

BUSINESS OPPORTUNITIES: LINKING CASH GRAIN AND DAIRY FARMS

Kevin Erb ^{1/}

In the early 1990s, manure management was seen by some ag service providers as a significant threat to the financial health of their businesses (Reduced fertilizer sales as farmers took credit for manure's nutrients). And while fertilizer sales have fallen, newer opportunities (soil sampling, nutrient management plan services) have arisen to soften or even offset some of the financial impact.

The advent of phosphorus based nutrient management plans means that the typical livestock farm will need access to more acreage to deal with their farm's manure. Since land is not cheap, more and more farmers are beginning to look into agreements with neighboring farmers to take manure. This can provide a business opportunity if you position your business properly.

These agreements usually take one of two forms: exchanges between cash grain and livestock producers (exchange of feed/cash for manure), and agreements between two livestock producers (you haul on my rented land near your barn, and I'll do the same).

A unique aspect of the cash grain/livestock relationships as they've developed in northeast Wisconsin is that one of the parties generally switches to a different consultant or agronomy service after a few years (usually to the service provider of the livestock farmer). It appears that the cash grain producers feel they are getting more services from the livestock producer's agronomist than from their own (these include advice on when to chop silage for highest feed value, soil testing, fertilizer recommendations, etc).

The main question for you to ask as you begin to think about these agreements is: **How can we generate revenue?** A second question is just as important: **How can we keep (and expand) our client base?** The key is to provide both parties with a service that they feel is worth paying for.

Case Study #1: Outagamie County. Two farmers (dairyman with 70 head, 300 acre cash grain farmer) located in an urbanizing area near Appleton, both served by the same independent crop consultant. Their location (along a major highway) was limiting their ability to access fields due to heavy traffic. Their crop consultant negotiated an agreement to provide take manure (keeping it on the same side of Hwy 10), and to exchange high potassium feed for lower potassium feed. The cash grain farmer was no longer hauling grain across Hwy 10 to his on-farm storage. The contract negotiation was provided as a part of existing service agreements between the agronomists and the farmers.

Case Study #2: Oconto County. A dairy on limited acreage needed land for manure application (to meet the requirements of local ordinances). He was served by one agronomist, and the three participating cash grain farmers were split between the same agronomist and a competitor. The dairyman's agronomist and nutritionist sat down with the cash grain farmers and their agronomists to help put together a basic agreement, including who paid for the soil testing, nutrient management planning, value of feed and manure and feed harvest timing advice. Prior to

^{1/} Conservation Professional Development and Training Coordinator, Univ. of Wisconsin-Extension, Environmental Resources Center (ERC).

the agreement, only one of the cash grain farmers soil sampled. Now all three are on full scouting and soil testing programs. Neither agronomist received compensation for working on the agreement, but both have increased service sales to participating farmers. If you decide to become involved, it helps to ask a few questions and put together a list of potential benefits to your clients. These might include:

How can we provide a service to livestock producers?

- Ability to meet nutrient management plan or other regulations
- Allow for expansion without land costs
- Improve animal health (lower soil K = less high potassium feeds)
- More flexibility for future manure applications
- Recordkeeping
- Ability to act as a go-between in negotiating the agreements (easier if both parties are currently your clients)

How can we provide a service to cash grain producers?

- Increase soil tilth (water, nutrient holding capability)
- Cross-linked sales with crop scouting (weed concerns)
- Potential revenue source guidance (taking manure)
- Increase per-bushel price with a local market (lower hauling/drying costs)

Of course, having sample agreements available makes this type of arrangement much easier. Any agreement should be run by both producers' attorneys before the final signature.