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FARM BUSINESS SERVICES
Quarterly Newsletter

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SHIFT HAPPENS: Dairy Industry Migrates Westward

How far west will it go is the question.

In a recent study of New York Agriculture completed by Dehm Associates, more evidence of the dairy industry moving to better soil and climatic resources in the state was uncovered.

Increase in cow numbers between 1990 and 1996 in Genesee, Wyoming, Livingston, Ontario, Yates and Cayuga Counties is consistent with the areas that produce the majority of the New York's cash field crops and vegetables. This implies that the basis for profitable dairy production is very closely related to profitable crop production. And, in farming, profit is associated with the lowest cost of production per unit (bushel, ton, cwt, etc.)

The implications for the location of dairy production are far reaching if one carries the logic further. If the dairy industry is moving to areas of low cost crop production in New York, why not move to areas of low-cost production in the U.S. - say the corn belt states? The traditional response is that transporting milk long distances to market is uneconomical, which it is - for now.

Consider the effect of future technology such as reverse osmosis that reduces the water content of milk by say 70 percent, and then re-hydrate it at the destination market. Now milk can be transported 3 or 4 times further for the same cost. With the possibility of class I premiums disappearing and milk being priced more and more by the market, already thin margins will likely become even thinner in the future.

How can New York farms compete in this new environment? Government can help only by reducing overhead costs. In the long-run, it cannot set or maintain prices. The only way to compete is to produce milk cheaper. This will require the continued adoption of new technology, the implementation of new management strategies and continued commitment to the fine-tuning of current production systems. New methods of managing risk with forward contracting on both ends of the cow will be necessary.

to help dairy farmers analyze their farm business in the NY Dairy Industry Initiative project.

Dairy Business Analysis Improved, Staff Increased

Dehm Associates has developed innovative tools to help dairy farms improve management of the farm business. A system of monthly and annual reports has been put together in a package called the Dairy Business Management Program.

"After 10 years of development, we have a product that meets the needs of growing and progressive dairy farms," notes company president Bruce Dehm. "We have figured out how to reduce the farmer's involvement in the data collection process to virtually zero while providing easy-to-read business management reports on an affordable monthly basis" he adds.

The company has added new staff to meet the demands of a growing base of clients. John Gremer and Marci Frutkoff provide office support and Louie Crocker, formerly of Ag Network, Inc., works as a field representative.

The Dairy Business Management Program is one of the most advanced management tools available - anywhere. It combines colored reports, monthly benchmarks and over 90 financial and other ratios at year-end. Call Dehm Associates at 716-243-4427 for more information or a free farm visit.

Commissioner's Agriservice Award

On August 25, 1997, the New York Commissioner of Agriculture and Markets presented Bruce Dehm and others with the Commissioner's Agriservice Award for contributions to New York agriculture through support of the PRO-DAIRY Program. Bruce provided input on developing materials