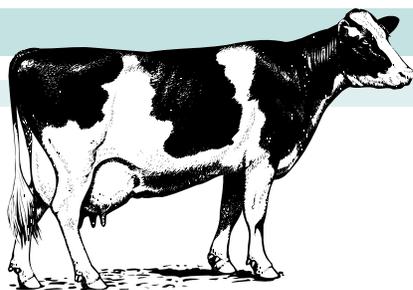




Planning a Dairy Expansion

John F. Smith
Extension Specialist, Dairy
Kansas State University

Joe Harner
Extension Engineer
Kansas State University



Kansas State University
Agricultural Experiment Station and
Cooperative Extension Service

Dairy farm size is increasing in all regions of the United States. In two of the largest dairy states, California and Wisconsin, mean herd size has increased 950 and 250 percent, respectively, since 1950. Dairy herds of 500 cows are common in all areas of the United States, and herds over 1,500 cows are common in the West and Southeast. Many dairy operations are considering expansion of existing facilities or construction of new facilities, to increase efficiency and profitability.

Before adding cows or facilities, dairy producers should answer the following questions.

- Do I want to manage employees?
- How can I improve the efficiency and profitability of the present operation?
- Can production per cow be increased?
- Could the current herd be milked 3× per day?
- Would it be possible to send the heifers to a contract raiser and expand the cow herd?
- What are my financial goals?
- Where do I want to be in five and 10 years?
- What are the expectations of other family members?
- Do I have adequate acreage to expand the herd and manage the waste?
- Do I want to deal with regulatory agencies?

These are just a few of the questions that many producers agonize over when considering options for their dairy operation. This publication will help you explore your options and make a decision that will benefit your dairy operation. It is imperative that all options be considered to make a good decision. It is a three-phase process to expand: (1) financial evaluation, (2) design, and (3) construction.

Financial Evaluation

It is extremely important that a producer conduct a financial evaluation to determine how realistic the dairy operation expansion would be. The evaluation must use realistic numbers. One study indicated 68 percent of expanded farms experienced cash flow problems for two years; of those, 34 percent had serious cash flow problems. Results from a second study, evaluating productivity in New York dairy farms from 1989 to 1992, indicated that farms which had expanded 30 percent had the highest increases in debt per cow and operating expenses per cow. However, this group of dairies also had the largest increase in net farm income, return on investment and milk sold per worker.

Producers who want to expand need to consider the amount of capital that is available for expansion, the return on the dairy expansion compared with use of equity for other investments, and the cash flow benefits from the expansion. Typically, they are required to contribute 40 percent of the expansion cost in some form of equity. The current cost of production per hundredweight and the marginal revenue per cow, as well