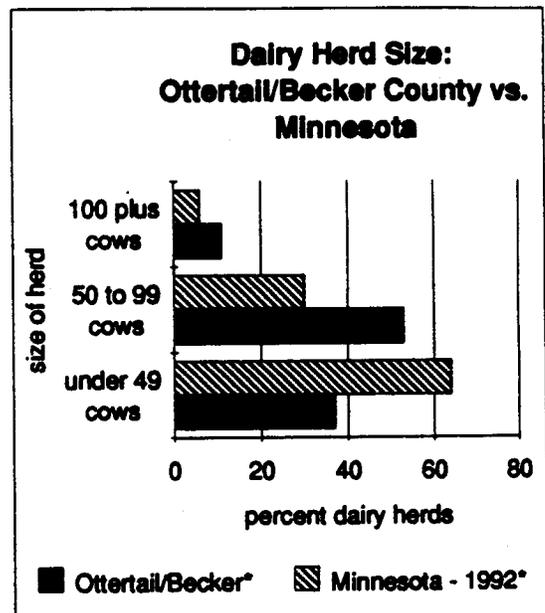


Figure 1

Source: Becker/Otter Tail Dairy Retention and Enhancement Program, Minnesota Extension Service/Ag and Applied Economics, University of Minnesota, 1995.

Length of Farm Ownership:

The average length of ownership and operation of the dairy farm by the survey respondents was 18 years.

Productivity of Herds: Overall, the productivity for the herds in this sample was 25 percent above the counties' 1993 average. Figure 2 shows the percent of high productivity farms by size. Only 30 percent of the small herds had high productivity, compared to 58 percent of the large herds.

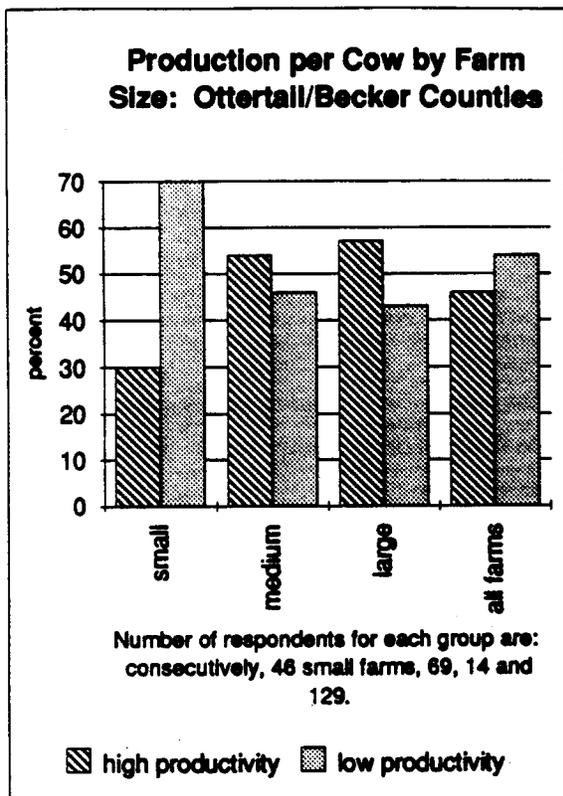


Figure 2

Source: Becker/Otter Tail Dairy Retention and Enhancement Program, Minnesota Extension Service/Ag and Applied Economics, University of Minnesota, 1995.

STRATEGY 1: HELP EXISTING DAIRY HERDS BECOME MORE PROFITABLE

Overview

Minnesota's milk production peaked in 1984, with gradual declines since then. This loss in production might threaten the survival of the milk processing industry in the state. If a region loses its processors, this hurts both large and small producers. There are four ways to make up for the loss in milk volume:

- (1) Increase production per cow;
- (2) increase the size of existing herds;
- (3) attract a small number of large herds; or
- (4) a combination of the above.

Ultimately the retention and enhancement of the dairy industry and production levels in Becker/Otter Tail counties will depend on the ability of dairy farms to provide an adequate income to farm families. Dairy family incomes will depend both on the profitability of their operations and their herd size.

New technologies often lead to higher profits, whether or not the herd size increases. But many producers have questions about which technologies will be profitable for their operations. The Dairy Task Force, with help from regional and state agencies, could help producers evaluate the benefits and costs of adopting alternative technologies.

Survey Findings

Importance of Profits and Income:

Almost all of the producers who that are uncertain about whether they will be in the industry in three years cited low profits as a very important factor. Further, 80 percent of the producers see the increased costs of raising a family as a threat to their operations.

Potential Dairy Expansions:

Over half of all dairy farms in this sample either expect to expand (36%) or are considering it (18%). The largest operations are much more likely to expand than the others (Figure 3).

Over half of the "likely to expand" farms expect to hire additional labor (64%), switch to total mixed ration feeding (63%), add a milking parlor (53%), contract purchase grains (53%), and expand manure storage (50%).

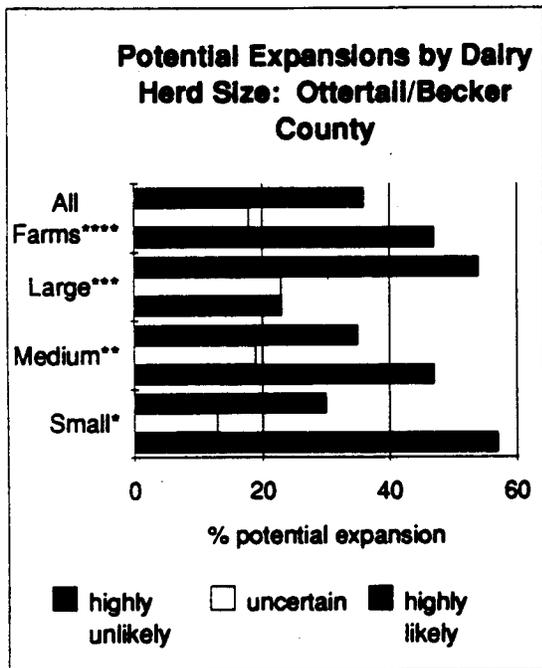


Figure 3

Source: Becker/Otter Tail Dairy Retention and Enhancement Program, Minnesota Extension Service/Ag and Applied Economics, University of Minnesota, 1995.

With the exception of the milking parlor and manure storage, over one-fourth of those not certain about expansion plan to adopt these changes.

Relative to producers not planning to expand their operations, those planning to expand:

- (1) Had less rented land;
- (2) were a little more likely to consider rotational grazing;
- (3) milked large herds;
- (4) had greater production per cow;
- (5) took more weekends off;
- (6) planned to adopt more new technology;
- (7) were less concerned about the non-economic aspects of farming; and
- (8) were more optimistic about the future of the industry.

For those continuing and expanding, the most frequent information requests came on milking systems, labor management, business planning, estate planning, and housing.

Table 1
Information Needs by Dairy Farmers
Becker/Otter Tail - 1995

Information Need	Continuing Uncertain	Continuing in Dairy	
		Expanding Uncertain	Likely to Expand
	-----percent-----		
Milking systems	12	13	33
Labor management	15	20	31
Business planning	27	27	28
Estate planning	19	33	25
Housing	23	40	22
Manure management	19	0	22
Grain feeding	12	27	19
Financial records	15	7	19
Feedlot permits	19	27	17
Forage feeding	8	27	17
Number of respondents	26	15	36

Continuing or Quitting Dairying:

Overall, 73 percent of the respondents reported they are highly likely to continue producing milk during the next three years, compared to 8 percent that are highly unlikely to continue. All of those expecting to quit come from small- to medium-sized farms (Figure 4).

Continued declines in production could result in the contraction or closure of processing plants or input suppliers. This would hurt producers of all sizes.

To make up this milk shortage would require at least 4,212 new cows, assuming average output per cow of 15,000 pounds. For existing farms to make up the difference, each of the remaining farms would need to add at least four new cows. Alternatively, the addition of five new large farms (roughly 800 cows each) would make up the lost milk production.

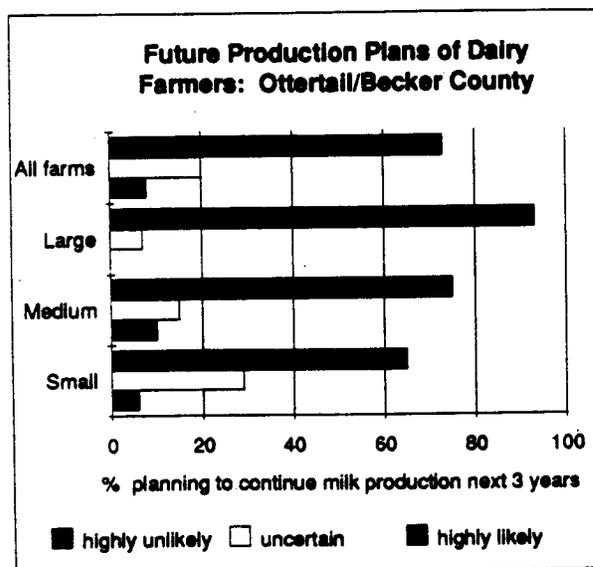


Figure 4

Source: Becker/Otter Tail Dairy Retention and Enhancement Program, Minnesota Extension Service/Ag and Applied Economics, University of Minnesota, 1995.

Project #1: Provide educational programs on business planning for existing dairy herds.

Overall, more producers wanted information on business planning than on any other topic. Those that were uncertain about continuing in the dairy industry considered business planning to be particularly important. Further, 58 percent of those planning to expand cited the development of a business plan as either a challenge (38%), or a possible challenge (20%). Business planning was a part of the Dairy Management Workshops conducted by the Minnesota Extension Service in 1994-95. The Dairy Task Force, in unison with a variety of local and state agencies, will sponsor and promote similar educational programs on business planning.

A local committee, composed of Myron Brusven, Toni Merdan, Allen Schroeder, and Harold Stanislawski, is exploring means of implementing this recommendation. Others interested in contributing to this project should contact them.

Project #2: Encourage all types of profitable dairy operations.

To maintain the infrastructure for our existing dairy herds (processing plants, input suppliers, veterinarians, etc.), milk production in Becker/Otter Tail counties must not continue to fall. The Dairy Task Force feels that no one approach (increasing output/cow; increasing existing herd size; or attracting new large herds) will be adequate. Rather, all three approaches must be pursued simultaneously to keep milk production at current or higher levels.

The Task Force encourages local officials to provide the same opportunities and assistance to both potential new large operations and existing herds that are planning to expand.

Implementation committee:
 Lisa Axton, Dr. Gerald Beehler, Denzil Cooper, Dr. Tom Haggart, Dr. Jeff Lukken, and Dr. Mike Magnusson. Contact them if you could contribute time or talent to this project.

Project #3: Establish Dairy Diagnostic Teams.

Dairy producers in Becker and Otter Tail counties had 240 requests for information on 19 different topics. Assuming all producers requested information at the same rate, this amounts to close to 2,000 separate requests on a wide variety of issues. This suggests the need for a system that helps individual farmers with their unique concerns. The Dairy Diagnostic Team provides this type of individual assistance.

In this program, each farm works with a Diagnostic Team that helps the farmer improve their operation. The team includes a veterinarian, feed dealer or nutritionist, agricultural lender, Minnesota Extension Service livestock specialist, and other dairy professionals. The team, including the farmer and spouse, takes a whole-farm approach to the identification of opportunities for improving the farm's profits and income.

This approach can help producers examine their individual concerns and opportunities. Several Minnesota counties have worked with this approach and can provide valuable lessons on the most effective means of organizing it. To initiate the program, a local group will first visit with producers and Diagnostic Team members from several other areas to learn the most effective approaches.

Committee members for implementing this one are: Denzil Cooper, Roger Hallberg, Ron Monson, and Kevin Pederson. Contact one of these people if you wish to work on this topic.

Project #4: Establish a Dairy Reception Group for new dairy farms.

Recognizing that small- to medium-sized dairy farms will benefit from the addition of additional milk production in the region, whether from small or large farms, the Task Force will start a Reception Group to host a group looking to establish a new dairy farm in the region. They will help individuals or companies to explore this region by providing information on the available resources, land, and infrastructure. This information will also be available for existing herds planning to expand.

The committee working on this project includes: Mark Helland, Dave O'Gorman, Harold Stanislawski, and Jerome Stenberg. Others are invited to join this group.

Project #5: Hire a full-time dairy specialist.

Implementation of a number of these recommendations will require time and expertise. While volunteers are essential on many of these initiatives, they also require an experienced, well-trained professional that can provide unbiased expertise and information in a timely fashion. A full-time dairy specialist for these two counties could help implement each of the above recommendations. This individual could be located with a variety of agencies, including the Minnesota Extension Service.

Given the nature of this project and its connection to all of the others, the entire Task Force will work on this.

**STRATEGY 2:
BUILD UNDERSTANDING OF
DAIRY INDUSTRY LINKAGES
WITH REGIONAL ECONOMY
AND ENVIRONMENT**

Overview

The economies in Becker/Otter Tail counties depend upon tourism and other non-agricultural industries as well as on the dairy industry.

Dairy producers must be alert to the concerns of tourism interests and use production methods that minimize environmental risks and problems. Technical assistance for producers wanting to explore new manure handling methods and financial assistance for those wanting to adopt new methods can minimize conflicts between producers and other economic sectors.

On the other hand, many citizens and community leaders do not understand the degree to which the dairy industry contributes to the state's and the region's economy. When there are concerns about feedlot odors or potential run-off, this lack of understanding may result in unduly severe feedlot ordinances or regulations. It is possible that ordinances might be so restrictive that it slows dairy expansions without any benefits to tourism or other industries.

Survey Findings

Growing public concern with the environment was cited as a potential threat to the dairy industry by 82 percent of the producers, making this the third highest perceived threat. Planning and zoning services in the county were rated as fair or lower by 48 percent of the producers, making this the lowest rated community service.

While the majority of producers felt that other farmers had positive attitudes toward dairying, over 40 percent were perceived to either be indifferent or negative. Those with indifferent or negative attitudes jumps to 73 percent for city residents.

A number of producers (17%) are interested in learning about better ways to minimize odor or run-off problems from manure.

Project #6: Develop balanced planning and zoning regulations.

The Minnesota Department of Agriculture has developed a model set of county guidelines for feedlot ordinances. The Dairy Task Force could invite representatives from both the Minnesota Department of Agriculture and the Minnesota Pollution Control Agency to meet with local leaders and explore options open to the county for local control. The Dairy Task Force will encourage the development of balanced planning and zoning regulations that protect both the dairy industry and the tourism industry.

Implementation committee:

Lisa Axton, Carolyn Engebretson, Harley Windels, and Gene Zepper. Contact them if you could contribute time or talent to this project.

Project #7: Provide public with information on dairy sector economic linkages and impacts.

Dairy farms currently employ about 31,000 in Minnesota, with another 6,300 in milk processing plants. Yet, if current trends continue until the year 2000, employment in dairy farming, processing, and all of the spin-off industries will decline by over 16,000, compared to 1990. This will result in a loss of \$184 million in payroll and \$56 million in state taxes.¹ The Minnesota Dairy Research and Promotion Council and the Minnesota Dairy Leaders Round Table are developing a video to inform the public about these issues. The local Task Force could organize meetings to share this video and to build appreciation for the dairy industry.

Charles Grunewald, Ken Herbranson, and Carol Stender will provide leadership for this project.

**STRATEGY 3:
RESOLVE LABOR SHORTAGES
AND MANAGEMENT ISSUES**

Overview

Labor shortages and labor management are major concerns for the producers surveyed. The inability of many operators to take time off or to have time for their families may be discouraging young people from going into the industry. The lack of time off stems from the inability to find qualified part-time labor and the inability to pay competitive wages to attract hired labor. As new partners are added to operations or more hired labor is added, labor management and cooperation become more important. These labor issues will become increasingly important for dairies that expand.

Survey Findings

The average dairy farm in these two counties employs 2.3 full-time equivalents.

Two-thirds of the dairy farmers have either no weekends off or less than one per month. While 19 percent are satisfied with their time off, the rest are exploring ways to obtain additional time away from farm work.

In addition to the farm income, non-farm income was important to almost one-third of the farms.

¹ AgeNomics Research Dairy Sector Economic Impact on Minnesota. Report to the Minnesota Dairy Research and Promotion Council, St. Paul, Minnesota, October 6, 1992.

Eleven percent of the operators and 36 percent of the spouses worked full-time off the farm.

For those expecting to expand, information on labor management was the second most frequently requested type of information. About one-fifth (19%) of those expecting to expand also anticipate difficulty recruiting labor.

Project #8: Workshops on legal and procedural aspects of hiring and employee management.

The process of hiring new employees can be a major obstacle to expanding a farm's workforce. Workshops on effective methods of advertising and screening job applicants and the legal aspects of hiring can facilitate this.

The Dairy Task Force could invite the Minnesota Department of Agriculture, community colleges, the Minnesota Extension Service, and others to develop programs for dairy farmers with these concerns. The Task Force would need to assume responsibility for promoting the workshops and providing feedback on the specific needs. The purpose of these workshops would be to build employee management skills.

Implementation committee:
Ken Herbranson, Allen Schroeder, and Gene Zepper. Contact them if you could contribute time or talent to this project.

The steering committee for the overall implementation is Mark Helland, Ken Herbranson, and Dick Rupp. This team will work with the other committees to coordinate the projects.

Research and summary authors:
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