ENTRY METHODS FOR TENNESSEE BEGINNING DAIRY FARMERS: A CASE STUDY APPROACH

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ABSTRACT

The primary objective of this study was to investigate the methods used by Middle and East Tennessee farmers to enter dairying. Thirty-nine dairymen were selected and interviewed for case study analysis from six counties in Tennessee. Dairymen were selected based on the time of dairy entry (after 1975) and county extension agent recommendations.

A total of thirty-nine beginning dairymen interviews were used for case study research. Each case study situation was categorized according method of farm entry and discussion of advantages and disadvantages of each farm entry method was discussed. Ten beginning farmer categories were designated as:

1) Family Partnerships between Generations
2) Family Partnerships under a Limited Agreement
3) Non-Family Partnership Agreements
4) Family Rental Agreements
5) Family Rental (Rent-Free) Agreements
6) Non-Family Member Rental Agreements
7) Purchasing Farm Assets with Family Assistance
8) Purchasing Farm Assets from Non-Family Members
9) Part-time Dairying with Family Assistance
10) Dairying After Farm Establishment

Case study dairymen acquired substantial assistance in order to overcome farm entry barriers. Dairymen involved in family dairy situations participated in family partnerships, rental agreements and farm purchases in order to continue family dairy farm traditions. The families further assisted beginning dairymen by offering monetary gifts, financial advice, signatures on loans, rent free use of equipment and facilities and managerial assistance. Some dairymen,

without the benefit of family dairy experience and family assistance, began dairying using rental and partnership arrangements with non-family members. Farm purchases unassisted by family members, were supported through previously acquired equity, low cost seller financing and subsidized farm loans. Dairy farm entry was also accomplished by beginning a dairy enterprise within an existing farm plan, using loans and income from current farm operations. Part-time off the farm employment allowed the farmers to supplement farm income to cover farm operating costs. Farm wives, of the case study dairymen, often provided additional farm labor and supplied off the farm income to support family living expenses.

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CHAPTER I

INTRODUCTION

The purpose of this study was to ascertain the different means and methods of farm entry for the beginning dairyman using case study methods. Traditionally, intergenerational transfers of family dairies were viewed as a means for dairy entrants to overcome financial entry barriers. However, most farming operations have to be recapitalized each generation unless preparations were made for financially strong intergenerational transfers. The beginning farmer seeks an entry alternative available to him which will facilitate establishment in his farming choice. Other farm entry alternatives used by prospective farm entrants included partnership or corporative arrangements, leasing agreements, part-time status and contractual purchasing arrangements.

Entry into the dairy industry does not necessarily mean the establishment of the farm firm is assured. Problems for beginning dairymen range from inability to acquire resources to inadequate dairying experience. The large capital outlays for machinery, cattle, and land required in order to meet the necessary volume for profitable production often leaves a beginning farmer a narrow margin for error to cover production costs. This "narrow margin for error" is often reduced further due to external circumstances, i.e., decreases in milk prices, weather, feed cost increases as well as internal circumstances or managerial inexperience. The aforementioned problems beset established dairies as well as beginning dairies. However, established

dairies have acquired a status stated by Reiss as being associated with " 1) adequate volume of business, 2) managerial control, 3) security of tenure, and 4) a controlling equity in the operating capital". This "security" status allows more established dairies to withstand difficulties which may overwhelm beginning dairies.

Pertinent information for the dairy farm entrant would involve knowledge of farm entry processes. Individual studies of recent farm entrants under various financial and productive circumstances would inform farm entrants of alternatives used by dairy farmers in gaining farm entry.

Justification of Study

Typically in any industry when marginal revenue equals marginal cost at a point above average total cost the result would be economic profit. The presence of economic profit will encourage the entry of other entrepreneurs. Unfortunately, economic profits exist for a short time. Due to the increased production of the product, a downward pressure on price occurs [Calkins and DiePietre, p.65]. Specifically in the dairy industry, where prices have had government support, the prospective returns to capital investment seemed profitable for prospective farmers.

However, external factors such as new government dairy policies, interest rate changes, increasing capital investments and milk surpluses should cause prospective dairy entrants to evaluate their opportunity costs with astute intensity. Why do young dairymen

continue to purchase farms and enter into family dairy partnerships, leasing agreements and a part-time dairy status? One might say the beginning dairyman's utility gained from his agrarian lifestyle is greater than his opportunity cost. The beginning dairyman's utility function may include factors such as lack of training in endeavors other than dairy, the advantage of "being your own boss," living in a pastoral environment, or simply liking the routine of dairying. The decision process which leads a starting farmer to become a dairyman is an individual process made up of various factors, economic and utility oriented.

Once the decision is made regarding a young dairyman's career orientation, questions are raised regarding means of farm entry. Research is available concerning the methods a young farmer could use to gain entry into the farming sector. Legalities of a partnership, leasing arrangements and advice on estate planning with associated intergenerational transfers are a few of the topics written concerning beginning farmers. Minimum resource requirements and profit maximization factors have been estimated giving researchers, extension agents and farmers knowledge regarding farm structure. However, the micro level of dairy farm entry has recieved limited study, with the exception of Smith and Brake's research in 1983.

Individual case studies have been used by the researcher in order to understand micro theory in practice. Details which can be obtained only through a personalized interview framework allows the researcher to identify and analyze the problems and strategies encountered by

entrants. Resulting comparisons of individual situations can be used by prospective and current dairymen as an information factor in their decision making processes.

Objectives

1) To obtain information on means of entry into dairy farming attained by selected dairymen in six Tennessee counties via case study research methods.
2) To construct individual farm biographies and individual farm financial profiles to obtain indications of productive and financial growth by case study farmers.
3) To analyze the alternate means of entry into dairying, found through case study research.
4) To evaluate the pertinence of dairy entry alternatives from the case study dairymen.

Review of Literature

The means of entry for beginning farmers has been of concern to farmers and policy makers as well as those in agriculture related industries [LaDue]. Some problems encountered by farm entrants have been recognized by researchers. Limited managerial ability, low productivity, increasing costs of production factors, difficulties in obtaining capital and repayment of borrowed funds decrease farm entry and establishment opportunities for beginning dairymen [Hottel and Berry; Harris and Saupe].

Concerning research of farm entry problems, different authors reported various factors prohibiting farm entry. Arnold mentioned the competition that beginning farmers have with established farmers in obtaining a land base. Reiss related that the management factor for the beginning farm unit was "crucial" in order to overcome the hurdle of investment costs. La Due's publication concentrated on the difficulties of obtaining financial support for the starting farmer. La Due designated the factors of initial financial success: "A number of factors influence a young person's ability to finance entry into agriculture; such as 1) the investment required, 2) credit terms, 3) earnings before entry, and 4) repayment capacity."

Customarily, the young farmer has gained entry on his own or with family assistance. Kanel discussed the importance of family assistance by asserting that, ". . . family assistance improves the competitive position of beginning farmers and other young operators." Family assistance in the form of "financial backing" and managerial advice have assisted in starting the beginning operator to form a farm operation [Walker, Hardin, Mapp and Roush].

The growth stages of the family firm lends itself to the continuation of the family farm as well as affording the young farmer a start in agriculture. According to Boehlje, the process of resource accumulation for the operation was closely connected to the stages in the life of the farm operator. The stages involve 1) the initial entry where "critical mass resources" are accumulated, 2) the expansion and stabilization stage where efficiency and asset quality is improved, and

3) the third stage involved the "exit" at the operator who focuses on the continuance of the farm as well as a retirement income. It is during the last two stages where the farm operator may provide assistance to his family members for their entry into farming. Father/son partnerships, incorporation of the family farm, loans, gift, direct sales and inheritance transfers are methods used by different families to assist their children [Arnold; Woods and Chastain].

Operators without family assistance "faced greater obstacles in obtaining land and financial backing when starting to farm," according to Arnold. However, there are many ways a young farmer can overcome the land and credit hurdles. Shoemaker and Miller emphasized acquiring control over land resources through rental agreements. In the Shoemaker/Miller study of Central Missouri farms, all study groups under a lease hold agreement had greater incomes as well as an increased farm size.

Apart from family assisted farm entry methods, the following entry methods are viable for beginning farmers: farm rental or equipment and/or cow leasing arrangements [Martin, Thomas and Jensen], partnerships and cooperative agreements [Arnold], seller financed purchases [Harris and Saupe], loans from farm lenders, i.e., FmHA, FLB, PCA, [LaDue] and owner built equity [Mahanna and Splett]. Part-time farming can be considered as a viable means of farm entry according to recommendations made by Gladwin and Zabawa. However, Watzek's survey of all Indiana farmers revealed an impracticality of part-time farming.

Conversion of general farm practices in an established farm plan into productive dairy operations can be accomplished by prospective dairy entrants. Hendrix stated that "converting to Grade A dairying, families may make the transition out of their savings or may resort to credit". However, the writer related that large elements of uncertainty involved in the conversion would require " an emphasis upon growing into livestock production rather than upon attempting to buying, particularly with the use of credit."

The success of seller financed farm purchases and financing through commercial creditors depends on credit terms available to beginning farmers. La Due emphasized the influence of interest rates, length of repayment and amount of down payment as crucial factors to consider before financial commitments are made. Hottel and Berry expressed concern over the "defensive role" of government funded financial programs, i.e., FmHA, in responding generally to risk situations and not entry problems of young farmers. Helmberger and Dahl indicated the importance of borrowers farming skills and quality of resources selected, in their discussion of 100% finance loans.

Investigations of specific farm entry methods have been analyzed using the case study methods. Case studies have been used to "facilitate an analysis with greater depth of thought that had been characteristic of previous survey type studies" [Brown, Allen and Chastain]. Recognizing that farms and farm operators can't be classified into "homogenous" groups, the case study method had been an effective technique for farm entry research.

Case study analysis was used in a study conducted by Epperson and Bell to "facilitate a depth probe of the factors associated with establishment in farming." The main characteristic of the successful established farm was the amount of assistance received by the case study farmers. Financial assistance, according to Epperson and Bell, directly or indirectly helped beginning farmers to overcome capital obstacles.

A recent case study research on the problems and rewards of dairy farm entrants was developed at Cornell [Smith and Brake]. Smith and Brake's research focused on the financial, managerial and productive problems encountered by New York dairymen. Emphasis of the study was placed on the feasibility of dairying, using various farm entry means. Identification of internal factors influencing acquisition and allocation of resources, planning financial strategies, derivation of managerial process were obtained. Outside factors, i.e., disease, weather, economic timing, were shown to have substantial effect over financial success. Managerial experience and condition of acquired resources also had a substantial effect in dairy operation continuance. However, it was the essential combination of financial, productive and managerial aspects that determined the establishment, survival and growth of the New York case study farms.

Method and Procedure

Research data was obtained through personal interviews of dairy farmers in six counties located in Middle and East Tennessee. Study

counties were chosen on a basis of dairy herd concentration.Counties chosen for case study interviews were Marshall, Rutherford and Lincoln counties in Middle Tennessee and McMinn, Washington and Greene counties in East Tennessee.

The criteria for the selection of case study farms were defined. The characteristics and conditions for the consideration of case study farms are as follows:

I. Range of Entry - 1975 to present

II. Must have influential control over managerial and farm financial decisions

III. Must own a "controlling equity" (Reiss) in farm financial affairs

IV. Must acquire "all or substantial part of income derived from his contribution to farm production" (Shoemaker and Miller)

V. No limit of interviews per county

VI. Must try to obtain one or more case study examples of the following modes of entry.

A. Family Assistance

1) Partnership

2) Property Transfer

3) Gift

4) Inheritance

5) Incorporation

B. Non-Family Assistance

1) Partnership

2) Tenant Relationship

3) Part-time

4) Leasing agreements

5) Complete farm purchase

   a) Financed through conventional lenders (FLB, FHA, Bank)

   b) Owner built equity - combine with conventional financing

   c) Seller financed

A structured interview type questionnaire was developed to obtain an overview of each case study farm. The questionnaire was developed to acquire the necessary information regarding the financial,managerial and production aspects of the case study farm operations. Since the emphasis of this study involved methods of farm entry, allowance for a farm history narrative was tailored into the questionnaire.

A general farm financial profile was added to the questionnaire to indicate to the researcher the farmer's financial growth. Questions were embodied in the interview questionnaire dealing with farm record keeping, farm background and daily farm practices to give an outline of the farm operator's managerial abilities.

Pretesting of the survey was conducted in Monroe county in September 1985, with the assistance of the county extension leader. Confidentiality was maintained in Monroe county as well as the six

sample counties by the numerical coding of each case study and county. Interview time was estimated to be within the one hour range during the pretesting. Pretest results were deemed satisfactory and with minor alterations to the questionnaire, actual data collection began October 25, 1985. The questionnaire is presented in Appendix A.

During October 25, 1985 to November 20, 1985, individual county extension leaders were personally contacted in the six sample counties. Appointments were established with the extension leaders in which the enumerator related the nature of the study and information needed. A list of approximately eight to ten farmers was obtained from each agent. The county extension would brief the enumerator concerning each farmer and county roads. Often the extension leader would have interviews scheduled for the enumerator.

Personal telephone contacts between prospective case study farm operators and the enumerator involved explanations about the research goals, confidentiality of the study and time schedules for an interview. Approximately sixty dairymen were recommended as potential participants by the extension leaders. Forty-one dairymen were interviewed of which thirty-nine were considered useable for the study. Common reasons for case study exclusions were 1) farmers not fitting criterion, and 2) insufficient information from interviewed farmers.

Areas of Study

The two geographic study areas in Tennessee were: the Nashville Basin and the Ridge and Valley Region [Figure 1].

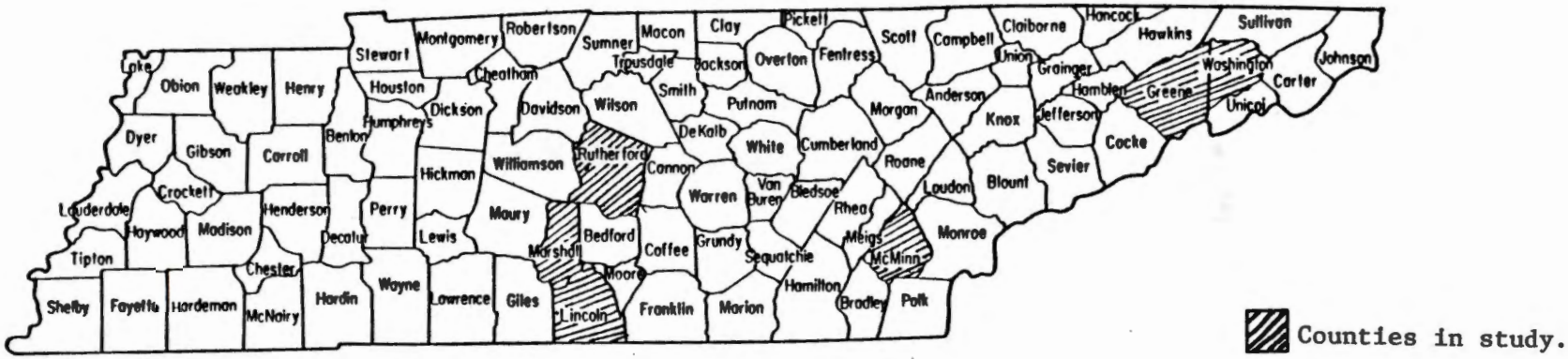


Figure 1. Location of Case Study Interviews, East and Middle Tennessee, 1985

The Nashville Basin region, located in the middle portion of Tennessee, is comprised of an inner basin area and an outer basin area. Marshall and Rutherford counties are located in the inner part of the Nashville Basin and Lincoln county is situated on the outer rim of the Nashville Basin.

Geographic characteristics of the inner region consist primarily of rolling hills and occasional flatlands. Soils in this area are relatively shallow with crops produced in small acreage tracts. Primary land uses in the "inner basin" are for pasture and forestry. However, a large portion in the middle of Rutherford county is an area of greater productivity (soils are well drained and are high in phosphorus) and a wider variety of crops are grown. Annual average temperature is approximately 58 to 60 F. Annual precipitation in the inner basin region is between 48 and 52 inches.

The Ridge and Valley region, located between the Cumberland Plateau and Mountains and the Unaka Mountains, is characterized by numerous geologic formations running parallel with the valley in a northeast to southeast direction. Washington and Green counties are located in the upper eastern portion of the Great Valley and borders the Unaka Mountains. McMinn county is positioned in the lower eastern section of the Great Valley.

Limestone formations primarily underlay the Ridge and Valley area. Cropping is limited to small grains, corn, vegetables and tobacco. A large percentage of the "Great Valley" is restricted to producing pasture, hay and forests. Annual average temperature in this

East Tennessee area is approximately 60 F. Annual precipitation varies from 38-46 inches in the northern part of the Great Valley to 48-52 inches in the lower Great Valley region.

Industrialization was becoming prevalent in both general areas of study. Land prices near new factories in Washington ,Rutherford and Marshall counties had increased which resulted in farm land being considered for urbanization with associated prices.

CHAPTER II

FARM ENTRY MODELS RESULTING FROM RESEARCH

A total of forty-one interviews were conducted with beginning dairymen in Middle and East Tennessee. Thirty-nine of the forty-one interviews are included in this thesis. The two interviews were excluded because resulting interview information did not fit to beginning farm study criteria. The thirty-nine case study situations resulted in the accumulation of information concerning a total number of forty-one farmers, including all beginning farmers involved in partnership agreements.

Compiling beginning farmer interviews in written case study form provided an opportunity for pertinent farm entry models to be organized. Ten beginning farm models were formulated which allowed organization of the case studies into general categories.

The subsequent farm models are not inclusive to all methods which could be used to attain farm entry. However, prevalent information concerning the different means of entry used by case study farmers was organized for ease of identification and analysis purposes.

The ten beginning farm models were grouped under five main headings: 1) Partnerships, 2) Rental Agreements, 3) Complete Farm Acquisition, and 4) Part-time Dairying, and 5) Dairying after Farm Establishment. Continued division of the partnership, rental agreement, and farm purchase models provided two important subsections: 1) Family Assistance and 2) Non-family Assistance.

Discussion of Beginning Farmer Models

Partnerships

Traditionally, forming partnerships has been a viable farm entry alternative. Pooling resources from two or more sources has provided resource deficient farm entrants an opportunity to accumulate equity. After the young farmer acquired a starting equity through the partnership, he would soon be able to make a sole proprietorship venture in his chosen agrarian field. The beginning farmer may opt to reinvest his equity into the partnership to allow growth and expansion. A third possibility for the "starting" partnership member would be to leave farm production and enter an agriculturally based industry for experience and equity accumulation. Whatever the choice, the young farmer has had an opportunity to test and develop farm skills only acquired through participation in farm production.

Careful planning must be undertaken to ensure the success of the partnership. Goals for the partnership must be defined to coincide with each member's personal goals. Provisions for specification of farm business activities, allowance for farm business continuance, outlined rules of decision making and termination of the agreement are all vital for a complete understanding of the farm partnership organization.

Traditionally, the family partnership contract has been used as a means of intergenerational transfer of the family farm. Also, non-relative partnership assistance has enabled retiring farmers to

have a source of income and maintain farm productivity. The following models should further explain the various family and non-family partnership arrangements.

Partnerships with Family Members

The classic family partnership story would be the "Father/Son" arrangement. This arrangement scenario begins during the son's early involvement in farm chores. The father gives his son the chance to accumulate cattle and equipment by means of gifts and/or a salary. The son remains involved in the dairy and a partnership evolves from the father and son working arrangement. Eventually, the son continues to merge his return back into the dairy with the assurance of later farm ownership. The type of older/younger relative arrangement is not exclusive to father/son relationships. Other examples of this nature include: Mother/Son, Grandparent/Grandchild, and sibling classifications. The characteristics of the Older/Younger relative relationship models are listed below:

Family Partnerships Between Generations Model #1

1) Older relative has larger (controlling) percentage of farm assets.
2) Both partnership members are equally active in management, financial, and labor activities.
3) Younger relative is permitted to increase percentage of farm owned assets through purchases and/or gifts.
4) Income is divided according to percentage owned assets and farm work contribution and both may receive a salary.

Family Partnership Limited Agreement Model #2

1) Farm assets may or may not be equally divided between partners.
2) One partner (usually older relative) has limited or no managerial and physical duties but may be actively involved in the financial aspect of the dairy (contributes monetary assets to farm firm).
3) Income is divided according to percentage contribution to the firm or one or both receive a salary. Remaining farm profit ,if any, is reinvested in the operation.

Partnerships with Non-Family Members

Partnerships involving non-family members can be as beneficial to beginning farmers as family oriented partnerships. Due to an absence of a family bond, all agreements should be clearly defined to protect both parties.

Non-family partnership relationships often begin with a semi-retiring farmer who wants to keep his land in production. Through the assistance of a younger partner, the retiring farmer enjoys farming benefits with reduced physical activity.

The combination of two resources between two unrelated farm entrants is another farm partnership alternative to obtain necessary farm resources. Each prospective partner should understand and initiate essential legal procedures to eliminate any insecurities concerning farm asset ownership and to assure continued farm productivity during unforeseen tragedies. The characteristics of a non-family partnership model are listed below.

Non-Family Partnership Model #3

1) One partner (usually an older person) may have controlling ownership of farm assets or both partners own farm assets equally. Therefore this partner has major decision making responsibilities.
2) Managerial decisions concerning the farm firm are made jointly by all partners.
3) Each partner is allowed to accumulate farm assets (land, cattle and equipment) through purchase from farm salaries.
4) Farm income is divided on a percentage basis or has fixed salaries to partners with the remainder, if any, reinvested in the operation.
5) Both partners have first option to purchase the farm operation from the other partner, if one partner desires to sell.

Rental Agreements

Rental agreements can be used as an advantage to offset a young farmer's lack in starting resources. Profit share leases for cropland and dairy cattle allow the young farmer to decrease the initial investment cost of dairying. Renting facilities, equipment and land for a percentage of milk income reduces the risk burden for the starting producer. Even though cash leases require a certain amount of capital at the start, arrangements may be taken to delay initial rent payments. Written rental documents should provide a security of tenure, define resource restrictions and allowances for the protection of both parties.

Important considerations for beginning farm tenants were mentioned by Reiss in his article, "Getting Started and Established in Farming." A brief outline of the considerations follow in the below paragraph.

" 1. Adequate volume of business - The farmer needs to estimate income from the leasehold to justify the rent payments.

2. Equitable sharing of contributions - Sharing the cost for improvements of the leasehold.

3. Reimbursement guarantees - Investment costs are reimbursed "for any unused portion of any improvements the tenant made."

4. Security of tenure - Beginning leases with conditions of tenure security gives the tenant the incentive to make improvements on the leasehold. "

Rental Agreements with Family Members

Rental agreements among family members give young farmers security of tenure and the family landlord a stable income. Family landlords may further assist starting farmers by offering a leasehold at reduced rates or "free" in exchange for upkeep and maintenance.

Family Rental Agreements Model #4

1) Family arranges cash rent or profit share agreements allowing the tenant to rent any or all necessary farm resources.
2) Family assistance contributes by permitting delayed rental payments and/or low rental rates. Family landlord may also pay the cost of farm improvements made by tenant.
3) Tenure security may be guaranteed with rent to purchase options.

Family Rental (Rent-Free) Agreements Model #5

1) "Rent-free" use of facilities or land in exchange for upkeep, payment of taxes and maintenance thereof.
2) Normally a verbal contract involved, with a general understanding of eventual farm transfer through inheritance, gift and/or purchase.

Non-Family Member Rental Agreements

Land is often acquired by means of non-relative rentals. Considerations mentioned by Reiss earlier should be evaluated before signing the rental contract. Trust and an element of understanding (often present in family arrangements) are especially important for the success of a rental agreement between non-relatives. Trust in the rental agreement will provide the tenant initiative to make farm improvements, i.e., new fences, better drainage system, renovation of facilities. The landlord benefits from the improvements by acquiring an added value to his leased resources.

Non-Family Member Rental Agreements Model #6

1) Rental agreement - either cash or profit share.
2) Length of tenure - Lease length ranged one to ten years in length having a renewable clause within the agreement.
3) Provision for upkeep and resource maintenance included in contract. Repairs above a certain dollar amount are covered by the landlord.
4) Decisions for resource usage are primarily made by the landlord.

Complete Farm Acquisition

Resource acquisition through rental and partnership arrangements are two major farm entry methods. A third major method of farm entry tried by starting dairymen is farm purchase. The purchase of farm (including cattle and equipment assets) has been accomplished by loans, monetary gifts, seller financing, owner built equity and combination of all the above.

Caution must be undertaken in the pursuit of farm acquisition. Careful inspections of land fertility, herd health, facility and equipment conditions must be executed by prospective buyers to gauge present and future usefulness of the farm. The selling process may begin after the knowledge of resource quality is evaluated.

Normally a young farmer is hampered by the lack of equity to obtain financing. Customarily, this impediment has been overcome through young farmer government programs, family assistance and seller financing. Loans through Farmers Home Administration or Federal Land Bank with low interest and long repayment periods were once the most common means of farm purchase. Family assistance through low interest financing and/or land gifts have assured a continuance of family farm traditions. Non-relative seller financing has been a helpful option for farm entry due to ease of financing and lower interest rates. Down payments for farm purchases have been accomplished through previous owner equity, family loans and selling of owned assets.

Farm acquisition does not guarantee successful farm operations. Fluctuating interest rates, varying product prices, increasing input

prices and weather and disease uncertainties can restrict cash flow allocated to farm payments. The beginning farmer must budget and plan to reduce the risk of farm ownership.

Purchasing Farm Assets with Family Assistance Model #7

Purchasing Options:

1) Seller financed - Through family members with possibility of reduced interest rates, lengthy repayment periods and/or deferred down payments.
2) Financing through local lenders - Family may reduce purchase price, co-sign note, give physical or monetary assets to starting farmer and/or contribute land and labor on a "free" basis.
3) Supplemental farm financing - Young farmer uses accumulated assets acquired through family support for a down payment on a farm note or first year operating costs.

Purchasing Farm Assets from a Non-Family Member Model #8

Purchasing Options:

1) Seller financed - Assistance for the beginning farmer in the form of low interest rate, long-term financing and/or reduced down payment.
2) Financing through local lender - Young farmer working with long-term lenders to achieve adequate repayment schedule.
3) Supplemental farm financing - Starting farmer uses assets, i.e., farm home, another farm and/or savings to supplement cash flow or use as a down payment.

Part-time Dairying

Dairy farming on a part-time basis is an option for beginning farmers with little or no cash flow reserves. Positive aspects of part-time dairying would seem to be the growth and expansion to full-time status. A study by Watzek explored methods of farm entry in Indiana. Watzek found that entry into farming via part-time was not a very efficient method to begin farming. Farmers involved in off-farm employment experienced a slower rate of growth than full-time farmers.

Part-time dairying requires substantial interaction of family members. Responsibility for labor duties and management decisions are required of family members due to the farmer's absence. Part-time dairymen must be efficient with time and money in order to supplement farming endeavors.

Part-time Dairying with Family Assistance Model #9

1) Obtains resources by purchasing or renting from:
   a) family
   b) non-relative
2) Family assists beginning farmer by supplying:
   a) labor and managerial aid
   b) short-term resources i.e., money and/or cattle
   c) "rent-free" use of land and facilities

Dairying after Farm Establishment

Choosing dairying as an alternate enterprise within an established farm plan requires careful financial and managerial planning.

Advantages for the beginning dairyman would be owning an initial land base, having basic farming equipment and facilities, supplemental income from other farm activities, and having a general farm knowledge. Disadvantages for the "row crop" or "beef" farmer who decides to begin dairying would be a lack of dairy experience, a large initial capital outlay for milking facilities and beginning milk herd and conflicting use of resources between the various farm enterprises.

Making a decision to include a dairy enterprise in an established farm should be realistically based on production strategies to reduce risk. Examination of the enterprise income variability, level of needed managerial ability and the flexibility of existing facilities to convert to a dairy operation are a few factors to account for when deciding to begin dairying [Calkins and DiePietre pp.234-235].

Dairying After Farm Establishment Model #10

1. Beginning dairyman owns a land base and has had general farm enterprises on it before bringing the dairy in the farm plan.
2. Farmer may own general farm equipment and may have buildings that can be readily converted into milking facilities.
3. The dairyman may use personal savings or proceeds from farm produce sales to pay beginning dairy expenses.

The application of the models above will be discussed in the following chapters. Case studies will be discussed and analyzed according to their general characteristics within the above designated models.

CHAPTER III

FARM ENTRY METHODS USED BY CASE STUDY FARMERS

Overview Characteristics of Case Study Dairymen

Factors influencing farm entry varied among the case study farmers. Sixteen of the case study dairymen interviewed specifically acknowledged that they were influenced through the dairy lifestyle experiences from family dairy relationships. Many of the sixteen farmers mentioned that they "grew into dairying" and that dairying got "in the blood", as being explanations concerning their decisions to dairy. Two dairymen began dairying due to tragic circumstances. One young farmer came back to manage the family dairy after his father's death and the other farmer quit college to take over the management of a small farm after the death of his grandfather. Remaining farmers related the desire to dairy due to working with livestock, being "your own boss", working outside, regular cash flow, accomplishment of attaining production goals and to raise their family in a farm setting.

The dates of dairy entry varied between case study farmers. Dairy entry began for four farmers in 1975, remaining dairymen started between 1976 to August, 1985. Timing of dairy entry by case study farmers seemed to be influenced by external factors i.e., dairy policy, interest rate levels, availability of farm land and facilities and opportunities presented by family members. Many dairymen created farm entry opportunities by initiating rental and partnership arrangements.

The beginning farmer title does not designate a youthful connotation in this study about dairy farm entrants. Ages for the starting dairymen ranged 23 to 54 years, 35 years being the average age. All case study farmers had exposure to agriculture experiences although not necessarily related to dairy production. Out of the forty-four dairymen associated with the thirty nine case study situations, a total of twenty-three dairymen encountered experiences working or living on family dairies and the remaining farmers had acquired a general knowledge of agriculture from farm related experiences.

Previous work experience among case study farmers included diverse aspects of agricultural and off farm employment. Case study dairymen held positions such as factory worker, mechanic, football coach, truck patch farmer, milk tester, music student and an agriculture lender. Reasons for leaving previous employment for a dairy start were as varied but a common characteristic was the attractiveness of regular monthly cash flow and the opportunity to become involved in an agrarian lifestyle.

Acquiring higher education was an important characteristic of beginning case study dairymen. Sixteen of the farmers had attained the bachelor's level or higher. Three of the entrants were involved in liberal arts related studies in college. Lower levels of education concerning farm activities was acquired through active participation by the case study dairymen in farm related clubs such as Future Farmers of America and 4-H. Beef and dairy shows and judging team participation were experienced by twenty-eight of the case study farmers.

Thirty-four of the forty-four dairymen (including partnership members) were married and twenty-two of the farm wives contributed supplemental income for family living expenses. Aid from farm spouses was an important factor to the continuity of farm business. Many of the case study farm spouses had an agricultural background which gave them an understanding of dairy farm procedures. Labor contributed by spouses and other family members eased the starting farmer's work load and made allowance for increased attention to managerial responsibilities.

Short and long-term goals for the case study dairymen were easily defined by case study farmers. All dairymen wanted increases in milk production and eventual herd expansion. Increasing dairy herd quality to increase butterfat, milk production and feed conversion efficiency through better breeding programs was the desire of practically all interviewed dairymen. Acquiring a registered dairy herd to upgrade herd quality or marketability was an important objective for four case study farmers. Becoming less diversified was another short term goal for nine interviewed dairymen. Seven case study farmers wanted to phase out tobacco operations and two farmers wanted to phase out beef operations. Diversification of farm operations was the goal of seven dairymen. A long-term objective of dairy farm continuance was not the goal for three of the case study dairymen. One farmer was considering selling out because of restricted time with family and friends; another was also considering selling out due to his son's failing health; and

the third, who was enjoying the routine of dairying did not want to consider the option to "dairy all my life".

Table 3.1 and Table 3.2 relates the above general information to individual case study dairymen. The methods of dairy entry for case study farmers are listed in Table 3.1. Discussion of the farm entry methods experienced by the dairymen follows in latter sections of the chapter.

Farm Financial and Size Characteristics

Indications of farm size and farm financial growth would certainly involve using herd size, owned and rented acreage figures and beginning and current net worth calculations. The characteristics listed above would be expected to give an overview of each case study farmer's business status.

Dairy herds, consisting of dry and lactating cows, managed by the case study farmers ranged in size from 27 to 330 cows. Amounts of owned and rented acreage were as varied as herd size figures given the availability of farm land and each beginning farmer's financial organization. Dairy farm land was used in other agrarian enterprises such as beef production, various cropping enterprises, i.e., soybeans, tobacco, wheat, and in one case, a vineyard.

Net worth statements complied from meetings with the selected milk producers were consistently individualistic with respect to differences in each farmer's asset appraisal and farm inventory composition. Obviously, land accounted for the largest percentage of total assets

Table 3.1: Socioeconomic Characteristics of Case Study Dairymen in Selected Counties in East and Middle Tennessee, 1985

Farmer Number	Age	Farm Background	Education	Marital Status	Date of Dairy Entry
(Farm Purchase)					
0101	41	General farm experience	Physical Ed. M.S.	Married	1977
0102	31	4-H Dairy; worked on family dairy	Animal Sci. B.S.	Married	1983
0105	40	Operated a seasonal vegetable farm	High School	Married	1980
0107	28	Family dairy experience	High School	Married	1979
0208	32	General farm background	2 years of college	Married	1983
02014	34	Had a beef cattle enterprise	Biology B.S.	Married	1980
02015	45	Was employed on a dairy	High School	Married	1980
05036	33	Family dairy	High School	Married	1975
06039	34	Family dairy experience	Animal Sci. B.S.	Married	1979
06040	35	Family dairy experience	Education B.S.	Married	1976
(Rental Agreements)					
0209	25	4-H and FFA dairy shows	High School	Married	1979
02011	30	Family dairy experience	High School	Married	1975
02012	46	Family dairy experience	High School	Divorced	1978
02013	42	Family dairy experience	High School	Married	1978
03016	35	Family dairy experience	Dairy Sci. B.S.	Married	1975
03020	42	Family dairy experience	High School	Married	Aug. 1985
04024	29	General farm background	Ag. Business B.S.	Married	1977
04025	54	General farm background	High School	Married	1979*
05032	30	Family dairy experience	High School	Married	1983
05035	28	Family dairy experience	2 years in Ag. Bus.	Single	1983
06038	28	Family dairy experience	Animal Sci. B.S.	Married	1978

Table 3.1 (Continued)

Farmer Number	Age	Farm Background	Education	Marital Status	Date of Dairy Entry
(Partnerships)					
0103	29	4-H; worked on family dairy	Animal Sci. B.S.	Married	1979
0104	32	FFA; DHIA Milk Tester	High School	Single	1984
0106	23	4-H; employed by dairy	High School	Married	1980
02010	27	Family dairy experience	High School	Single	1982
03017	22	General Farm Background	High School	Single	1981
03021	25	Dairy studies in college	Accounting B.S.	Married	July 1985
03022	39	General farm background	Dairy Sci. B.S.	Married	1985*
04027	37	Family dairy experience	Biology M.S.	Married	1977
04029	25	General farm background	Agriculture B.S.	Married	1980
05031	33	Family dairy experience	High School	Married	1982
05033	28	Family dairy experience	Animal Sci. B.S.	Married	1979
(Part-time Dairying)					
03023	39	General farm background	Acquiring a M.B.A.	Single	1975
04028	42	Had Animal Sci. courses in college	Ag. Science M.S.	Married	1978
06037	33	Family dairy experience	Animal Sci. B.S.	Married	1977
(Dairying After Farm Establishment)					
03019	46	Owned a beef farm operation	Courses in An. Sc.	Married	1982
04026	53	Family dairy experience	Vo-Tech Mechanics	Married	1979
04030	44	Family dairy experience	High School	Married	1979
05034	51	Worked on beef and dairy farms	High School	Married	1983

*Entered dairying in 1979, exited in 1984, re-entered September 1985.

Table 3.2: Factors Influencing Farm Entry and Farm Goals Given by Case Study Farmers in Selected Counties in East and Middle Tennessee, 1985

Farmer Number	Factors Influencing Dairy Entry	Farm Goals Given By Case Study Farmers
	(Farm Purchase)	
0101	Dissatisfaction with previous job	Farm expansion through farm purchase
0102	Grew up on family dairy	Pay off debts; increase soil productivity
0105	Considered dairy had best cash flow	Eventually sell out dairy
0107	Family influenced; liked cash flow	Increase quality of breeding herd
0208	Family influenced; loved to dairy	Acquire dairy; increase milk prd.; phase out tobacco
02014	Always wanted to dairy	Maintain herd size; increase milk prd.
02015	Dairy policy looked stable	Cover costs; maintain herd size; increase milk prd.
05036	Family influenced; farm suited for dairy	Maintain farm size; increase milk prd.
06039	Family influenced	Decrease herd size; increase milk prd. and butterfat
06040	Wanted to dairy	Increase feed efficiency; maintain herd size; do custom work
	(Rental Agreements)	
0209	Be own boss; loves working with livestock	Start registered herd; increase herd size and milk prd.
02011	Family influenced	Continue dairy; maintain herd size; increase milk prd.
02012	Family influenced	Acquire family dairy; up milk prd.; phase out tobacco
02013	Liked farming; dairy had best cash flow	Acquire family dairy; up milk prd.; phase out tobacco
03016	Be own boss; job freedom	Acquire family dairy; maintain herd size; up milk prd.
03020	Family influenced; job freedom	Continue partnership; increase milk prd. and herd size
04024	Wanted to dairy	Purchase family dairy; increase herd; phase out tobacco
04025	Wanted out of city; had dairy	Diversify with beef operation; increase milk prd.
05032	Family influenced	Continue dairy; maintain herd size; decrease variable costs
05035	Family influenced	Continue lease to purchase; increase herd size
06038	Family influenced	Diversify with row crop operation; increase herd size

Table 3.2 (Continued)

Farmer Number	Factors Influencing Dairy Entry	Farm Goals Given By Case Study Farmers
	(Partnerships)	
0103	Grew up on family dairy	Acquire family farm; increase milk prd.
0104	Liked to farm; family influenced	Acquire family farm; phase out beef and tobacco
0106	Be own boss; liked working outside	Diversify farm plan; increase milk prd.
02010	Familiar with the dairy business	Continue dairy; increase milk prd.; phase out tobacco
03017	Wanted to farm; liked dairy cash flow	Increase milk quality; phase out beef operation
03021	Liked the dairying lifestyle; opportunity	Continue partnership; increase milk prd.
03022	Grew up on dairy; wanted sole mgmt.	Continue dairy; diversify farm; up milk prd.
04027	Family influenced	Continue partnership; increase butterfat
04029	Liked the returns to dairy	Continue partnership; increase herd size
05031	Family influenced	Maintain herd size; include beef operation
05033	Family influenced	Continue partnership with hope of sole mgmt.
	(Part-time Dairying)	
03023	Family influenced	Continue farming; diversify; increase milk prd.
04028	Family influenced; wanted to dairy	Maintain herd size; increase milk and butterfat
06037	4-H dairy background	Continue dairy show participation; increase milk prd.
	(Dairying After Farm Establishment)	
03019	Liked the regular cash flow from dairying	Increase milk prd. and herd size
04026	Circumstances were right for entry	Continue family farm; increase milk prd.; do custom work
04030	Considered dairy had best cash flow	Possibly discontinue dairy due to future dairy policy
05034	Family influenced	Continue dairying; increase herd size; diversify farm

with cattle and/or equipment valuations constituting a substantial percentage. Short term assets such as stored hay, feed mixtures and supplies provided a more variable contribution to the balance sheet. All appraisals given by each farmer interviewed were intended to indicate the current value of owned assets at the onset of the dairy operation as well as the recent status of each farmer's financial structure.

Financial estimates were given by each respective farmer based on his knowledge and experience concerning his asset values. The farmer was asked to provide his best estimate of market value. Land values which may strongly influence the net worth statement can be subject to various internal factors which may cause an inflated (or deflated) value of farm property. Factors such as the farmer's valuation of farm improvements, soil and facility condition and quality, value of the land for urban purposes and expected value for specific dairy use could have influenced interviewed farmers to give an "expected" current value rather than the true going rate for his farm property. Comparison of the estimates given by case study farmers for their farm value verses the 1982 Tennessee Census values are given in Table 3.3. Allowing for the information previously stated above one may analyze case study financial data in Table 3.4.

Beginning net worth figures for case study dairymen differed greatly. Three case study farmers experienced negative or zero beginning net worth values. Two case study dairymen had starting net worths above the $ 500,000 range, one dairyman had combined his

Table 3.3: Comparison Between Current Farm Values Given by Case Study Dairymen, Classified According to Farmer Number, and Farm Values from the 1982 Tennessee Census Report[a], 1985

Farmer Number	Description of Farm	Farm Value Given by Beginning Farmer	Farm Value Using Data from 1982 Census[b]
0101	House and 160 acre dairy	$ 300,000	$186,400
0102	228 acre dairy	200,000	265,620
0103	97 acres	106,700	113,005
0104	Tenant	rents land	
0105	House and 250 acre dairy	370,000	291,250
0106	Partnership - rents land	rents land	
0107	House and 550 acre dairy	1,650,000	699,000
0208	House and 140 acre dairy	165,000	161,280
0209	Tenant	rents land	
02010	Partnership - owns 22 acre dairy	180,000	25,344
02011	Tenant	rents land	
02012	Tenant - owns 50 acres	65,000	57,600
02013	Tenant	rents land	
02014	House and 40 acre dairy	120,000	46,080
02015	House and 130 acre dairy	245,000	149,760
03016	Partnership - rents land	rents land	
03017	Incorporation - house, 380 acre dairy	220,000	729,980
03019	House and 115 acre dairy	460,000	220,915
03020	Tenant	rents land	
03021	Partnership - rents land	rents land	
03022	Equal partnership - 175 acre dairy	437,500	336,175
03023	House and 152 acre dairy	384,400	291,992
04024	Tenant	rents land	
04025	House and 53 acre dairy	90,000	40,439
04026	House and 64 acre dairy	125,000	48,832
04027	Partnership - rents land	rents land	
04028	House and 85 acre dairy	100,000	63,329
04029	Partnership - rents land	rents land	

Table 3.3 (continued)

Farmer Number	Description of Farm	Farm Value Given by Beginning Farmer	Farm Value Using Data from 1982 Census[b]
04030	House and 154 acre dairy	250,000	117,502
05031	House and 180 acre dairy	350,000	133,200
05032	House, 1/2 acre	50,000	
05033	Owns 93 acres	83,700	68,820
05034	House and 57 acre dairy	68,500	42,180
05035	Tenant	rents land	
05036	House and 209 acre dairy	209,000	154,660
06037	House and 40 acre dairy	125,000	33,640
06038	Owns 70 acres	70,000	58,870
06039	House and 269 acre dairy	500,000	226,229
06040	House and 360 acre dairy	500,000	302,760

[a]Information for farms with sales of $10,000 or more

[b]Values of land and buildings.

Table 3.4: Size and Financial Characteristics of Case Study Dairymen in Selected Counties in East and Middle Tennessee, 1985

Farmer Number	Dry/ Lactating Cows, 1985	Owned Acres	Rented Acres	Years Dairying	Beginning Net Worth	1985 Net Worth	Beginning Debt/ Cow	1985 Debt/ Cow	1985 Invest/ Per Cow
Farm Purchase									
0101	99	160	209	8	$ 15,150	$ 296,660	$ 3,628	$2,687	$ 5,684
0102	85	228	0	2	203,800	311,500	2,240	2,811	6,476
0105	88	250	0	5	184,000	440,000	4,444	1,136	6,136
0107	210	550	150	6	555,000	1,304,500	4,434	4,885	11,630
0208	55	140	52	2	80,500	249,500	7,400	3,109	7,645
02014	27	40	0	5	134,500	133,400	2,096	5,396	10,337
02015	90	130	30	5	52,250	136,800	7,205	2,966	4,487
05036	100	199	527	10	8,600	428,500	2,028	575	4,860
06039	91	269	0	6	201,000	454,000	3,908	3,747	8,736
06040	140	328	0	9	5,000	531,000	10,000	2,778	6,571
Rental Agreement									
0209	90	0	45	6	15,000	295,000	2,705	1,911	5,189
02011	42	0	50	10	10,000	8,370	240	2,476	2,800
02012	150	50	300	7	44,000	212,400	420	833	2,249
02013	125	156	90	7	38,450	287,800	174	892	3,194
03016	330	64	428	10	-1,400	-155,700	773	2,533	2,061
03020	60	0	68	(3 months)	35,200	70,480	3,100	1,162	2,336
04024	40	0	100	8	9,100	4,550	778	1,500	766
04025	43	53	10	6	70,000	94,200	2,515	1,168	3,359
05032	50	0	148	2	25,500	99,200	1,450	1,216	3,200
05035	100	0	400	2	26,800	249,000	462	475	2,965
06038	78	70	300	7	52,000	50,000	2,542	2,615	3,256
Partnerships									
0103	35	97	0	6	50,000	200,700	3,485	1,228	6,963
0104	41	0	0	1	56,100	104,800	1,056	700	3,256
0106	60	75		5	57,000	177,500	385	716	3,675
02010	65	22		3	80,000	240,300	777	918	4,692
03017*	300	380	100	4	732,300	1,191,200	790	629	4,600
03021	18			(4 months)		13,700		194	1,233
03022*	140	175	0	6	247,500	377,000	2,450	1,350	3,843
04027*	140		465	8	244,000	322,000	200	21	2,321
04029*	60	500	0	5	61,500	172,000	2,222	4,166	7,033
05031	71	180	140	3	106,000	323,000	7,500	1,760	6,309
05033	30	93	148	6	1,700	41,200	5,930	3,586	4,960
Part-time Dairying									
03023	100	152	0	10	27,250	291,700	11,250	2,400	5,317
04028	60	85	150	7	31,100	132,000	1,812	1,333	3,533
06037	20	90	250	8	52,100	181,600	2,440	1,520	10,600

Table 3.4 (Continued)

Farmer Number	Dry/ Lactating Cows, 1985	Owned Acres	Rented Acres	Years Dairying	Beginning Net Worth	1985 Net Worth	Beginning Debt/ Cow	1985 Debt/ Cow	1985 Invest/ Per Cow
----------Dairying After Farm Establishment----------									
03019	31	115	48	3	537,750	560,050	791	20	18,269
04026	45	64	35	6	50,500	127,000	7,692	1,333	4,155
04030	60	154	150	6	74,500	240,000	3,489	2,000	6,000
05034	57	57	147	2	19,500	20,500	4,571	2,456	2,816

*Size and financial characteristics reflected the partnership at the formation and current status, not the beginning farmer's net worth.

beginning assets into the family partnership/incorporation. Remaining case study networth values for the beginning dairymen varied within a range of $1,700 to $244,200, with two dairymen experiencing a negative beginning net worth. Current (1985) net worth figures of current farm financial structures were also widely varied. One case study partnership reported a negative net worth of $155,700. Large net worth estimates were collected from two interviewed dairymen, both having net worth figures over one million dollars. Remaining case study dairymen had current net worth values ranging from $4,550 to $560,000.

Thirty-four of the dairymen included in this research experienced an increase in net worth since the onset of dairy operations. Financial growth experienced by the case study farmers was due to the process of asset accumulation. Even though comparisons of net worth can indicate financial progress, trend analysis can give a more thorough picture of farm financial stability and structure. Trend analysis uses consecutive years of net worth statements to graph an effective representation of the farm financial organization. Unfortunately, to produce such results would require a great deal of reliable data that would prove expensive to collect.

A debt per cow figure is often given as an indication of farm repayment capacity, was used in this research to supplement the networth values in giving indications of farm financial structure. Beginning debt per cow for case study dairymen ranged from $174 to $11,250. Current (1985) debt per cow for case study dairymen were consistently lower values than beginning debt per cow figures. The

highest current debt per cow value was $5,396. Remaining case study dairymen had current debt per cow figures ranging between $475 to $4166.

Outline of the Following Sections

Means of entry used by the beginning farmers interviewed for this study will be described in more detail in the following sections. Each section will discuss the advantages and disadvantages encountered by case study dairymen in their various routes taken to obtain a start in dairying. Many farmers followed more than one entry route showing a desire and creativeness to obtain their farming goals. Other farmers, failing to become established in dairying using one entry method, re-entered dairy production via another means.

Discussions of the various methods of dairy farm entry based on case study findings begin with the section entitled Partnerships, followed by Rental Agreements, Farm Acquisition, Part-time Dairying and finishing with the section on Dairying After Farm Establishment. Appendix C summarizes the advantages and disadvantages of each entry method.

Partnerships

The following section investigates the results of beginning farmer interviews as it pertains to the partnership models designated in Chapter II. Periodically, case studies will be referenced to give the reader in depth information. Case studies referenced are in Appendix

B. The first two models to be discussed are Family Partnership Models #1 and #2 followed by Non-family Partnerships
Models #3 and #4.

Family Partnerships Between Generations Model #1

Briefly stated, the family partnership model #1 involves the partnership relationship between an older and younger relative (usually father and son). The older relative having a larger percentage of dairy farm assets and greater dairy experience would merge the younger relative's labor and enthusiasm into the farm operation. The younger relative would be able to accumulate equity and experience in preparing for future farm management responsibilities.

Case study farmers included in the "Father/Son" Model acquired a solid background of farm experiences before partnership arrangements were made. Three of the four case study farmers categorized in this model were reared on family dairies. These dairymen were also granted opportunities to purchase and blend small owned herds into the family dairy herd. The remaining dairyman who did not experience a family dairy environment obtained a working dairy knowledge by providing labor on his uncle's dairy.

Formation of family partnerships was believed to be a step toward parental retirement and orderly intergenerational transfers by the interviewed dairymen. Family partnerships were encouraged by parents for reasons of family farm continuance after a volume of business was reached which would support the partnership (Farmer #50103 and #03017). In the two other father/son partnerships, the beginning farmers

initiated partnership agreements after expressing their desires to farm. One enterprising young man persuaded his father to use his college fund to finance a small dairy herd which diversified the current beef and broiler operations. Another beginning dairyman wanting to begin a partnership arrangement with his father, realized that the current dairy operation was too small to support two families. Also, the father seemed reluctant to relinquish sole management of the family dairy herd. Fortunately, an agreement was conceived by both parties which allowed two separate herds to coexist on the family dairy farm with sharing the use of land, facility and equipment resources.

Agreement terms whether written or verbal were considered vital prerequisites to a successful partnership by the case study farmers. All beginning farmers included in this model were able to attain rewards for their labor and monetary investments. Two of the four partnerships arrangements were in legal written form allowing for the designation of responsibilities and duties between parties. One of the two written agreements evolved into a family corporation with the son receiving an equitable percentage of family shares, a salary, the opportunity to establish an equity base through herd and equipment additions, and a purchase option on other family shares. The other legal agreement was developed between father and son to enable the beginning farmer to obtain necessary loans for the dairy (the son was eighteen at the time) and to delegate specific duties for the beef, broiler and dairy operations.

The unwritten agreements involving two father/son partnerships had provisions for responsibilities and duties but not provisions for the death of either partner. The lack of a written agreement concerned one beginning farmer (Farmer #05033) who kept a separate herd within his father's herd. DHIA records were kept which allowed each partner to receive separate milk income returns. Expenses such as repairs, feed and veterinary costs were divided in proportion to a percentage of cattle owned within the total herd base. Fixed costs i.e., taxes, insurance, and depreciation were often the responsibility of the established partner. However, no verbal arrangements were made for termination of the partnership. The young farmer felt a legal arrangement should be made to increase his sense of farm security and to strengthen the commitment between father and son. Another verbal agreement between a Model #1 father and son was a more traditional arrangement. This agreement (Farmer #0103) allowed the son to accumulate cattle and equipment and let him take a portion of the managerial duties. Eventually this case study farmer will acquire sole management of the operation through purchasing and/or inheritance.

All the dairymen categorized in Model #1 related the successful aspects of their "Father/Son" partnerships as obtaining valuable experience, job security, establishment of equity, and attainment of good financial records. Case study farmers of this model also indicated factors contributing to the success of their partnership arrangement as being: compatibility, frequent communication, reliability, patience, and clear denotation of job responsibilities.

Conflicts and problems did occur for the four case study dairymen. The largest source of conflict within all partnerships involved resource management decisions. One beginning dairyman wanted to devote a larger allocation of resources away from the broiler and beef operations for expansion of the dairy. This younger farmer hoped eventually to "just dairy" by purchasing his grandfather's farm, (where the dairy was located), and gradually turn over or phase out operations with his father. The beginning dairyman who operated a separate herd within the family dairy spoke of resource use conflict between herds and restraints placed on his decisions because of repercussions to his father's herd. Another starting dairyman related instances where suggestions of improvements to the dairy facilities to reduce labor for livestock care were declined by the elder partner. This case study farmer felt the improvement and expansion was somewhat hampered by his father's cautiousness but knew eventually that he would be able to expedite his ideas as his father approached retirement age. The case study farmer involved with his family's incorporated dairy was satisfied with current arrangements but desired increased involvement in farm financial matters.

Family Partnership Limited Agreement Model #2

Outlined in this model, similar to Model #1, is a partnership agreement between family members on a limited managerial and/or labor basis. The junior partner is responsible for actual farm management, relying on the senior partner for financial and/or managerial support.

Farm assets were generally controlled by the senior partner with the junior partner being reimbursed for labor and managerial inputs.

The five case study farmers included in this model had various reasons and circumstances that initiated a partnership agreement. The following list briefly identifies the farmer number and circumstances surrounding farm entry. (Case study write-ups include further detail in Appendix B under the Partnership section.)

> #0104. Father/Son. Son wanted to dairy and began to look for a farm. Father approached his son to form a limited partnership allowing use of family resources.
>
> #02010. Brother/Brother. Junior partner found a nearby dairy for sale. Senior partner supplied 1/3 of down payment and became the farm accountant. Junior partner was responsible for farm labor and management responsibilities.
>
> #03021. Grandmother/Grandson. After the grandmother's farm manager died, she approached grandson with partnership agreement. Grandson had recently terminated partnership with his brother and decided to accept grandmother's proposal.
>
> #04027. Mother/Son. Father died and son accepted temporary management and stayed under a written agreement with his mother.
>
> #04029. Father/Three Brothers. Grandfather's land became available for use. Father set up written agreement for grandfather's farm with his three sons. Father is the farm accountant and the three brothers are farm managers.

Three of the five case study dairymen listed above had family dairy experience. The remaining two partnership dairymen had farm experiences, one farmer through animal science studies in college (Farmer #04029) and the other as a DHIA milk tester (Farmer #0104). All but one of these case study farmers were actively pursuing a goal to dairy. The young farmer in partnership with his mother (Farmer

#04027) was established in another career when his father died requiring his dairy farm entry. This beginning dairyman became interested in maintaining the dairy and decided to stay involved in the family dairy.

The written and verbal agreements which Model #2 farmers transacted were beneficial and allowed managerial flexibility, clear goal definitions, and distinct allocation of farm responsibilities. The agreement between the beginning dairyman and his mother made allowances for the son to obtain a yearly percentage of farm assets, salary, and rent-free housing. The verbal arrangement involving grandmother and grandson provided the grandson a salary and rent-free housing, 50-50 split in expenses but no stipulation for procedures in case of death or cancellation of the partnership. The grandson was relieved when the grandmother mentioned the possibility of a written contract in the near future. The grandson felt serious problems could be alleviated concerning asset division if an agreement provided for the death of either partner.

An important aspect to this model was the freedom that the case study farmers encountered in making managerial decisions. This managerial freedom allowed the beginning dairymen a sense of ownership with limited risk. The young farmer interviewed who was involved in a four-way partnership felt the partnership succeeded because of beginning assistance from the grandfather, the solid agriculture background of all partners, the sound business judgement of the father,

monetary aid and encouragement from spouses, and good communication skills among brothers.

Unfortunately, with the advantage of complete farm management comes problems associated with sole management. Responsibility of herd health, labor and farm decisions produced stressful situations for the beginning dairyman. The junior partner of the Brother/Brother partnership (Farmer #02010) was solely responsible for all labor and management while the elder brother was involved in a full-time, off-farm job. Even though the younger brother enjoyed dairying, he was beginning to feel his management and labor capabilities were becoming less efficient due to a recent herd expansion. The son involved in a limited partnership with his father (Farmer #0104) was content with the current status of the operation. Living with his parents on their farm, the young farmer felt somewhat hampered in his farm activities. However, he believed family assistance helped him overcome a credit obstacle from a previous crop loan. With family help in providing a land base and providing monetary aid, he was able to quit his off-farm job and begin dairying.

Non-Family Partnership Model #3

Only two dairymen interviewed had partnership agreements with non-relatives. Both farmers felt positive regarding the outcomes from their partnerships with non-family members. One partnership involving an older semi-retiring farmer and beginning dairyman was terminated after the junior partner found a dairy to purchase (Farmer #05031). The other partnership (#03022) which fits the Model #3 criteria, began

with the starting case study farmer purchasing half of the total dairy assets to begin a partnership with an older dairyman.

Partnership characteristics of Farmer #05031 were of an older man owning the majority of farm assets, allowing the young partner to accumulate cattle and equipment and allocating farm income on a salary basis to each farmer. This beginning farmer had been released from a family partnership with his father due to the father's death. However, the Father/Son agreement did not have a provision for death and the farm was sold leaving the son with an investment reimbursement plus inheritance. After a year of off-farm employment, the beginning farmer found an older man willing to form a partnership paying the case study dairyman a percentage of the milk check and assigning him managerial responsibilities. The younger partner was satisfied with the arrangement but continued to look for another farm to purchase.

The second partnership had a more complicated story. The younger partner purchased half of total farm assets after a written agreement was formulated. Terms of the agreement allowed either partner to sell his farm interest upon the approval of all parties. According to the agreement outline, income and expenses were equally divided. Unfortunately, management with the senior partner held difficulties for the young farmer. Improvements and expansion for the farm were slow and inefficient until the senior partner sold his half of farm assets to his son. The new partner was willing to make necessary changes and improvements needed to enhance the dairy efficiency and growth. Seven

years later the new partnership continued to grow financially and the farm had been increased in size and efficiency.

Rental Agreements

The case studies investigated in the following section relates to dairy farm entry through use of rental agreements. The leasing model structure of Chapter II will be used in conjunction with case study analysis. Individual farmer numbers will be identified periodically for continued detail on certain farm situations.

Family Rental Agreements Model #4

This farmer entry model can be summarized as a rental arrangement between family members, allowing security of tenure, allowing low or delayed rental payment schedules and giving the use of any or all needed resources for dairy farm establishment.

Eight case study dairymen and one Model #1 partnership (0106) used a family rental agreement of Model #4 conditions. All the young case study farmers had agriculture backgrounds, four of the eight Model #4 dairymen had family dairy experience. All family dairy rental agreements were initiated by the case study farmers. The family rental agreements consisted of father/son arrangements with exceptions of an uncle/nephew and two father and son-in-law arrangements.

The partnership agreement involving Model #1 farmer (#0106), discussed earlier, used a family rental arrangement to acquire facilities and additional land. The father/son partnership rented the facilities and land from the grandfather on a fixed yearly rate. The

verbal agreement may be dissolved upon purchase of the farm by the grandson within a two year period.

Family assistance beyond supplying rental resources was evident in all Model #4 case studies. Four of the Model #4 case study dairymen acquired loans after the older relative co-signed the note. One rental agreement required a deed of trust for the acquisition of an important loan for farm expansion. The deed of trust was obtained by the son-in-law from the father-in-law, then farm growth was assured. Two case study dairymen were allowed low payment schedules for land and facilities which helped them get started.

Written agreements were made by five of the seven case study farmers in Model #4. Two of the written agreements included a rent to buy option. Three of the leases had clauses which required investment costs to be the covered by the tenant. All but one of the tenants in a spoken or written lease agreement were required to make fixed payments on a monthly, quarterly, or yearly basis. The one exception to a fixed payment schedule was a case study farmer (#02011) who gave half of his milk check for the rent.

Positive aspects of family rental agreements according to Model #4 dairymen, include acquiring the land base for dairy production and security of tenure through buy options or inheritance. One dairymen (02013) working with his father-in-law on the rented family dairy felt that "leasing was the key to obtain the necessary land base to begin dairying". However, this dairyman felt that leasing was not efficient

on a long-term basis because of restrictions concerning long-term land use decisions.

Good relations between the family landlord and tenant were very important to Model #4 farmers. The young dairyman who rented from his uncle (#05035) had an established working relationship before the rental agreement was negotiated. The written agreement between uncle and nephew comprehensively covered all aspects of the farm leasehold, depreciation of facilities and equipment, property taxes, utilities, farm improvements and farm insurance. Both uncle and nephew were very satisfied with the current arrangement. The uncle was able to keep his land in use and the nephew had security of tenure due to eventual inheritance.

One dairyman (#03020) was seeking a release from his verbal family rental arrangement. The father was very helpful in getting his son started by cosigning notes and supplying cattle feed for the beginning herd. However, the $5,000 yearly renewable lease for the 68 acres and buildings was considered a considerable amount for the beginning dairyman. Also, the father began interfering in the financial and managerial decisions concerning the dairy. Currently, the son is looking for another dairy in view of the possibility of the father not renewing the lease in a couple of years.

Family rental assistance under good relations does not guarantee a successful operation. A beginning farmer (#04024) started a dairy renting the property and purchasing cattle and equipment from his father. However, external circumstances (drought) and inexperience

resulting in disease problems causing the beginning farmer to sell his cattle five years after the first milking. The young man believed family assistance made it easier to begin dairying by decreasing his investment capital but inexperience and major disease problems led to the decision to sell out, and re-enter dairying later. Recently, the case study farmer and his wife began milking a small herd while holding an off-farm job. The father's active participation in farm management matters and encouragement has helped re-establish the young dairyman's goals for a future grade A dairy.

Farmer #04025 began a small dairy after working six years on his father-in-law's dairy. Assistance from the father-in-law allowed him to farm a fifty-three acre farm for a yearly $300.00 maintenance fee. Using family owned equipment in exchange for supplemental labor kept the beginning farmer from having to purchase equipment. Unfortunately, the father-in-law kept approximately thirty acres of the beginning farmer's land base in row crop production during 1980. The case study farmer had to purchase large quantities of feed to compensate for the lack of pasture and hay. Disease and reproductive problems in the beginning herd further decreased the starting cash flow. Selling his small beginning herd was an option Farmer #04025 considered.

However, a turn of events in 1981 kept this farmer from exiting the dairy business. Row crop land was released by the family landlord which was used by the case study farmer to re-stock hay barns. Milk production began to increase due to better cow care, increased quantities of quality hay and better breeding programs. The case study

farmer considered his options and decided to remain in the dairy industry.

Family Rental (Rent-Free) Agreements Model #5

The major characteristic of this family rental agreement model is rent free use of the land and/or facilities. Security of tenure was normally assured through family inheritance or a verbal buy option.

Two case study dairymen fit the criterion stated above. Farmer #0209 and #05032 vary in backgrounds involving their dairy farm entries and farm experiences. Farmer #0209, on a fourth generation farm, was the first generation dairyman. This farmer acquired an interest in dairy while in high school and began a small dairy a year after graduation. Rent free use of the land and a home dwelling was an essential factor to the establishment of his farm. Debt from building facilities, purchasing cattle and equipment was considered a large enough burden for this Model #5 farmer.

Farmer #05032 was raised on a family dairy and kept involved in farming by raising dairy heifers on his wife's grandfather's farm. The beginning dairyman was able to rent a dairy from a non-relative. The rental agreement involving the beginning farmer and an older gentleman involved the use of facilities, land and equipment, and requiring the tenant to supply cattle and feed. Although relations with the landlord were good, the case study farmer decided to terminate the rental agreement because of the long distance between the rented farm and his home base. Milking facilities at the rented dairy were beginning to require extensive repairs. The beginning farmer sold his herd and used

the money to build a new milk barn and purchase heifers using the land resources on his wife's grandfather's farm.

Both Model #5 farmers built facilities on the rent-free farms as well as making improvements to the land and buildings. Inheritance will be the means of final farm acquisition for both farmers which encouraged farm expansion and improvements. The rent-free base used by Model #5 farmers was supplemented by additional land rentals adjoining the dairies. Cash rent and profit share were two of the forms of non-family rental agreements used by the two case study dairymen.

Even though the farmers felt that rent free use of a land base was the only way to dairy, they believed that dairy income received was not adequate for living expenses. By relying on spouses off-farm income for living expenses, farm income was reinvested into the farm business.

Rent free use of family helped not only Model #5 farmers but a Model #1 partnership (#04029). The four-way partnership received consent from the grandfather for rent free use of the family farm. Security of tenure was assured though inheritance and gave the partnership incentive to use investment funds for the building of top quality facilities and improvement of the initial herd base. The interviewed farmers felt entry at a medium scale (~ 40-50 cattle) would have been impossible for the partnership without having the land base rent free.

Non-Family Member Rental Agreements Model #6

The rental agreement concerning non-family members were used by approximately all the case study farmers. Seventeen of the thirtynine

case study farmers rented supplemental tracts from non-family members using two main agreement types, cash and profit share agreements. Facilities were rented by partnership #04029 which allowed the building of the dairy herd while facilities were being built. Two case study farmers rented an entire dairy base (land, buildings, milking facilities and some equipment).

Discussion about the non-family rental agreement will be limited to Farmer #03016 due to previous discussion of Farmer #05032 in the partnership section.

The rental agreement involving farmer #03016 was comprised of a family partnership and an older retiring dairyman. The brother-brother partnership learned through an extension agent of an older gentleman willing to rent dairy facilities for a long-term period. After contact between interested parties was established, an agreement was reached leasing the 400 acre farm for a ten year period. The brothers purchased the cattle and equipment present on the leasehold by using seller financing for a ten year period at a low fixed interest rate. A brief outline of major previsions of the written rental agreement concerning #03016 follows:

1) Length of ten years - a renewable lease with fixed monthly payments.
2) Owner maintains fences and pays for major repairs.
3) Certain herd size must be maintained.
4) No reimbursement guarantees.

5) Even though tenants had major control over land use and production decisions, upon the termination of the lease, original crops present on the farm at the onset of the lease must be re-planted.

A five year lease renewal was signed in April of 1985. The brothers were pleased with the current arrangement but had experienced problems. Poor facilities limited dairy efficiency at the onset of the operation. The brothers had made considerable improvements to the dairy barn and had built grain storage facilities using their own investment funds. Expansion and improvement decisions have been a source of friction between the older relatively conservative farmer and the partnership. The landlord had expressed hesitation over prospective changes concerning his farm which frustrated the partnership attempts at farm innovations. However, the case study dairymen remarked that assistance obtained from the landlord in terms of providing a land base at a reasonable price and providing financing at low interest on cattle and equipment were the only reasons for their farm entry and establishment.

Complete Farm Acquisition

Purchasing a farm was accomplished by twelve case study dairymen in order to begin dairying. Purchases not only included land but in many cases cattle, equipment and feed in silos. Farms purchased by the dairymen were acquired under various financial conditions and varying levels of farm backgrounds and dairy experience. Discussion of the

diverse ways the case study dairymen overcame financial and other external farming obstacles will be discussed in this section.

Purchasing Farm Assets with Family Assistance Model # 7

Surprisingly, only four of the thirty-nine dairymen interviewed made farm transactions with family members. One might conclude that family farm relations would end in partnership or a rental type agreement to utilize farm assets. One of the dairymen (#02014) acquired the family farm through conventional financing but was given gifts of livestock and rent-free use of supplemental land tracts. Of the five dairymen included in Model #7, only two beginning farmers received substantial assistance (Farmer's #0208 and #0102). Discussion of farmers #0102 and #0208 will be first, followed by Farmer's #0107 and #06039, ending with a discussion of #02014's farm entry.

Family assistance for #0102 came early in the family dairy history. The family encouraged the young farmer to acquire cattle, experience and a college degree. The young farmer's older brother (#0103) formed a partnership with the father leaving the younger brother to consider farm purchase. After consulting with his father, the beginning dairyman began farming an adjoining farm which was owned by the family dairy. A written agreement between father and son for the purchase of the farm was drafted. The seller financed purchase agreement allowed delayed payments (which began in 1986) with low fixed interest rates. A sale price at approximately half farm market value and delayed farm payments allowed the case study dairyman a chance to

build facilities, increase herd size and build a home without an insurmountable debt load.

Family financing for this case study farmer was a major factor of his success. The dairyman felt the encouragement and good working relationships with his father and brother had made farm entry less financially stressful. Even with family assistance, careful budgeting and financial tactics were taken to reduce loan payments i.e., consolidation of large loans and careful planning of major farm purchases.

Problems encountered by farmer #0102 involve conflicts in sharing equipment between the two farms, high interest payments for facilities and cattle and an obligation to provide labor for the family dairy.

Farming experience for case study farmer #0208 was very limited. The case study dairyman became involved with the dairy business after becoming involved with the management of his grandparent's beef farm following their deaths. The young dairyman began a small dairy herd on the grandparent's farm and expanded the herd size until the operation outgrew facilities. He began looking for a dairy and in 1983 acquired a farm (land, buildings, and cattle) after using a mortgage on his parent's farm to pay the down payment and the original mortgage. Going through a conventional lender, the beginning dairyman obtained a mortgage to repay the first mortgage on his father's farm and repay an original long-term debt on the purchased farm. Consolidation of the loans into one loan with a longer repayment period eased the young farmer's payment schedule.

Unfortunately, the first year was difficult for the starting farmer. Cash flow problems resulting from poor herd quality and poor facilities hampered the first year of operation growth. Family assistance in the form of labor, sharing equipment and financial aid helped the beginning farm situation. Also, off-farm employment on a part-time basis by the farmer provided extra funds for family living expenses. The case study farmer surmised that without the mortgage offered by his family, farm entry would have been impossible.

Two case study farmers included in this research acquired family dairies and had dairy experience but did not receive substantial family assistance. Farmer #0107 grew up on the family dairy and began looking for a dairy to purchase after leaving off-farm employment. Upon finding out his son's interest in buying a dairy, the father approached his son with a dairy farm prospect which involved atypical sales procedures.

The circumstances surrounding the sale of the family dairy involved a title transfer. The beginning dairyman took full responsibility for the family dairy while his father settled on a grain farm in another state. The young case study farmer purchased the grain farm (valued same as the dairy) from his father in 1979 and two years later titles were exchanged, the son receiving the dairy farm title and the father regaining the grain farm title. Reasons for the title exchange was to meet tax exchange provisions for the father. The farmer mentioned that he could have gotten into dairying without his father's assistance. However, it would have taken a longer period of time to accumulate the assets he currently possessed. Farmer #0107

obtained funding with a conventional lender and when cash flow became restricted due to rising interest rates, the young farmer decided to consolidate all his loans with Farmers Home Administration. Keeping family business relations on a business level was considered an important point in order to keep negotiations fair and obligations clear and understood.

A partnership between father and son ending in the son's ownership of the dairy were the circumstances surrounding farmer #06039's dairy entry. The father/son partnership began in 1975 and the agreement allowed the son to draw a salary and accumulate owned cattle within the dairy herd. After the son's graduation from college in 1979, the father offered his son the opportunity to purchase the family dairy. After the purchase price was derived (from averaging two farm appraisals), the beginning dairyman acquired short-term farm lending until long-term farm funds became available.

Problems with disease had been a major plague of this case study dairyman. He mentioned that owning a large percentage of cattle and equipment while working in a family situation gave him financial strength to cover the future cost farm purchase and capital outlays for cattle and equipment.

Family assistance helped the beginning milking operation for Farmer #02014 in 1980 when he and his family purchased his wife's grandmother's farm. Financing for the forty acre farm was through a long-term farm creditor. Family assistance from the beginning farmer's father-in-law came in the form of a livestock gift of seventeen

crossbred heifers. The livestock gift was intended to give the starting farmer an extra income while milking facilities were renovated and heifers were being purchased. Gifts and loans of equipment to this Model #7 farmer as well as advice, supplement funds, rent-free use of 40 acres and labor helped the beginning farmer decrease initial cash expenditures.

Inexperience was a large problem for farmer # 02014. Lack of experience in heat detection in the young milk herd caused a stopgap in the breeding schedule. Inexperience and a large beginning debt load made contributions from off-farm labor by his wife and assistance from his father-in-law very valuable for the first two years of upkeep and beginning family living expenses. Farmer #02014 claimed that without the assistance received by his father-in-law, dairy entry would have been impossible.

Purchasing Farm Assets from a Non-Family Member Model #8

Five case study dairymen were classified according to Model #8 criterion of purchasing farms and/or farm assets from non-family members. Three dairymen (Farmer's #05036, #02015 and #0101) had financing through the original farm owners. The other two farmers in this model (#06040 and #0105) obtained financing for farm purchases with long-term creditors and had supplemented initial funds from previously accumulated personal equity. All farmers included in this model had different asset compositions before the farm purchase. Some case study dairymen had substantial equity which helped improve loan ratings and contributed to the beginning operating capital.

Purchases made by the farmers in order to begin milking included land, dwellings, cattle and equipment. Three Model #8 farmers purchased farms "lock, stock and barrel", i.e., land, facilities, home, equipment and cattle and miscellaneous items on an operating dairy. The dairymen who purchased farm packages experienced many problems with the condition of the resources after purchase. Poor soil productivity for farmer #02015 resulted in only 50 tillable acres being useable out of 130 acres, causing the farmer to rent 30 acres from a family member. Also, worn out machinery bought by the same farmer had to be replaced within a short period of time causing a decrease in cash flow due to equipment payments. Farmer #0105 felt poor conditions of purchased cattle and buildings along with dairy inexperience hindered first year growth. Lack of production records for the purchased cattle of farmer #0101 made evaluation of milk production progress difficult until the herd was put on the DHIA system.

Lack of experience was considered a major problem encountered by the dairymen during farm establishment. Three out of the five farmers included in Model #9 had a limited amount of dairy experience. The three farmers who had limited dairy experience believed a lack of dairy knowledge contributed to problems encountered during first year dairy operations.

Seller financing, the financing alternative taken by farmer #05036, #02015 and #0101, was deemed the only alternative available for these beginning farmers at the time of purchase. Farmers #02015 and

#05036 had loan applications turned down by local creditors and had to rely on the owners to make farm finance provisions. One farmer (#0101), assumed an existing mortgage and partially financed with the owner to obtain sole ownership.

A lower interest rate was the main financial characteristic of case study farmers experiences with owner financing. Repayment schedules individually worked out by buyer and seller gave beginning dairymen an advantage to have beginning payments and pay periods at reasonable amounts and times. Original owners further assisted their dairy buyers by making separate notes on cattle and equipment, giving advice and in one case giving short-term monetary loans.

An example of non-relative assistance involved farmer #05036. This beginning farmer rented the farm for approximately two years before it was purchased. He purchased the farm in 1974 at 6% fixed rate interest for a forty year period, paid annually. The owner assisted the young dairymen again by furnishing short-term funds until a long-term loan was secured by the starting dairyman. Equipment and old dairy facilities were in operational condition and additional farm equipment was purchased from the older farmer on "easy terms" (how ever long it took to pay off loan). The beginning farmer felt he couldn't have entered dairying without the older farmer's help. This case study farmer believed that the original owner understood the beginning farming situation and was lenient when payments were delayed.

Farm purchases accomplished by obtaining long-term loans from farm creditors were used by farmer #0105 and #06040 to obtain farm

ownership. No similarity exists between circumstances surrounding the entry of these two farmers except for the fact that they used proceedings from owned property to gain funds for a down payment.

Farmer #0105, in 1978, decided to begin dairying after making various enterprise budgets; finding dairying to have the best cash flow and best returns for investment. After two years of searching for a dairy, the case study dairyman found a seller willing to sell home, land, facilities, equipment and cattle. Down payment and initial operating capital were furnished from personal savings and proceedings from selling his previous home. Financing for the balance of the purchase came through a long-term farm creditor at 10 1/4% on a 30 year term.

First year problems of inexperience and poor conditions surrounding cattle and buildings became less of an obstacle with time, advice, and help from neighboring dairymen. The case study dairyman was content with the financial and productivity aspects of the dairy and felt he made a successful beginning in the dairy business. However, the Model #8 dairyman found that the daily routine was too confining to justify continuing dairying much longer. Realizing that high interest rates, low milk prices and reduction in available farm credit may prevent the future sale of the farm, the farmer was investigating the possibility of entering the federal dairy buy out program.

Part-time Dairying

Part-time Dairying with Family Assistance Model #9

Part-time farming used as an alternate means of farm entry decreases the dependency on farm income, reduces the use of credit and helps the farmer to increase farm assets with his supplemental income (Kanel). Although part-time farming can be a feasible means of entry, off farm income should not "substitute for family assistance" (Kanel).

Family assistance in providing labor and supplying supplemental sources of income allowed case study farmers the freedom to continue working off-farm until full-time farm status could be reached. Family assistance in the form of family labor was given to farmer #03023, family labor and rental property was provided for farmer #04028, and family assistance for farmer #06037 consisted of labor and low cost rental facilities.

The off-farm income acquired by Model #9 dairymen allowed for reinvestment of farm income, supplementing of family living allowance, and the accumulation of funds for farm asset purchases. Farmer #04028 felt that his off-farm income during the first two years of his dairy operation allowed him to use less credit which eased cash flow.

All three part-time dairymen had farm backgrounds. Farmer #06037 had dairy experience stemming from a 4-H dairy project. Two of the Model #9 farmers had purchased farms to dairy, farmer #06037 had rented

facilities and land from his father. Job experience for the part-time farmers included agriculture lender, businessman and Vo-Ag teacher.

Farm purchase in 1977 for farmer #03023 was accomplished from thirteen years of savings and long-term agriculture loans. The beef farm purchased by the case study farmer was converted into a dairy in the course of a year, using personal savings and intermediate loans. Long term financing was acquired for cattle and additional equipment purchases.

Family labor allowed farmer #03023 to continue his off-farm endeavors. Although he was responsible for overall farm management and financial decisions, his job required much travel which resulted in family members being responsible for farm duties. The part-time farmer remarked that his return was greater using family labor and was satisfied with family management capabilities.

The future goal for the Model #9 dairyman was to continue in part-time status until after expansion of the herd (from 65 head to 85 head) was completed. Also, he hoped to diversify the current farm plan by adding a broiler operation.

Off-farm employment allowed farmer #04028 to purchase a farm in 1971. Eight years later, the case study dairyman converted general farm operations to include a dairy enterprise. Continuing his off-farm employment for two years after the onset of dairy operations allowed a more effective use of credit by using short-term loans for cattle, equipment and building materials. However, refinancing short-term

loans for longer repayment periods was an option chosen by #04028 after leaving off-farm employment.

Family assistance from his (#04028) immediate family for labor has facilitated a herd expansion of fifty percent. Increased land needs were met by his father on a yearly rental basis. Currently, the dairyman was satisfied with his dairy lifestyle and felt that the equity he acquired while working off the farm allowed dairy entry.

An extension of a 4-H show project started a father/son partnership which ended in dairying on a part-time status. Farmer #06037 dissolved the father/son partnership in 1975. Three years later, the dairyman rebuilt a small registered dairy herd and was able to rent facilities and land from his father. His father also assisted in labor when the case study dairyman's job required travel or overtime. The part-time dairyman (#06037) realized that herd expansion was limited due to his off farm employment but goals of herd improvement and selling breeding stock hopefully will compensate for lack of intensive dairy involvement.

Dairying after Farm Establishment

Dairying after Farm Establishment Model #10

Farm land purchased by the four farmers (#04026, #05034, #04030, and #03019) was used for various enterprises before dairy production. Three of the four case study farmers purchased land in the 1960's when interest rates and land prices were low. Consequently, original tracts

were relatively debt free when dairying was being a considered farm enterprise.

Only one of the four case study farmers began operations using proceedings from sales and personal savings to acquire cattle, milking equipment and facilities. Long term lenders were used by the other three Model #10 farmers to supplement the capital investment required for the beginning dairy.

Termination of a poultry contract in 1982 was a deciding factor for farmer #03019 to begin a dairy operation. Trading owned beef cattle for dairy heifers and constructing a dairy barn using personal savings kept initial capital outlay low. Short term loans for an additional eight cows and milking equipment were paid for within a year. The case study dairyman believed having a land base and basic equipment gave him an advantage over many beginning farmers. The case study dairyman continued to decrease costs by keeping labor and feed costs low; this was partially accomplished by keeping milking herd numbers low enough to use owner labor and forages grown on the farm.

Another Model #10 dairyman converted his small beef operation into a dairy operation to keep from purchasing a dairy farm. Farmer # 05034 acquired his small farm in 1973, making payments with off-farm income and proceedings from his beef operation. Conversion of the beef farm to a dairy began in 1983; using funds from the sale of his beef cattle and savings. Local lenders made loan funds available for the completion of the barn and milking equipment.

Farmer #05034 had a great many problems during the first dairying year due to equipment malfunctions, disease and inexperience. A small land base also prevented herd expansion and required the dairyman to rent additional land.

Dissolving a partnership that involved raising dairy replacement heifers gave farmer #04026 an incentive to begin dairying. Acquiring his farm in the early sixties, this Model #10 dairyman raised beef, held off-farm jobs and began a custom hiring service until the dairy operation was started in 1979.

Renovation of the calf barn to a milk barn and purchasing an initial 13 lactating cows was financed with funds from selling his half of the dairy replacement heifers to his partner. Hay was obtained from custom baling services. Additional cattle and milking equipment was acquired using loans and personal savings.

Having a land base was considered an advantage by this case study dairyman. Keeping his herd small and concentrating on bringing up production and butterfat had kept farmer #04026 from hiring off-farm labor and had increased family involvement in the dairy.

Disease and loan repayment were the biggest problems for farmer #04030 during the first year of dairying. His 55 acre farm purchased in 1966 was used for row cropping and beef production until adjoining land became available in 1978. The case study farmer acquired the extra land intending to begin a dairy.

Long term loans were used for construction of the milk barn, purchase of new milking equipment and initial milk herd. Acquisition

of hay and silage for the 45 head dairy herd caused serious cash flow. Assistance from his wife's off-farm income left dairy income for making loan payments. Increased milk production and herd expansion offset additional difficulties by bringing in additional cash flow.

Uncertainty surrounding dairy prices and dairy policies was causing farmer #04030 to consider selling out his herd. He was evaluating an option to sell his milk herd and retain young heifers for the possibility of entering the dairy business when future dairy policies were known.

CHAPTER IV

SUMMARY AND CONCLUSIONS

The major purpose of this study was to investigate the methods used by Middle and East Tennessee case study farmers to enter dairying. The specific objectives of this study were to obtain farm entry information through case study methods; to construct individual farm biographies and financial profiles to obtain specific instances of farm growth and obstacles to entry; and to analyze and evaluate the advantages and disadvantages experienced by case study dairymen in order to give general information to prospective dairymen.

A questionnaire was developed for personal interviews. Information regarding each case study dairyman's agriculture background, general farm practices, overall farm financial structure and a narrative regarding dairy farm entry was integrated into the interview framework.

Areas of study were chosen on the basis of dairy cattle numbers per county in Tennessee. The selected Tennessee counties were Greene, Lincoln, Marshall, McMinn, Rutherford and Washington. County extension agents in each study county gave assistance by briefing the enumerator about dairymen in the repective counties. Dairymen were considered for interviews on the basis of the following study characteristics: 1) Began dairying within a ten year period (1975-1985), 2) Had influential control over managerial and farm financial decisions, 3) Owned a

substantial percentage of farm assets, 4) Acquired most or all income from farm investments.

Thirty-nine case study situations were used for beginning farmer research. Resulting interviews were categorized according to means of entry. Model numbers were assigned to each category for ease of discussion. The following farm entry categories are listed and briefly summarized below.

Model #1 - Family partnerships between generations. The senior relative having a larger percentage of farm assets, labor and farm experience, allows the junior partner to accumulate cattle and equipment within the partnership. Intergenerational transfer of the family dairy assures farm entrant opportunity of farm continuance.

Model #2 - Family partnerships under a "limited" agreement. Assets may or may not be equally divided. However, one partner is limited in physical, financial or managerial responsibilities of the dairy partnership.

Model #3 - Non-family partnerships. This partnership type has an allowance for equity accumulation for both partners. Management and labor responsibilities are shared equally. Salaries are paid to partners with remaining sum reinvested in the farm. Agreement has a buy option provision.

Model #4 - Family rental agreements. Family assists the farmer's entry by establishing low or delayed rental payments. Guarantees security of tenure by inheritance or purchase option.

Model #5 - Family rental (rent-free) agreements. Family landlords allow beginning farmers rent-free use of facilities and/or land in exchange for upkeep and taxes. Security of tenure obtained through eventual inheritance, gift or purchase.

Model #6 - Non-family rental agreements. Dairy facilities, equipment and land acquired by cash rent.

Model #7 - Purchasing farm assets with family assistance. Family assists dairy entrant by supplying monetary loans and/or gifts, may provide seller financing of family property using low interest rates and delayed repayment schedules.

Model #8 - Purchasing farm assets from a non-relative. Farm purchase accomplished through various purchasing options, i.e., seller financing, conventional lender financing and supplemental financing from sales of personal assets.

Model #9 - Part-time dairying. Beginning dairymen use off farm income to obtain assets necessary to switch to a full-time dairying status.

Model #10 - Dairying after farm establishment. Dairying included in existing farm plan after funding is obtained from farm loans and conversion of farm assets to cash.

The case study farmers were 23 to 54 years of age. All the interviewed dairymen had an agriculture background. Twenty-three of the forty-four (numbers includes partnership members) farmers had a certain amount of dairy experience from working with or on family

dairies. Remaining case study farmers had general farm knowledge prior to dairy farm entry.

Work experience by case study dairymen prior to dairy entry was varied. Non-agriculturally related jobs such as mechanic and football coach were held by case study dairymen. Agriculturally related jobs such as milk tester, beef herdsman, and cheese factory worker sparked an interest in the dairy business for some beginning farmers.

Agriculture education in the form of 4-H and FFA activities was experienced by twenty-eight of the fourty-four farmers. Sixteen interviewed dairymen had obtained a bachelor's degree, one case study farmer obtained a masters degree and another dairymen was working on his M.B.A. while working off-farm and dairying part-time.

Thirty-four of the forty-four dairymen (including partners) were married and twenty-two of the farmer's spouses contributed off-farm income to supplement farm income. Spouses and other family members contributed to farm efforts by giving assistance for milking, feeding, keeping financial and production records and other farm chores.

Goals expressed by researched dairymen were easily defined into short and long-term goals. Common short-term goals (1-5 years) for case study farmers were to increase milk production and increase animal quality. Other short-term goals included phasing out other farm enterprises such as tobacco, beef, and row crop operations or adding to their farm operations with various farm enterprises such as a vineyard, a broiler operation or a beef operation. Long term goals (5-10 years) for the beginning dairymen were comprised strategies for dairy farm

continuance and/or farm acquisition through purchase or inheritance from family members.

Financial structure of case study farms varied as widely as means used to enter the dairy business. Twenty-eight of the thirty-nine case study situations had shown an increase in networth from initial entry status. Net worth increases were mainly due to an increase in farm land values, acquisition of supplemental land tracts, increases in dairy herd numbers and accumulation of farm equipment.

Participation in farm partnerships were means for beginning case study dairymen to acquire experience and equity at reduced financial and managerial risk. Family partnerships gave beginning case study farms a chance to understand the financial and productive structure of family dairies before sole ownership for the junior partner was attained through inheritance.

Consistent problems encountered by the younger dairy partners concerned an aversion to farm improvements and expansion by their older partners. Case study farmers involved with family partnerships experienced reluctance of older partners to relinquish managerial control of farm responsibilities, i.e., financial record keeping and land use decisions.

Case study farmers viewed farm rental agreements as a viable means to acquire a necessary land base. Leasing dairy facilities and land gave the beginning dairymen freedom to relocate to other facilities if resources were not adequate, as with the case study farmer #05032. Family assistance in the form of rent-free use of land and facilities

or permitting low rental payments gave the beginning farmer a farm base without a large capital outlay.

Disadvantages of leasing arrangements encountered by the interviewed dairymen centered around security of tenure and restrictive use of farm facilities. Interference in farm matters and lack of reimbursement for farm improvements were other problems experienced by the case study dairymen.

Acquisition of complete farm assets was considered a feasible means of dairy farm entry in order to acquire sole ownership. Seller financing agreements from family and non-family parties included low interest rates, delayed payments and long repayment schedules which helped the beginning dairymen.

Unfortunately, a large capital investment due to farm purchase became a larger burden if purchased resources were inadequate. Poor soil, cattle and building quality encountered by farm purchasers increased first year operational costs due to repairs, reduced milk production and purchase of cattle and equipment replacements.

Off-farm income for part-time dairymen provided supplemental operating capital for beginning dairies. Less dependance on creditors for short-term loans was characteristic of part-time case study farmers. Family assistance in the form of labor and supplemental management was required by the interviewed dairymen to realize farm maintenance and growth.

Steady off-farm income made switching to full-time dairying difficult for some case study dairymen, i.e., #03023. Division of

management between on and off-farm interests caused frustration for other part-time farmers.

Dairying after a farm had been established was experienced by four dairymen. Capital investment for the dairy consisted of building dairy facilities, purchasing dairy equipment and equipment. A strong equity base held by the established farmers made the conversion from previous farm enterprises to a dairy enterprise more efficient and less expensive for the beginning dairymen.

Conclusions

Farmers who were interviewed for this research were able to acquire the necessary assets within relatively low levels of beginning equity. Acquiring the exact combinations of beginning dairy assets was accomplished by case study dairymen through the entry methods discussed in this research. Evaluation of case study farm situations led to finding recurrent factors which influenced the success of farm entry and establishment. Factors affecting farm beginnings and progression may be summed using three categories: 1) Assistance from external sources, 2) External circumstances surrounding farm entry, and 3) Managerial capabilities of the beginning farmer.

Assistance given to case study farmers by family or non-family members allowed many of the dairymen to begin farming. Gifts of money, cattle and land were made by the family to the beginning farmers. Assistance from non-family members helped reduce beginning debt loads

for starting farmers by loaning money, sharing equipment and permitting low interest rates plus long repayment periods for farm purchases.

External circumstances affecting the beginning farmers in the process of farm entry was condition of acquired resources, financial and political status during entry processes, and weather conditions. Good quality cattle, facilities, and soil are essential for continued success of a dairy operation. Poor quality resources encountered during beginning years resulted in restricted growth and delayed establishment due to capital outlays from extensive culling, equipment replacement, and facility repairs.

Case study farmers were especially susceptible to existing financial and political climates during times of entry. Availability of credit and high interest rates were factors that seriously affected initial cash flows. Lack of immediate long-term credit by the beginning dairymen required the acquistion of high interest short-term credit until long-term financial help was obtained. Uncertianties regarding changes in goverment dairy policy seemed to restrict short and long term resource planning for some of the case study dairymen.

A lack of starting equity by case study farmers was overcome by the farmers creating and making most of farm opportunities presented at the time of dairy entry. However, a substantial amount of equity for some beginning farmers decreased credit use by reducing the need for short-term operating capital and reduced the amount of loan needed for farm purchase down payments.

Fluctuating weather conditions had a substantial effect on silage and hay production and caused severe problems for beginning farmers. Reduced silage and hay yields required supplemental feed purchases which restricted cash flow. High debt per cow compounded with feed shortages resulted in one case study dairyman to consider selling out his dairy herd.

Inexperience in dairy management resulted in missed heat periods, increased possibilities for disease and caused improper allocation of resources. Many case study dairymen cited dairy inexperience to be the largest cause of production inefficiencies. Inexperience in farm financial affairs can be as detrimental to farm progress as dairy or crop management inexperience. Several of the dairymen did intensive budgets and cash flow analysis to use as guidelines for beginning farm structures. Cash flow considerations made by sellers and creditors allowed case study farmers an essential break to grow financially. Feed creditors who allowed delayed feed payments, a seller who used balloon payments to be used for farm purchase repayment and farmers who were allowed to purchase used equipment under seller financing are examples of assistance given to case study farmers to ease cash flow.

Given case study data, it appeared that entrance with family assistance was the most effective means of farm entry. Dairymen who entered without family assistance relied on previously acquired equity for farm purchases. Methods used by the dairymen without substantial equity used part-time farming and partnerships and beginning farmer loans to begin dairying. Implications of the previous statements would

be family dairies stay within the family status. Prospective dairymen without family connections or substantial equity must rely upon government credit when available, working with older established dairymen in rental or partnership arrangements, or building equity by dairying part-time.

Continued research regarding farm entry alternatives is needed in order for the farming tradition to continue. Effects of new and existing dairy policies on prospective and recent farm entrants should give policy makers feedback concerning the problems and success of current and future dairy programs. Analysis of government subsidized farm credit programs is also needed to assess the value of government support for farm entrants.

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APPENDIXES

APPENDIX A

Questionnaire

Confidential

Economic Problems of Beginning Farmers

County # _____ Farmer # _____

Age of Operator: _____ Marital Status: _____

Age of Spouse: _____ Ages of Children: ___ ___ ___ ___

Level of education attained by the operator: _____

Level of education attained by the spouse: _____

Age operator began farming with family: _____

Age operator began milking on his own: _____

Agricultural Background

1. Were you involved in:

   a. 4-H in elementary & secondary schools?

   b. Vo-Ag in middle or secondary schools?

   c. Agricultural related studies in college?

   d. Other i.e., cattle or horse shows, AI work, rodeo, etc.

   Discussion:

2. What were your farm and farm related experiences before you started dairy farming for yourself?

   _____ family dairy _____ nonfamily dairy _____ family nondairy

   _____ nonfamily nondairy _____ Other _____

   Discussion:

   a. How long did one of the above arrangements last? _____

   b. Were you involved in the business side of the operation (bookkeeping, assisted in decisionmaking) _____ or the physical management side of the operation (feeding, herd health, etc.) _____

   Discussion:

3. What background does your spouse have in dairying?

4. a. How did your spouse feel about your farming interest?

   b. How did your family feel about your farming interest?

Farm Entry

5. How did you get started farming?

How started:

___ Family Assistance

___ FmHA

___ Lender

___ Non-relative assistance

___ Owner-built equity

___ Part-time

___ Corporation

___ Cooperative

Largest problems encountered first years:

___ Difficulty in finding resources

___ Poor condition of resources

___ Finding labor

___ Cash flow problems

___ Weather

___ Disease

___ Inexperience

Rental land:

___ Gets along with landlord

___ Afraid lease not to be renewed

___ Cost share, ___ Profit share

___ Standing rent, ___ Flexible

When is rent paid? _____

6. During your youth, what assistance did your family help you in accumulating resources you would need for your own farm?

7. Managerial advice: Who is your business counsel:

for production decisions? _____ spouse _____ parent

_____ _____ dairyman _____ ext. agent

for financial decisions? _____ spouse _____ parent

_____ _____ dairyman _____ ext. agent

8. What difficulties were created for you and the existing family farm as a result of assistance offered to you, if any?

9. Who makes the major business decisions?

_____ operator of original farm _____ mutual agreement

_____ beginning farmer _____ other

10. If a family agreement, what changes would you have made in the initial family agreements?

a. More input into financial decisions

b. More input into production decisions

c. Greater amount of assistance for beginning farmer

d. Less amount of assistance

e. More formalized agreements between parties

f. Less formalized agreements

g. Other _____

Discussion:

11. Which goals have you achieved in getting started?

12. Could you have gotten started in farming without family assistance? Comments:

Description of Farm Operations

13. a. Milking schedule (2X or 3X) _____

b. Who does the milking? _____

14. a. How many times a day do you feed? _____

b. What type of ration do you use? _____ % hay _____ % grain

_____ % silage _____ % concentrate

c. Do you use any special dietary service? ___ none _____

15. To whom are the work responsibilities assigned?

    Herd health _____

    Heat detection _____

    Herd record keeping _____

16. What is the average hours of labor per week for:

    Operator _____

    Family members _____

    Hired labor _____

17. What is the type and capacity of the milking parlor (cow/hr.)?

    _____ _____ cows/hr.

18. Does your land produce enough grain ____, silage ____, hay ____ and pasture ____?

19. How much can you expand your operation given your present capacity and condition of buildings, equipment and land base? Comments:

20. What other enterprises are in your farm operation other than your dairy enterprise? Type and size of enterprise?

Management/Production

21. Type of production records: DHIA _____

    Other _____

22. Beginning milk production per cow _____ # per cow.

    Current milk production per cow _____ # per cow.

23. Beginning calving interval per cow _____ days.

    Current calving interval per cow _____ days.

24. What factors caused the changes in milk production?

25. What factors caused the changes in calving interval?

26. What are your future goals?

    a. Herd expansion/contraction

    b. Milk production

    c. Enterprise diversification/specialization

    d. Family farm continuance/discontinuance

27. What would be the steps that must be taken to reach your goals?

Financial Questions

28. What system of bookkeeping do you use? _____ cash _____ accrual

_____ bookkeeper _____ Farm Bureau _____ CPA _____ self

29. Is your personal account separated from your farm income account?

_____ separated _____ commingled

30. What is the maximum amount you can borrow? _____

31. Was there any problems with any of your initial purchases that may have caused cash flow problems?

32. What methods did you use to ease any restrictions in cash flow? (Rental or leasing agreements, careful structuring of repayment schedules, custom work).

33. What problems have you encountered with your current payment schedules?

34. Do you feel that your beginning debt structure allowed for growth and expansion for your farm?

Current debt structure?

35. Do you feel that you have an established dairy farm that is giving you the necessary level of income for family living expenses?

Closing Questions

36. Why did you decide to enter the dairy business and what were the factors that influenced this decision?

37. What advice would you give to young farmers wanting to establish a dairy enterprise?

Starting	Date Acquired	Amount	Acquisition Means*	Market Value	Purchase Price	Down Payment Amount	Down Payment Source	Monthly Payment	Interest Rate	Agreement Length	Annual Income	Special provisions**
Home dwelling												
Headquartered tract												
Milking parlor												
Barns												
Silo												
Other bldgs.												
Grain/silage land												
Hay land												
Pasture land												
Mach./equip.												
Trucks/autos												
Tractors/acc.												
Hay equip.												
Dry cows												
Milking cows												
Yearlings												
Bulls												
Calves												
Inventories												
Supplies (feed)												
Remaining Debt: Principal & Interest												
Receivables												
Cash												
Oper. capital												
Other:												
Other: Loans												
Labor expd.												
Other Income												

*Direct Purchase - #1; Loans - #2; Rent - #3; Custom Hire - #4; Gift - #5; Inheritance - #6. **Type ownership. ***From whom purchased.

Starting	Date Acquired	Amount	Acquisition Means*	Market Value	Purchase Price	Down Payment Amount	Down Payment Source	Monthly Payment	Interest Rate	Agreement Length	Annual Income	Special provisions **
Tract #2												
Grain/silage												
Hay												
Pasture												
Bldg. on site												
Tract #3												
Grain/silage												
Hay												
Pasture												
Bldg. on site												
Tract #4												
Grain/silage												
Hay												
Pasture												
Bldg. on site												

*Direct Purchase - #1; Loans - #2; Rent - #3; Custom Hire - #4; Gift - #5; Inheritance - #6. **Type ownership. **From whom purchased.

October 85	Date Acquired	Amount	Acquisition Means*	Market Value	Purchase Price	Down Payment Amount	Down Payment Source	Monthly Payment	Interest Rate	Agreement Length	Annual Income	Special provisions**
Home dwelling												
Headquartered tract												
Milking parlor												
Barns												
Silo												
Other bldgs.												
Grain/silage land												
Hay land												
Pasture land												
Mach./equip.												
Trucks/autos												
Tractors/acc.												
Hay equip.												
Dry cows												
Milking cows												
Yearlings												
Bulls												
Calves												
Inventories												
Supplies (feed)												
Remaining Debt: Principal & Interest												
Receivables												
Cash												
Oper. capital												
Other:												
Other: Loans												
Labor expd.												
Other Income												

*Direct Purchase - #1; Loans - #2; Rent - #3; Custom Hire - #4; Gift - #5; Inheritance - #6. **Type ownership. ***From whom purchased.

October 85	Date Acquired	Amount	Acquisition Means*	Market Value	Purchase Price	Down Payment Amount	Down Payment Source	Monthly Payment	Interest Rate	Agreement Length	Annual Income	Special provisions**
Tract #2												
Grain/silage												
Hay												
Pasture												
Bldg. on site												
Tract #3												
Grain/silage												
Hay												
Pasture												
Bldg. on site												
Tract #4												
Grain/silage												
Hay												
Pasture												
Bldg. on site												

*Direct Purchase - #1; Loans - #2; Rent - #3; Custom Hire - #4; Gift - #5; Inheritance - #6. **Type ownership. **From whom purchased.

APPENDIX B

Case Study Profiles

Complete Farm Purchases

James Woodward
Farmer #0101
Tennessee
Entry Date: 1977
Date of Interview: Oct. 1985

July 1977 was the date in which dairyman James Woodward realized his dream of farm ownership and independence. Mr. Woodward and his wife had been involved in the teaching profession for approximately ten years. The only farming experience that Mr. Woodward experienced, involved raising beef cattle on his father's farm and working part-time on a neighboring dairy.

Mr. Woodward wanted to farm and after he investigated the returns to labor and management of beef, hog and dairy production, he chose to begin a dairy enterprise. Mr. Woodward began looking for a dairy to purchase using guidance from other dairymen and extension agents. Using a realtor's services, Mr. Woodward was able to survey several farms during 1976, before finding Walnut Grove Dairy. Walnut Grove Dairy was sold by a retiring farmer "lock, stock and barrel" (purchase consisted of land, equipment, cattle and miscellaneous supplies). Mr. Woodward became familiar with the farm's building and crop outlay after visiting the farm several times.

Funds for the farm downpayment were supplied from a mortgage on property owned by Mr. Woodward. Partial farm financing was available by the owner (at a fixed 7 1/2% paid semiannually). Mr. Woodward assumed a previous farm loan in order to complete the farm purchase. Extra equipment purchases were financed through a intermediate term loan from a local farm creditor at a variable 10 1/4%. Mr. Woodward eventually

sold his mortgaged property to make available supplemental operating capital.

Problems Mr. Woodward encountered during his first dairying year involved the poor condition of some buildings, lack of production records on the cattle, the inability to get on DHIA and limited land resources (had to double crop everything). However, problems were gradually under control by adding to the land base through land rentals, custom hiring, keeping personal production records, owner supplied labor, his wife's off-farm income and skimping on living expenses. The Woodwards were able to put money in their savings account during the first year of dairying.

Inexperience was the an overall problem to be dealt with for a few years after farm entry. Mr. Woodward maintained that he couldn't obtain major farm loans due to his inexperience; he cited that the original owner's assistance through seller financing enabled farm entry. Advice from local dairymen and the county extension agent helped the case study dairyman to deal with unexpected problems within the dairy organization.

Flexible long-term goals and full knowledge of the land and facility capacity of the dairy helped Mr. Woodward to continue farming for eight years. Although Mr. Woodward wanted larger dairy facilities and a larger land base, he had continued to expand his herd and was making improvements on the land and buildings.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #0101, 1977 AND 1985

	1977		1985	
ASSETS				
Current				
Cash		$ 9,000		$ 3,500
Grain and feed		---		16,500
Market livestock	(hd)	---	(hd)	4,600
Total		$ 9,000		$ 24,600
Intermediate				
Milk herds and replacements	(99 hd)	$ 60,000	(170 hd)	$128,150
Machinery, truck(s), auto(s)		50,350		110,000
Total		$110,350		$238,150
Fixed				
Real estate and buildings	(220 acres)	$143,000	(220 acres)	$300,000[b]
Other		20,000[a]		---
TOTAL ASSETS		$282,350		$562,750
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ 4,650
Operating and cattle notes				
Portion of intermediate term due		n/a		5,720
Portion of long-term due		84,000		
Total		$ 84,000		$ 10,370
Intermediate				
Tractor and machinery		$ 12,500		$ 23,320
Long-term				
Real estate contract		$201,000		$232,400
TOTAL LIABILITIES		$297,500		$266,090
OWNER EQUITY		$-15,150		$296,660
TOTAL LIABILITIES AND OWNER EQUITY		$282,350		$562,750

[a]Figure reflected two certificates of deposits.

[b]Increase in real estate reflected value of owner valuation plus cost of improvements.

Doyle Doty
Farmer #0102
Tennessee
Entry Date: 1983
Date of Interview: Oct. 1985

Family assistance and careful planning enabled Doyle Doty and his wife to acquire a productive 85 head milking herd. Mr. Doty came from a family dairy background. His family encouraged his interest in 4-H dairy shows and supported his completion of the Animal Science degree in 1977.

After Mr. Doty completed his degree, he went back to work on the family farm, where he and his younger brother (Alan) were able to build equity by the marketing of registered heifers. The father furnished land and supplies for the replacement heifer operation, allowing the sons to keep the proceedings from heifer sales.

Using equity acquired through farm labor and the replacement heifer operation, Mr. Doty was able to begin a dairy operation on an adjoining farm that the father purchased in 1960. A prearranged arrangement between father and son allowed: 1) the building of equity through selling of cattle, 2) the building of a dairy herd for the son, 3) allowing the son to build dairy facilities on the adjoining farm, 4) the purchase of the adjoining farm from the father at a low fixed interest rate (8%) and at a purchase price of relatively half the market value with payments to begin two years after the first milking, and 5) the availability of renting a home dwelling from the father until the home dwelling on the son's farm was completed.

Financing of the home dwelling, barns, milking parlor, necessary equipment and initial operating capital was furnished through loans from

the Federal Land Bank Association. The father further assisted his son by lending him the use of hay and silage equipment in exchange for labor.

Mr. Doty's feelings concerning the farm transfer arrangement were very positive. He felt that the experience and encouragement gained during his youth helped him to continue his dairy operation during difficult times. Family assistance was vital for farm continuance according to the beginning dairyman.

Initial problems encountered by Mr. Doty included poor soil productivity, inconvenience of supplying labor for two dairies, time conflicts with equipment sharing, and the high interest payments on farm loans. Mr. Doty dealt with the problems by careful financial planning i.e., delay of major equipment purchases, buying used equipment, and the consolidation of all farm loans with the Farmers Home Administration.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #0102, 1983 AND 1985

	1983		1985	
ASSETS				
Current				
Cash		$ 2,300		$ 5,000
Grain and feed		20,000		20,000
Market livestock	(10 hd)	10,000	(20 hd)	15,000
Total		$ 32,300		$ 40,000
Intermediate				
Milk herds and replacements	(100 hd)	$185,000	(145 hd)	$226,000
Machinery, truck(s), auto(s)		10,500		36,500
Total		$195,500		$262,500
Fixed				
Real estate and buildings	(228 acres)	$200,000	(228 acres)	$248,000
Other		---		---
TOTAL ASSETS		$427,800		$550,500
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		14,000		30,000
Portion of intermediate term due				
Portion of long-term due		13,200[a]		n/a[a]
Total		$ 27,200		$ 30,000
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Other[a]		$ 96,800		$109,000
Real estate contract		100,000[b]		100,000
TOTAL LIABILITIES		$224,000		$239,000
OWNER EQUITY		$203,800		$311,500
TOTAL LIABILITIES AND OWNER EQUITY		$427,800		$550,500

[a]A loan from the Federal Land Bank Association for building dairy facilities, purchasing milking equipment, purchase of cattle and initial operation funds.

[b]The purchase price between father and son for the 228-acre farm valued at $200,000 in 1983.

Angus Sills
Farmer #0105
Tennessee
Entry Date: 1980
Date of Interview: Oct. 1985

Angus Sills started in the dairy business during August of 1980 at Crooked Back Dairy. Mr. Sills and his wife did not have dairy experience until the initial start in 1980. During 1975, the case study farmer decided to leave his construction job and begin farming. After all farm enterprises were considered for beginning farming operations, Mr. Sills chose dairy on the basis of the stable cash flow.

In 1978, Mr. Sills began his search for a dairy operation in the East Tennessee region. Two years later, he learned of a retiring dairyman wishing to sell his entire operation for $306,000. Accumulated savings and equity from his original home supplied the funds for the initial downpayment and an operating capital base. Financing for the farm purchase came through Federal Land Bank at a variable 10 1/4% interest rate for 30 years.

Lack of experience and poor cattle and building condition were sources of initial problems for the case study farmer. Gradual renovation of farm facilities, better feeding and breeding programs and advice from local dairymen helped Mr. Sills to partially overcome his beginning difficulties.

Currently, the owners were satisfied with the farm income derived from the 88 head dairy herd. Mr. Sills felt that the previous equity brought into the farming operation decreased the amount borrowed from farm creditors. Yet, the Sills were considering the option to sell their farm. Mr. Sills felt confined to the operation and was unable to

spend time with his children. He hoped to have the farm sold within a one to two year period but was afraid that high interest rates and decreased credit availability would prohibit an immediate sale. Mr. Sills considered entering the dairy diversion program to exit farming.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #0105, 1980 AND 1985

	1980		1985	
ASSETS				
Current				
Cash		$ 1,000		$ 40,000
Grain and feed		---		---
Market livestock	(hd)	---	(hd)	---
Total		$ 1,000		$ 40,000
Intermediate				
Milk herds and replacements	(45 hd)	$ 45,000	(88 hd)	$ 79,200
Machinery, truck(s), auto(s)		23,000		105,800
Total		$ 68,000		$185,000
Fixed				
Real estate and buildings	(65 acres)	$315,000	(65 acres)	$315,000
Other		---		---
TOTAL ASSETS		$384,000		$540,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		---		---
Portion of intermediate term due		---		---
Portion of long-term due		16,800		n/a
Total		$ 16,800		$
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$183,200[a]		$100,000
TOTAL LIABILITIES		$200,000		$100,000
OWNER EQUITY		$184,000		$440,000
TOTAL LIABILITIES AND OWNER EQUITY		$384,000		$540,000

[a]Purchase price $360,000, the farmer used savings and equity to pay $160,000 leaving a remaining balance of $200,000. The purchase price included land, buildings, equipment, cattle and full silos.

Jon Dough
Farmer #0107
Tennessee
Entry Date: 1979
Date of Interview: Oct. 1985

April 19, 1979 was the date when Jon Dough took sole responsibility for the family farm, although actual title transfer did not occur until January 1, 1981. Mr. Dough was reared on the family dairy, supplying extra labor for the 230 head milking herd. In 1975, he decided to leave the dairy for training and employment in an mechanic type position. A year later, Mr. Dough started looking for a farm after finding work off the farm too confining. His first land purchase consisted of 50 acres of pasture that adjoined the family dairy. Financing for the land purchase was accomplished through a conventional lender and repayment was made from tobacco income and salary from working on the family dairy.

Mr. Dough's father decided to relocate at a grain farm in another state which had been purchased in 1966. April 19,1979, Mr. Dough's father allowed him to take full responsibility for the family dairy on the provision that the son purchase the grain farm (the selling price of the grain farm had been adjusted to reflect the value of the dairy). Titles were exchanged January 1, 1981.

Mr. Dough felt his largest problem arose when the bank interest rates increased, causing him to consolidate all previous loans with Farmer Home Administration. Other problems causing cash flow difficulties involved weather conditions which decreased crop productivity in 1980, 1983 and 1985. The family dairy was on a resource

management program which helped Mr. Dough allocate resources during times of difficult cash flow.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #0107, 1979 AND 1985

	1979		1985	
ASSETS				
Current				
Cash		$ 10,000		$ 10,000
Grain and feed		43,000		82,500
Market livestock	(hd)	---	(hd)	---
Total		$ 53,000		$ 92,500
Intermediate				
Milk herds and replacements	(425 hd)	$ 300,000	(520 hd)	$ 400,000
Machinery, truck(s), auto(s)		65,000		300,000
Total		$ 365,000		$ 700,000
Fixed				
Real estate and buildings	(600 acres)	$1,107,000[a]	(600 acres)	$1,650,000[b]
Other		---		---
TOTAL ASSETS		$1,525,000		$2,442,500
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes				30,000
Portion of intermediate term due				---
Portion of long-term due		n/a		n/a
Total		$ ---		$ 30,000
Intermediate				
Tractor and machinery		$ ---		$ 82,000
Long-term				
Real estate contract		$1,500,000		$1,026,000
TOTAL LIABILITIES		$1,500,000		$1,138,000
OWNER EQUITY		$ 25,000		$1,304,500
TOTAL LIABILITIES AND OWNER EQUITY		$1,525,000		$2,442,500

[a]Figure reflected purchase price including 550 acres of land, buildings, cattle, equipment, grain and feed and supplies. Financed through Production Credit Association for $140,000 and Federal Land Bank for $1,360,000.

[b]Gain due to owner valuation and cost of building additions and improvement over $543,000.

Walter James
Farmer #0208
Tennessee
Entry Date: 1983
Date of Interview: Oct. 1985

Walter James had his initiation into farming in 1974 when his grandparent become ill. He quit college, after two years of pursuing a music degree, to manage his grandfather's small beef herd. Upon the death of the grandparents, Mr. James's father inherited the farm but the son continued to manage, maintain and pay taxes on the farm. During the 1974-1975 time period, Mr. James decided to start a part-time dairy operation to supplement the beef income. When Mr. James's father gradually sold the beef herd as the beginning dairyman bought heifers to begin a small milking herd. A milking barn was built and furnished in 1975, for Mr. James's small 15 head milking herd.

Mr. James left his grandfather's farm in 1983 for two reasons: 1) his mother and father decided to move to the farm, and 2) the operation could not be expanded under the existing resource limitations. Mr. James found a dairy to purchase in 1983 and used a mortgage on his parent's farm to obtain the $80,000 needed to pay the farm down payment and the existing mortgage on the purchased farm. After the downpayment and the mortgage was paid, Mr. James went to a conventional lending institution to obtain a new mortgage to repay his parent's mortgage and another existing farm loan.

The farm purchase included 140 acres of land, cattle, home dwelling and dairy facilities. Initial difficulties arose due to reduced managerial supervision of dairy operations prior to the James's management. This beginning situation caused severe cash flow problems

for the dairy during the first year. Cash flow was supplemented with income from off-farm employment by Mr. James, sharing equipment with his father and sharing seasonal labor and equipment with neighbors.

Future goals for the 55 cow milking operation included paying off the farm's mortgage, building a fully registered herd, increasing milk production and the continued expansion of the milking herd.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #0208, 1983 AND 1985

	1983		1985	
ASSETS				
Current				
Cash		$ ---		$ 38,000
Grain and feed		30,000		21,000
Market livestock	(hd)	---	(hd)	---
Total		$ 30,000		$ 59,000
Intermediate				
Milk herds and replacements	(55 hd)	$ 42,500	(110 hd)	$126,500
Machinery, truck(s), auto(s)		54,000		70,000
Total		$ 96,500		$196,500
Fixed				
Real estate and buildings	(140 acres)	$139,000	(140 acres)	$165,000
Other		---		---
TOTAL ASSETS		$265,500		$420,500
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		---		---
Portion of intermediate term due		---		---
Portion of long-term due		24,000		n/a
Total		$ 24,000		$ ---
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$161,000		$171,000
TOTAL LIABILITIES		$185,000		$171,000
OWNER EQUITY		$ 80,500		$249,500
TOTAL LIABILITIES AND OWNER EQUITY		$265,500		$420,500

Chuck Pulley
Farmer #02014
Tennessee
Entry Date: 1980
Date of Interview: Oct. 1985

Chuck Pulley began dairying in 1980 encumbered by a lack of experience, limited land base and cash flow restrictions. Mr. Pulley, a Biology major had taken animal science courses while in college but was not familiar with dairy operation management. He acquired experience in beef cow production while working on his future father-in-law's beef farm. After his graduation and marriage, during 1973 to 1975, Mr. Pulley raised a small beef herd while working in off-farm job near his father-in-law's farm. The Pulley's moved to Nebraska in 1975 because of job relocation.

Mrs. Pulley's grandmother died in 1980, leaving the original family dairy farm for sale. The Pulley family moved to Tennessee and purchased the 40 acre family farm which adjoined Mr. Pulley's father-in-law's beef farm. Financing for the farm purchase came from the Federal Land Bank and the downpayment was provided from owner savings and a monetary gift from his father-in-law. Using a livestock gift (17 crossbred heifers) from his father-in-law, Mr. Pulley built equity to start a small dairy operation while renovating the disused dairy barn and milking equipment.

Mr. Pulley relied on his father-in law's monetary assistance, intermediate loans from Production Credit Association, income from a tobacco crop, and his wife's off-farm income to provide capital for dairy operation preparations until the purchased dairy cows were ready to be milked. The case study dairyman began milking in 1982, and two years later converted his Grade B operation to a Grade A operation.

Also, in 1983 Mr. Pulley increased his herd size from 27 milk cows to 42 milk cows, which required him to increase his land base by leasing 103 acres.

Mr. Pulley felt his start in the dairy business was greatly aided by his father-in-law's advice, monetary gifts, use of machinery and rent free use of 65 acres. The largest obstacles related by the dairyman involved a lack of dairy experience and a large beginning debt load. He mentioned family assistance and his wife's off-farm income as being the major factors easing the initial financial and inexperience burden.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #02014, 1980 AND 1985

	1980		1985	
ASSETS				
Current				
Cash		$ 5,000		$ ---
Grain and feed		7,000		7,000
Market livestock	(36 hd)	8,645[a]	(hd)	---
Total		$ 20,645		$ 7,000
Intermediate				
Milk herds and replacements (purchased in 1981)	(hd)	$ ---	(42 hd)	$ 32,000
Machinery, truck(s), auto(s)		48,000[b]		85,600
Total		$ 48,000		$117,600
Fixed				
Real estate and buildings	(40 acres)	$ 80,000	(40 acres)	$120,000
Other (previously owned property)		34,500		34,500
TOTAL ASSETS		$183,145		$279,100
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 700		$ 700
Operating and cattle notes		---		6,000
Portion of intermediate term due		---		n/a
Portion of long-term due		n/a		n/a
Total		$ 700		$ 6,700
Intermediate				
Tractor and machinery		$ ---		$ 97,000
Long-term				
Real estate contract		$ 47,500[c]		$ 42,000
TOTAL LIABILITIES		$ 48,200		$145,700
OWNER EQUITY		$134,945		$133,400
TOTAL LIABILITIES AND OWNER EQUITY		$183,145		$279,100

[a]Cross-bred calves gift of the case study farmer's father-in-law.

[b]Father-in-law gave equipment ($40,000) to beginning farmer.

[c]The purchase price ($80,000) was paid for with a loan from Federal Land Bank ($28,000) and by a gift from the case study farmer's father-in-law.

Ron Nowles
Farmer #02015
Tennessee
Entry Date: 1979
Date of Interview: Oct. 1985

Seller financing was the method Ron Nowles took to attain his dairy. Mr. Nowles moved to a small Tennessee beef farm in 1970 after a job transfer from another state. While working on his small farm, he began looking for a dairy to purchase so he could quit his off-farm construction job. After nine years of planning, i.e., making farm budgets, interviewing local dairymen, Mr. Nowles found a dairy in a nearby county for sale. The original owner of the dairy wanted to retire and was willing to make finance arrangements for the land, cattle and some equipment. September 1979, Mr. Nowles made the down payment for the farm, cattle and equipment (were all on separate loan notes) using the proceedings from the sale of his beef farm. The beginning dairyman believed that seller financing was the only way that he could achieved owner status because his loan applications were turned down by all local farm lenders.

Problems were abundant for the beginning dairy. Poor quality of the purchased dairy herd and a lack of replacement heifers required Mr. Nowles to replace the entire milk herd within a five year range. Poor equipment quality required almost immediate replacement of the more expensive items, i.e., tractor and manure spreader. Tillable land was also limited at the farm, out of 130 acres, only 50 acres were tillable, resulting in the purchase of large quantities of feed. The above problems had not been accounted for in original farm budgets, therefore cash flow problems plagued the dairy from the onset of operations.

Cutting family living expenses, acquiring a part-time off-farm job, "making do" with used equipment, renting land and grinding his own feed helped the beginning family dairy farmer to make payments and improvements during the first year or operation. Recently, Mr. Nowles acquired government investment credit to replace worn hay equipment. Also, cattle and equipment notes to the original owner to be paid in February 1986 was expected to ease cash flow.

Further plans for the dairy involved acquiring a completely registered Jersey milk herd, growing all dairy feed components, and for Mr. Nowles to quit his part-time off the farm job.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #02015, 1980 AND 1985

	1980		1985	
ASSETS				
Current				
Cash		$ 2,000		$ 2,000
Grain and feed		16,450		n/a
Market livestock	(hd)	---	(hd)	---
Total		$ 18,450		$ 2,000
Intermediate				
Milk herds and replacements (2 bulls)	(39 hd)	$ 46,800	(90 hd)	$ 76,800
Machinery, truck(s), auto(s)		8,000		80,000
Total		$ 54,800		$156,800
Fixed				
Real estate and buildings	(130 acres)	$260,000	(130 acres)	$245,000
Other		---		---
TOTAL ASSETS		$333,250		$403,800
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 1,000		$ ---
Operating and cattle notes		---		9,000
Portion of intermediate term due		9,000		6,000
Portion of long-term due		---		---
Total		$ 10,000		$ 15,000
Intermediate				
Tractor and machinery, cattle		$ 41,000		$ 12,000
Long-term				
Real estate contract		$230,000		$240,000[a]
TOTAL LIABILITIES		$281,000		$267,000
OWNER EQUITY		$ 52,250		$136,800
TOTAL LIABILITIES AND OWNER EQUITY		$333,250		$403,800

[a]Consolidate previous cattle, equipment and real estate loans with the Federal Land Bank Association.

Jake Cantrell
Farmer #05036
Tennessee
Entry Date: 1975
Date of Interview: Nov. 1985

Jake Cantrell attained his position in the dairy business through a non-relative's assistance. Mr. Cantrell rented a farm for two years from Mr. Patrick Ball for purposes of row cropping. Mr. Ball decided to sell the farm in 1974 to Mr. Cantrell using an owner financing agreement. The forty year term loan was at a fixed 6% interest rate and required Mr. Cantrell to continue payments to the benefactors in the event of Mr. Ball's death.

Mr. Cantrell decided to begin a dairy operation on the 128 acre farm in 1975, using the existing dairy facilities. Mr. Ball loaned Mr. Cantrell funds for cattle purchases after the beginning dairyman's loan petitions were turned down by local lenders. Mr. Ball also sold Mr. Cantrell several pieces of farm equipment on "easy terms" (no interest paid, length of repayment indefinite). Mr. Cantrell obtained funds for cattle purchases from the Farmers Home Administration, and used remaining funds to repay loans to Mr. Ball. Mr. Cantrell returned left over funds to the credit institution after cattle were purchased and immediate loans were paid.

Fall of 1985, Mr. Cantrell had accumulated 100 dairy cows, increased the farm land base and supplemented the land base by renting an additional 250 acres for row cropping purposes. Mr. Cantrell doubted his ability to have gained farm entry without Mr. Ball's help. Mr. Ball understood Mr. Cantrell's beginning farm financial situation and was willing to help reduce Mr. Cantrell's financial burden by supplying

lower interest rates and flexible repayment schedules for the farm purchase.

New problems confronted Mr. Cantrell's operation in 1985. Industrialization of the region made Mr. Cantrell wary of being able to rent the supplemental 250 acres. He had decided against herd expansion for 1985-86 and realized the possibility of herd reduction due to a decreased land base.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #05036, 1975 AND 1985

	1975		1985	
ASSETS				
Current				
Cash		$ ---		$ ---
Grain and feed		5,000		25,000
Market livestock	(hd)	---	(hd)	---
Total		$ 5,000		$ 25,000
Intermediate				
Milk herds and replacements	(55 hd)	$ 15,000	(190 hd)	$127,000
Machinery, truck(s), auto(s)		15,000		125,000
Total		$ 30,000		$252,000
Fixed				
Real estate and buildings	(128 acres)	$ 75,000	(209 acres)	$209,000[a]
Other		---		---
TOTAL ASSETS		$110,000		$486,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 1,400		$ 7,500
Operating and cattle notes		10,000		---
Portion of intermediate term due		---		---
Portion of long-term due		---		---
Total		$ 11,400		$ 7,500
Intermediate				
Cattle note		$ 15,000		$ ---
Long-term				
Real estate contract		$ 75,000		$ 50,000
TOTAL LIABILITIES		$101,400		$ 57,500
OWNER EQUITY		$ 8,600		$428,500
TOTAL LIABILITIES AND OWNER EQUITY		$110,000		$486,000

[a]Increase in value due to additional land purchases, cost of improvements and increase in inventory value.

Barry Jones
Farmer #06039
Tennessee
Entry Date: 1979
Date of Interview: Nov. 1985

Barry Jones of LBJ Dairy gradually took over managerial control of the family dairy and then purchased the farm in 1979. Mr. Jones was in charge of the physical management of LBJ Dairy at the age of fourteen. Six years later in 1971, Mr. Jones had acquired ownership of half the milk herd and was drawing salary for his labor. A partnership between father and son was formed in 1975. The conditions of the agreement were; that the milk check was in both partner's names, all expenses to be paid from the milk check, and for the younger dairyman to officially take over complete physical management of the herd.

Mr. Jones began looking for a dairy to purchase in 1979, after his graduation from college. His father approached the case study dairyman with the proposition of selling LBJ Dairy to him. The purchase price was derived from the average of two farm appraisals. June 1979, Mr. Jones purchased the family dairy which consisted of a home dwelling, dairy facilities, equipment, dairy cows and 269 acres. Intermediate term financing was obtained from the Production Credit Association until long term financing was finalized from the Farmers Home Administration.

Disease problems in the calf herd was the initial problem besetting Mr. Jones's initial ownership. Seventy-five percent of the calf herd was lost in 1979 due to a rare respiratory disease. Subsequently, veterinary bills and the purchase of replacement cows cost the dairy in terms of future expansion. Mastitus in the milk herd in 1982, caused

the productive loss of 30 milk cows. Mr. Jones continued to dairy in spite of the financial losses sustained from the disease problems.

Despite the disease problems and falling milk prices, Mr. Jones felt he had established a dairy that was yielding income for family living expenses. He believed he had an advantage by owning a substantial percentage of the cattle and equipment before the farm purchase. His immediate goals for the dairy were to reduce the cost of labor and maintenance. Mr. Jones felt his chances for continued operations would be better with the reduction of the milk herd size and an emphasis on milk production and butterfat quality.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #06039, 1979 AND 1985

	1979		1985	
ASSETS				
Current				
Cash		$ ---		$ ---
Grain and feed		10,000		60,000
Market livestock	(hd)	---	(hd)	---
Total		$ 10,000		$ 60,000
Intermediate				
Milk herds and replacements	(65 hd)	$ 90,000	(100 hd)	$110,000
Machinery, truck(s), auto(s)		125,000		125,000
Total		$215,000		$235,000
Fixed				
Real estate and buildings	(269 acres)	$230,000	(269 acres)	$500,000[c]
Other		---		---
TOTAL ASSETS		$455,000		$795,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		40,000		22,000
Portion of intermediate term due		n/a		n/a
Portion of long-term due		n/a		n/a
Total		$ 40,000		$ 22,000
Intermediate				
Tractor and machinery		$ 25,000		$ 30,000
Long-term				
Real estate contract #1		$ 89,000[a]		$ 89,000
Real estate contract #2		100,000[b]		200,000[d]
TOTAL LIABILITIES		$254,000		$341,000
OWNER EQUITY		$201,000		$454,000
TOTAL LIABILITIES AND OWNER EQUITY		$455,000		$795,000

[a]The figure was amount son owed his father as down payment for farm purchase.

[b]Additional financing was through Production Credit Association until loans were consolidated in 1980.

[c]Increase in real estate figure due to change in inventory valuation, cost of improvements to better reflect market values.

[d]Consolidated all Farmers Home Administration loans.

Amos Toomey
Farmer #06040
Tennessee
Entry Date: 1976
Date of Interview: Nov. 1985

Amos Toomey continued a part-time beef operation from 1974 until a dairy was purchased in 1976. The dairy had been inactive for several years, but the 328 acre farm appealed to Mr. Toomey and he purchased the farm, selling the beef farm in 1977.

The purchase price had included eighteen beef cows which Mr. Toomey sold to purchase dairy cows. Buildings were reconstructed and a mixture of new and used milking equipment was purchased. Mr. Toomey already had the necessary hay and general farm equipment needed for the operation of dairy enterprise. Unfortunately, the largest barrier to dairy farm entry was the inability to obtain a major farm loan.

Mr. Toomey had a good credit history and farm equity but creditors were reluctant to lend due to Mr. Toomey's youth and the size of the operation to be purchased. Fortunately, Farmers Home Administration and Federal Land Bank lenders worked with the Toomeys to refinance and combine previous loans into one loan with Farmers Home Administration. Equipment purchases were financed through a local bank. A new barn and silo were added in 1979 using another Farmers Home Administration loan.

Mr. Toomey had increased efficiency by providing excellent milking facilities and working closely with his veterinarian on better health programs. He wanted to continue and maintain the efficiency and capacity of his 140 cow dairy. Mr. Toomey was considering the possibility of herd expansion after the completion of a building renovation project. However, Mr. Toomey felt his future decisions to

expand or contract herd size would depend on the future market for dairy products.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #06040, 1976 AND 1985

	1976		1985	
ASSETS				
Current				
Cash		$ 5,000		$ 10,000
Grain and feed		n/a		35,000
Market livestock	(hd)	---	(hd)	---
Total		$ 5,000		$ 45,000
Intermediate				
Milk herds and replacements	(18 hd)	$ 18,000	(hd)	$300,000
Machinery, truck(s), auto(s)		8,000		75,000
Total		$ 26,000		$375,000
Fixed				
Real estate and buildings	(328 acres)	$150,000	(360 acres)	$500,000[b]
Other		4,000[a]		---
TOTAL ASSETS		$185,000		$920,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ 1,500
Operating and cattle notes		---		50,000
Portion of intermediate term due		n/a		---
Portion of long-term due		48,000		---
Total		$ 48,000		$ 51,500
Intermediate				
Tractor and machinery		$ 30,000		$ 37,500
Long-term				
Real estate contract		$102,000		$300,000[c]
TOTAL LIABILITIES		$180,000		$389,000
OWNER EQUITY		$ 5,000		$531,000
TOTAL LIABILITIES AND OWNER EQUITY		$185,000		$920,000

[a]House trailer.

[b]Increase due to addition of home dwelling, new dairy facilities and land purchase plus cost of improvements. Change in market value due to urbanization of the surrounding area.

[c]Obtained loan with Farmers Home Administration consolidating previous real estate loans and former Federal Land Bank loan.

Rental Agreements

William English
Farmer #0209
Tennessee
Entry Date: 1978
Date of Interview: Oct. 1985

William English of Stonehedge Dairy was a first generation dairyman and fourth generation farmer on the family farm. Stonehedge Dairy was originally Mr. English's grandfather's farm and was inherited by Mr. English's father in 1978.

Mr. English was able to use this land base for his beginning dairy operations after his high school graduation in 1978. Beginning with 17 head of cows, Mr. English expanded his herd by three cows and built a new milking barn thereby switching to Grade A. The case study dairyman believed his start in the dairy business was enhanced through the acquisition of the necessary land base through a rent-free verbal agreement of the 140 acre family farm between father and son.

Finances for the beginning herd was through intermediate loans. Funds for the new milk barn and equipment was obtained initially through Production Credit Association but Mr. English encountered repayment problems and refinanced with the Federal Land Bank for long-term financing. Mr. English continued to have cash flow problems after six years of operations and had induced internal credit rationing. Off-farm income from Mr. English's wife contributed toward family living expenses allowing farm income to be reinvested back into the dairy.

Currently, Mr. English was milking 70 cows, renting 300 acres of crop and pasture land and was maintaining an eight acre tobacco crop. Goals for Stonehedge Dairy included; expanding the dairy operation (increasing the dairy herd to 100 cows), expanding the dairy facilities, increasing milk production, decreasing tobacco production and continuing the family farm tradition through eventual inheritance.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #0209, 1979 AND 1985

	1979		1985	
ASSETS				
Current				
Cash		$ ---		$ 2,000
Grain and feed		---		10,000
Market livestock	(hd)	---	(hd)	---
Total		$ ---		$ 12,000
Intermediate				
Milk herds and replacements	(25 hd)	$ 10,000	(90 hd)	$125,000
Machinery, truck(s), auto(s)		26,000		300,000
Total		$ 36,000		$425,000
Fixed				
Real estate and buildings	(--- acres)	$ 25,000[a]	(--- acres)	$ 30,000
Other		---		---
TOTAL ASSETS		$ 61,000		$467,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 6,000		$ 16,000
Operating and cattle notes				50,000
Portion of intermediate term due		6,000		
Portion of long-term due		---		6,000
Total		$ 12,000		$ 72,000
Intermediate				
Tractor and machinery		$ 34,000		$ ---
Long-term				
Real estate contract		$ ---		$100,000
TOTAL LIABILITIES		$ 46,000		$172,000
OWNER EQUITY		$ 15,000		$295,000
TOTAL LIABILITIES AND OWNER EQUITY		$ 61,000		$467,000

[a]Figure reflected value of milk barn and milking equipment built on the rented land.

Mark Priest
Farmer #02011
Tennessee
Entry Date: 1975
Date of Interview: Oct. 1985

Building from a small herd base and using family assistance was the means that Mark Priest of D & M Dairy chose to achieve his fourteen year goal of acquiring an independent dairy. D & M Dairy was originally stocked in beef until 1970 after Mr. Priest's father sold the entire herd. Mr. Priest received an allowance from the beef sale with which he purchase three dairy cows. Upon graduation from high school Mr. Priest was milking 20 dairy cows using the Grade B facilities present on the family farm. The case study dairyman maintained the 20 head milking herd for two years using the make shift dairy facilities.

Mr. Priest began dairying full-time in 1975 with goals of acquiring a Grade A dairy and a registered herd. The rental agreement between father and son was made in 1975 and involved 45 acres of land, a two acre tobacco allotment and a limited amount of equipment (including some milking equipment) in exchange for half of the milk check. Production Credit Association provided financing for Mr. Priest to build a hay barn, Grade A dairy barn and silo built in 1976, 1978 and 1979 respectively. All loans were consolidated in 1979 by the Federal Land Bank Association in order to ease cash flow with longer term financing. Mr. Priest's father further assisted his son by co-signing the building and equipment loans.

Mr. Priest was still renting D & M Dairy at the time of the

interview. Farm tenure was assured for the dairyman because the lease had a rent to buy provision in the agreement. Mr. Priest felt security of tenure from the family rental arrangement gave him the incentive to make improvements necessary for farm expansion.

The largest farm related problems that were encountered by Mr. Priest involved the high interest rates on the present farm loans and a financial loss acquired in 1981 from the purchase of diseased replacement heifers. The dairyman felt that the setback from the diseased cattle purchase cost the farm five years of labor and expense. Future plans for the dairy was to gradually increase the milking herd size from the present size of 35 cows to 50 cows, eliminating the tobacco operation and ultimately continue dairying.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #02011, 1975 AND 1985

	1975		1985	
ASSETS				
Current				
Cash		$ 2,000		$ 2,500
Grain and feed		1,000		2,970
Market livestock	(hd)	---	(hd)	---
Total		$ 3,000		$ 5,470
Intermediate				
Milk herds and replacements	(25 hd)	$ 12,500	(48 hd)	$ 27,900
Machinery, truck(s), auto(s)		500		35,000
Total		$ 13,000		$ 62,900
Fixed				
Real estate and buildings	(--- acres)	$ ---	(--- acres)	$ 44,000[a]
Other		---		---
TOTAL ASSETS		$ 16,000		$112,370
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		3,000		26,000
Portion of intermediate term due		---		---
Portion of long-term due		---		3,280
Total		$ 3,000		$ 29,280
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$ 3,000		$ 74,720
TOTAL LIABILITIES		$ 6,000		$104,000
OWNER EQUITY		$ 10,000		$ 8,370
TOTAL LIABILITIES AND OWNER EQUITY		$ 16,000		$112,370

[a]Figure reflected value for the milk barn, calf barn and silo built on the rented land.

Lee Mount
Farmer #02012
Tennessee
Entry Date: 1978
Interview Date: Oct. 1985

Lee Mount began dairying on his 47 year family dairy farm by forming a rental agreement in 1978. Mr. Mount had helped on the family farm since 1960. Between 1978 and 1980, he became actively involved with the management aspect of Mountain Dale Farm. An opportunity came to lease land, cattle, and equipment in 1978 from Mr. Mount's retiring father. However, the case study dairyman did not quit his full-time off-farm job until 1980 after an expansion of the herd required full-time management.

Mr. Mount also purchased 50 acres of pasture and row crop land which adjoined his rented family farm using Federal Land Bank loans. In 1982, Mr. Mount used a loan from Production Credit to finance the construction of a new milk barn.

The case study farmer felt that the written agreement with his father was one factor that contributed to the expansion of D & M Dairy. The agreement covered an original 50 head herd, equipment and land which required monthly payments. The agreement included the stipulation that any repairs equipment, purchase of cattle, health care bills, repairs and replacements were to be the responsibility of the son. Gradually, Mr. Mount had replaced the milking herd and the hay equipment inventory.

D & M dairy had grown since 1978, Mr. Mount had 80 cows in the milking herd which he felt was the capacity for the available land

base. Future plans for the dairy was to increase milk production through better breeding programs.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #02012, 1978 AND 1985

	1978		1985	
ASSETS				
Current				
Cash		$ ---		$ 8,400
Grain and feed		---		32,000
Market livestock	(hd)	---	(hd)	---
Total		$ ---		$ 40,400
Intermediate				
Milk herds and replacements	(20 hd)	$ 20,000	(150 hd)	$100,000
Machinery, truck(s), auto(s)		15,000		52,000
Total		$ 35,000		$152,000
Fixed				
Real estate and buildings	(--- acres)	$ 30,000[a]	(50 acres)	$145,000[c]
Other		---		---
TOTAL ASSETS		$ 65,000		$337,400
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 6,000[b]		$ ---
Operating and cattle notes		---		---
Portion of intermediate term due		---		---
Portion of long-term due		---		n/a
Total		$ 6,000		$ ---
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$ 15,000		$125,000
TOTAL LIABILITIES		$ 21,000		$125,000
OWNER EQUITY		$ 44,000		$212,400
TOTAL LIABILITIES AND OWNER EQUITY		$ 65,000		$337,400

[a]Home dwelling value, rented entire dairy facilities and cows.

[b]Rented facilities and cattle for $500 monthly, paid to the case study farmer's parents.

[c]Figure reflected value of buildings to rented land, home dwelling and 50 acres adjoining the rented farm.

Coats and Ray
Farmer #02013
Tennessee
Entry Date: 1978
Date of Interview: Oct. 1985

Simon Ray became a dairyman, after years in off-farm employment, when Mr. Ray's father-in-law decided to retire in 1978. Mr. Ray's wife, Barbara,was always actively involved in the family dairy and encouraged her husband to begin working on C & R Dairy.

In 1978, Mr. Ray began milking with 23 low quality cows and using worn out equipment and buildings. The 12 cows were purchased that year in order to add to support the two families. A written agreement was made in 1978. Terms of the agreement follows:

1) Mr. Ray to pay all taxes and insurance on C & R Dairy.
2) Mr. Ray was to pay half of the milk check (after bills were paid) to Mr. Coats for the monthly rental payment.
3) At the death of Mr. Coats, Mrs. Ray and her two sisters will inherit the 156 acre farm with the provision that Mrs. Ray has the option to purchase remaining shares.

Vast improvements were made on C & R Dairy in 1979. Mr. Ray's mechanical experience aided in keeping the old equipment functioning until the farm structures were renovated. Mr. Coats provided the deed of trust necessary for obtaining the loans for the reconstruction of the previous dairy structures. Mr. Ray and his wife took full advantage of favorable interest rates and a strong milk market to make extensive farm improvements and herd expansions which increased the productive value of C & R Dairy.

Mr. and Mrs. Ray remarked that family rental assistance was their key to obtaining the necessary land base to begin dairying. However, Mr. Ray felt that leasing was not efficient in long-term use due to restrictions concerning farm expansion and land use decisions. Mr. Ray mentioned that renting with an intention to purchase would enhance farm growth for the dairy entrant.

Mr. and Mrs. Ray felt that the dairy had expanded to the capacity of the labor and management capabilities. A future goal for the dairy was an emphasis on increasing productive efficiency by using a computer with a feed systems software package.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #02013, 1978 AND 1985

	1978		1985	
ASSETS				
Current				
Cash		$		$ 5,000
Grain and feed		1,000		16,300
Market livestock	(hd)	---	(hd)	---
Total		$ 1,000		$ 21,300
Intermediate				
Milk herds and replacements	(41 hd)	$ 38,450	(125 hd)	$ 80,000
Machinery, truck(s), auto(s)		3,000		194,000[a]
Total		$ 41,450		$274,000
Fixed				
Real estate and buildings	(--- acres)	$ ---	(--- acres)	$104,000[b]
Other		---		---
TOTAL ASSETS		$ 42,450		$399,300
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ 1,500
Operating and cattle notes		4,000		
Portion of intermediate term due		---		---
Portion of long-term due		---		n/a
Total		$ 4,000		$ 1,500
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$ ---		$110,000
TOTAL LIABILITIES		$ 4,000		$111,500
OWNER EQUITY		$ 38,450		$287,800
TOTAL LIABILITIES AND OWNER EQUITY		$ 42,450		$378,000

[a]Figure reflected machinery and equipment and computerized feeding system purchases.

[b]Figure reflected 1985 farm appraisal of milk barn, silo and building built in 1979.

Dan & David Lombard
Farmer #03016
Tennessee
Entry Date: 1975
Date of Interview: Oct. 1985

Dan and David Lombard became partners in a dairy enterprise which was leased for ten years. Dan and David had extensive dairy backgrounds before their partnership was formed in 1975. Their father owned and managed a dairy for seventeen years before he acquired an off-farm job. Both brothers were active in 4-H and had dairy related studies in college. Dan Lombard had acquired additional dairy experience while employed in a dairy management position until the opportunity to lease Yolanta Dairy became available.

Terrance Yoder, owner of Yolanta Dairy wanted to retire but desired to keep the dairy in production. Mr. Yoder chose the option of leasing the 427 acre dairy for ten years and selling the cattle and equipment. Upon the knowledge about the leasing opportunity, the Lombard brothers decided to form a partnership and rent Yolanta Dairy.

The lease contract between the brothers and Mr. Yoder was for a ten year period with fixed monthly payments of $1,500. Cattle and equipment were seller financed on a ten year note at a fixed 7.5% interest rate. Terms of the lease contract required: 1) A certain herd size to be maintained, 2) Owner to have control in major land use decisions, 3) Owner to be responsible for fence and building repairs, except additions for farm expansion, 4) The tenants to have control over the tobacco allotment and finally 5) The tenants to plant the original cropping plan at the termination of the lease.

Initial problems encountered by the brother partnership involved the poor condition of the dairy herd and the old, inefficient milking facilities. The Lombards expanded the operation in 1979, remodeling the dairy barn, increasing the size of the dry lot and building a new grain bin using funds provided by farm creditors. A new feeding system purchased in 1979, resulted in poor feed allocation which resulted in decreased milk production over a two year period of time. The economic loss due to veterinary bills, loss of milk production and feed costs was estimated in the hundred thousand dollar range. The partnership regained some of the losses from the feed company but the dairy operation was dealt a crippling financial blow.

Despite the problems encountered by the case study dairymen, the operation continued. The brothers had increased milk production after culling the low quality cows and improving the feed system. The partnership renewed the lease on Yolanta Dairy for another five years after which the brothers would be given the option to purchase the dairy.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #03016,[a] 1975 AND 1985

	1975		1985	
ASSETS				
Current				
Cash		$ 1,000		$ 30,600
Grain and feed		---		60,000
Market livestock	(hd)	---	(hd)	---
Total		$ 1,000		$ 90,600
Intermediate				
Milk herds and replacements	(260 hd)	$ 91,000	(330 hd)	$ 200,000
Machinery, truck(s), auto(s)		38,000		300,000
Total		$129,000		$ 500,000
Fixed				
Real estate and buildings	(--- acres)	$ ---	(--- acres)	$ 5,500[c]
Other		---		84,000[d]
TOTAL ASSETS		$130,000		$ 680,100
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 2,400		$ 35,800
Operating and cattle notes				68,000
Portion of intermediate term due		n/a		3,000
Portion of long-term due		---		---
Total		$ 2,400		$ 106,800
Intermediate				
Tractor and machinery		$ 38,000		$ 9,000
Cattle note		91,000[b]		50,000
Long-term				
Loan consolidation		$		$ 560,000[e]
Operating loan		---		110,000[f]
TOTAL LIABILITIES		$131,400		$ 835,800
OWNER EQUITY		$ -1,400		$-155,700
TOTAL LIABILITIES AND OWNER EQUITY		$130,000		$ 680,100

[a]The financial information given reflected the partnership net worth.

[b]Cattle note was seller financed by landlord for 10 years at fixed 7 1/2 percent.

[c]Figure reflected value of a grain bin and silo trench built on the rented farm.

[d]Settlement received from feed system company for compensation on feed system causing an $500,000 economic loss in cattle, milk production and veterinary bills.

[e]Loan with Farmers Home Administration consolidated loans on cattle, equipment and operating needs.

[f]Federal Land Bank loan taken to help cover losses when the new feeding system caused cash flow problems over a two-year period.

Bob Wormwood
Farmer #03020
Tennessee
Entry Date: 1978
Date of Interview: Oct. 1985

Bob Wormwood began a dairy career in 1978 after acquiring the family farm through a father/son rental agreement. Originally a dairy, Lakeshore farm had been converted into a beef farm in recent years.

Mr. Wormwood, tired of off-farm employment, negotiated with his father to rent the 68 acre farm and equipment. The $5,000 annual renewable lease also required Mr. Wormwood to manage the father's beef herd. The case study farmer was allowed to utilize the tobacco allotment and previously existing dairy facilities. After the purchase of milking equipment and and 20 milk cows using loans from Production Credit Association, Mr. Wormwood began dairy operations in 1978.

Since 1978, the rented dairy had maximized the dairy facilities with a 74 cow herd base. Mr. Wormwood continued to keep his debt load at a minimum by exercising a conservative borrowing outlook; purchasing used equipment, building his dairy herd slowly and using credit only when necessary.

Mr. Wormwood believed that family assistance was very helpful for beginning dairy operations on Lakeshore farm. His father co-signed the loan notes and allowed the beginning dairyman to use cattle feed present on the farm at the time of the agreement. However, Mr. Wormwood had misgivings regarding the family rental agreement.

Problems in the form of interference by his father in management and financial decisions plagued the father/son relationship, resulting in the family tenant to consider terminating the agreement and seeking another dairy to rent. Mr. Wormwood's incentive for his farm search increased when his father discussed the possibility of the lease being terminated within a two year period.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #03020, 1978 AND 1985

	1978		1985	
ASSETS				
Current				
Cash		$ 1,000		$ 2,000
Grain and feed		1,500		1,800
Market livestock	(hd)	---	(hd)	---
Total		$ 2,500		$ 3,800
Intermediate				
Milk herds and replacements	(20 hd)	$ 18,000	(73 hd)	$ 43,700
Machinery, truck(s), auto(s)		16,700		32,680
Total		$ 34,700		$ 76,380
Fixed				
Real estate and buildings	(1/2 acres)	$ 60,000[a]	(1/2 acres)	$ 60,000
Other		---		---
TOTAL ASSETS		$ 97,200		$140,180
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 5,000		$ 5,000
Operating and cattle notes		n/a		4,700
Portion of intermediate term due		---		n/a
Portion of long-term due		3,600		n/a
Total		$ 8,600		$ 9,700
Intermediate				
Tractor and machinery		$ 30,000[b]		$ 11,000
Long-term				
Real estate contract		$ 23,400		$ 49,000[c]
TOTAL LIABILITIES		$ 62,000		$ 69,700
OWNER EQUITY		$ 35,200		$ 70,480
TOTAL LIABILITIES AND OWNER EQUITY		$ 97,200		$140,180

[a]Figure reflected the value of home dwelling and one-half acre lot estimated by case study farmer.

[b]Intermediate loan used to purchase supplemental milking equipment, cattle and operating capital.

[c]Consolidated house loan with barn renovation loan.

Richard Schyler
Farmer #04024
Tennessee
Entry Date: 1978
Date of Interview: Nov. 1985

Richard Schyler developed an interest in dairy production in 1978 while working in a local cheese factory. Learning of his son's interest in dairy production, Mr. Schyler's father offered to rent to his son a small farm. Mr. Schyler began making tentative budgets for the dairy and within seven months moved to the rented farm and began milking the 40 head milking herd on a full-time basis.

The cattle were purchased from Mr. Schyler's father's replacement heifer operation using seller financing, milking and necessary farm equipment were purchased in used condition from an dairyman leaving the business. A milk barn was built using the case study dairyman's labor and purchased materials. The $200 monthly rental agreement for the 100 acre farm included the land base, barns and a home dwelling.

Serious problems beset the dairy, which caused Mr. Schyler to sell the dairy herd in 1983. He stated there were two major factors which caused him to sell his milking herd and milking equipment. Inexperience in the detection of disease caused the productive loss of 15 cows before mastitus was discovered. The second factor concerning Mr. Schyler's decision to sell out was the decrease of operating capital from the rising cost of feed. Mr. Schyler decided to exit the dairy business before "things got worse". The milking herd and dairy equipment were sold to a nearby dairy.

September 1985, Mr. Schyler re-entered the dairy business using

the 17 heifers kept after he sold the milking herd. Mr. Schyler's father continued to lease the dairy under the same conditions set in 1978. Mr. Schyler retained his off-farm employment acquired during the two years of his dairy production absence. Mr. Schyler's wife supplemented the case study farmer's labor efforts, providing full time additional labor and management.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #04024, 1979[a] AND 1985

	1979		1985	
ASSETS				
Current				
Cash		$ 5,000		$ 2,000
Grain and feed		---		900
Market livestock	(--- hd)	---	(--- hd)	---
Total		$ 5,000		$ 2,900
Intermediate				
Milk herds and replacements	(40 hd)	$ 28,000	(17 hd)	$ 12,750
Machinery, truck(s), auto(s)		7,200		15,000
Total		$ 35,200		$ 27,750
Fixed				
Real estate and buildings	(--- acres)	$ ---	(--- acres)	$ ---
Other		---		---
TOTAL ASSETS		$ 40,200		$ 30,650
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 2,400		$ 600
Operating and cattle notes		24,000		---
Portion of intermediate term due		---		n/a
Portion of long-term due		---		---
Total		$ 26,400		$ 600
Intermediate				
Tractor and machinery		$ 4,700		$ 25,500
Long-term				
Real estate contract		$ ---		$ ---
TOTAL LIABILITIES		$ 31,100		$ 26,100
OWNER EQUITY		$ 6,200		$ 4,550
TOTAL LIABILITIES AND OWNER EQUITY		$ 37,200		$ 30,650

[a]Entered dairying 1979, exited dairy 1983, re-entered with help of father in September.

Charlie Pike
Farmer #04025
Tennessee
Entry Date: 1974
Date of Interview: Nov. 1985

Charlie Pike developed an interest in dairy farming in 1974 as a result of dairy employment on his brother-in-law's dairy. The Pike's rented their farm from his father-in-law ($300 a year plus a share of the dairy calves). Six years later, Mr. Pike decided to begin a small dairy on the 53 acre farm using his personal savings and funding from the Production Credit Association.

Mr. Pike tried to keep initial capital investments reduced by partially constructing the dairy facilities, borrowing his brother-in-law's hay equipment and extensive use of custom hiring. The major problem encountered by Mr. Pike during the first year was due to a limited land base. Mr. Pike's father-in-law had held approximately 30 acres of 53 acres on the rented farm for row crop production leaving the beginning dairy 20 acres for pasture. The case study farmer had to purchase great quantities of hay and feed causing a decreased cash flow for the year. Mastitus and breeding problems resulted in a reduced milk production for 1980 and 1981 further reducing the cash flow. Spring of 1981, Mr. Pike and his wife considered selling out the dairy operation.

However, Mr. Pike's father-in-law released the row crop acreage to Mr. Pike after the 1981 harvest. The released acreage allowed the beginning dairyman to expand the cow herd and start hay production. Increased milk production was a result from the better health of the herd, better feeding programs and better breeding schedules. Mr. Pike

believed that Fall of 1981 was the turning point for his decision to remain in the dairy business.

Mr. Pike had increased his herd size 50% since 1980. He was acquiring hay from his brother-in-law in exchange for labor to reduce feed costs. He planned to improve his herd by applying a higher culling rate and the purchase of genetically better stock. Ultimately, Mr. Pike wanted to maintain his farm for his son to keep dairy farming a family tradition.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #04025, 1980 AND 1985

	1980		1985	
ASSETS				
Current				
Cash		$ 5,000		$ 500
Grain and feed		12,000		12,000
Market livestock	(hd)	---	(hd)	---
Total		$ 17,000		$ 12,500
Intermediate				
Milk herds and replacements[a]	(35 hd)	$ 20,500	(44 hd)	$ 28,450
Machinery, truck(s), auto(s)		22,800		13,500
Total		$ 43,300		$ 41,950
Fixed				
Real estate and buildings	(53 acres)	$ 60,000	(53 acres)	$ 90,000[b]
Other		---		---
TOTAL ASSETS		$120,300		$144,450
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 300		$ 300
Operating and cattle notes		---		350
Portion of intermediate term due		n/a		---
Portion of long-term due		---		---
Total		$ 300		$ 650
Intermediate				
Milking parlor and cattle		$ 50,000		$ 25,600
Long-term				
Other		$ ---		$ 24,000[c]
TOTAL LIABILITIES		$ 50,300		$ 50,250
OWNER EQUITY		$ 70,000		$ 94,200
TOTAL LIABILITIES AND OWNER EQUITY		$120,300		$144,450

[a]Figure includes one bull at $500.

[b]Increase reflected change of inventory valuation plus cost of improvements and milk barn addition of $30,000 above value in 1980.

[c]Loan from the dairyman's father-in-law for continued dairy operations.

Thomas Cantrell
Farmer #05032
Tennessee
Entry Date:1981
Date of Interview: Nov. 1985

Thomas Cantrell began a dairy operation after building an equity base which was supplemented by an advantageous leasing agreement Mr. Cantrell began raising replacement heifers on land resources of his wife's grandfather. When Mr. Cantrell had acquired a herd of lactating cows, he formed a leasing agreement with a non-family member for a dairy farm rental (including equipment). The leasing arrangement was short-lived (one year) due to the distance between the rented dairy and home base and the poor quality of the dairy facilities. Mr. Cantrell decided to sell his 40 milk cows and use the proceedings to finance a new dairy operation on a location near his home.

Mr. Cantrell began building a milk barn on the half acre tract near his home dwelling (Mrs. Cantrell's grandfather gave them the plot for a wedding present). September 1983, Mr. Cantrell began operations with milk cows purchased earlier in the year on his land base supplemented with acreage from his wife's parents and grandfather. The 113 acre land base was acquired on a rent free basis. The dairyman had a sense of tenure concerning long-term land use due to a verbal understanding between all parties.

Mr. Cantrell relied on his dairy income for family and dairy expenses thus requiring the beginning dairyman to reduce dairy operation costs and family living costs. Family labor was used for all farm operations, equipment purchases were delayed, and arrangements

were made for rescheduling dairy feed payments.

Mr. Cantrell had accomplished much since his tentative dairy entry in 1983. He was very proud of his 100 head Grade A dairy operation made possible by having a rent free land base through family assistance.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #05032, 1981 AND 1985

	1981		1985	
ASSETS				
Current				
Cash		$ ---		$ ---
Grain and feed		8,500		10,000
Market livestock	(hd)	---	(hd)	---
Total		$ 8,500		$ 10,000
Intermediate				
Milk herds and replacements	(40 hd)	$ 25,000	(100 hd)	$ 60,000
Machinery, truck(s), auto(s)		20,000		40,000
Total		$ 45,000		$100,000
Fixed				
Real estate and buildings	(1/2 acres)	$ 30,000[a]	(1/2 acres)	$ 50,000
Other		---		---
TOTAL ASSETS		$ 83,500		$160,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		16,000		5,800
Portion of intermediate term due		---		---
Portion of long-term due		---		---
Total		$ 16,000		$ 5,800
Intermediate				
Tractor and machinery		$ 15,000		$ 31,000
Long-term				
Real estate contract		$ 27,000		$ 24,000
TOTAL LIABILITIES		$ 58,000		$ 60,800
OWNER EQUITY		$ 25,500		$ 99,200
TOTAL LIABILITIES AND OWNER EQUITY		$ 83,500		$160,000

[a]Figure includes value of home dwelling on one-half acre tract.

James Oliver
Farmer #05035
Tennessee
Entry Date:1983
Date of Interview: Nov. 1985

James Oliver was able to begin dairy farming through a leasing arrangement with his uncle Angus Oliver. The working relationship between uncle and nephew began while the nephew was in high school. James had acquired dairy experience by working with his uncle during high school years. One year after James Oliver's graduation from college, he purchased six dairy cows which his uncle leased. The case study farmer worked closely with his uncle concerning managerial and physical facets of the 65 cow dairy operation, continuing to acquire more cattle and equipment with money earned from his uncle's dairy.

January 1, 1983, Mr. Oliver's uncle retired, leasing all cattle, equipment and facilities to his nephew. The written agreement had provisions for $5,000 payments made quarterly to cover farm property taxes, insurance, utilities and depreciation of buildings and equipment. Responsibility of all bills, i.e., veterinarian costs, replacement of equipment, was the obligation of James Oliver. An option to purchase was in the lease, in the event of Angus Oliver's death his nephew would inherit the 527 acre dairy.

Recently, James Oliver had expanded the dairy herd to 78 milking and had built a new dairy barn with a loan co-signed by his uncle. James Oliver had increased his percentage of owned cattle within his uncle's dairy herd to 85%. Increased milk production was the immediate farm goal to be accomplished through improved genetic selections. The

case study dairyman was utilizing all available farm resources by growing most feed stuffs and raising his own replacement heifers.

Mr. Oliver and his uncle were content with current arrangement. He endorsed the idea of working with an older dairyman to attain equity, experience and advice.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #05035, 1983 AND 1985

	1983		1985	
ASSETS				
Current				
Cash		$ 6,000		$ 6,500
Grain and feed		7,500		60,000
Market livestock	(hd)	---	(hd)	---
Total		$ 13,500		$ 66,500
Intermediate				
Milk herds and replacements	(38 hd)	$ 33,300	(271 hd)	$135,000
Machinery, truck(s), auto(s)		10,000		65,000
Total		$ 43,300		$200,000
Fixed				
Real estate and buildings	(--- acres)	$ ---	(--- acres)	$ 30,000[b]
Other		---		---
TOTAL ASSETS		$ 56,800		$296,500
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 30,000[a]		$ 7,500
Operating and cattle notes		---		40,000
Portion of intermediate term due		---		---
Portion of long-term due		---		---
Total		$ 30,000		$ 47,500
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$ ---		$ ---
TOTAL LIABILITIES		$ 30,000		$ 47,500
OWNER EQUITY		$ 26,800		$249,000
TOTAL LIABILITIES AND OWNER EQUITY		$ 56,800		$296,500

[a]Rent payments for farm operations, quarterly payments of $7,500 for land, equipment and cattle.

[b]Figure reflected value of milk barn built by the case study farmer on the rented land.

Partnerships

Alan Doty
Farmer #0103
Tennessee
Entry Date: 1979
Date of Interview: Oct. 1985

Alan Doty brother to Doyle Doty achieved the goal of dairying through family assistance via a route other than his brothers. Alan Doty's farm background was similar to his brother's farm background. Their parents encouraged 4-H cattle show participation during formative years and further education in animal science at the college level. His family also allowed Mr. Doty to build up a herd of registered heifers which eventually combined with the family herd. The father and son began a partnership in 1979.

In 1979, Mr. Doty had 20 milking cows which he combined with his father's 110 cow herd. In return for pooling his resources, he received a salary plus a portion of the milk check from his 20 cows. Mr. Doty purchased his grandfather's farm in 1979, which he decided to add to the partnership operation. The feed crops were grown on the younger partner's land and the father gave his son a rent payment for the land use. The son made land payments to the grandfather from the rental money. A home adjoining the grandfather's farm was purchased by Mr. Doty in 1980, the father supplied the down payment of $21,000, to be repaid at Mr. Doty's convenience, and the original owners of the home financed the remaining $20,000 at 10% in annual payments of $5,000.

Currently, the son had built up a 35 head dairy herd which was combined with his father's 40 head milking herd. The son had continued to acquire major responsibilities in this verbal partnership. His father began to delegate more management and financial responsibilities for the eventuality of farm transfer through gift and\or inheritance in the future. Although the father had the largest responsibility concerning most major decisions concerning the family farm, the son felt that changes and ideas that he wanted would be used as the father grew older.

Goals that the son foresaw for the future were: 1) increase the herd gradually, 2) improve the structures of current dairy lots and buildings, 3) increase milk production and butterfat, 4) diversify the operation to include marketing more of registered heifer and bulls for artificial insemination purposes and 5) when the father retired from the partnership, the son hoped to lease and eventually purchase the farm from his father.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #0103,[a] 1979 AND 1985

	1979		1985	
ASSETS				
Current				
Cash		$ 4,000		$ 8,000
Grain and feed		n/a		n/a
Market livestock	(hd)	-0-	(hd)	-0-
Total		$ 4,000		$ 8,000
Intermediate				
Milk herds and replacements	(40 hd)	$ 45,000	(80 hd)	$ 73,000
Machinery, truck(s), auto(s)		1,000		15,000
Total		$ 46,000		$ 88,000
Fixed				
Real estate and buildings	(97 acres)	$106,700	(97 acres)	$147,700[b]
Other		---		---
TOTAL ASSETS		$156,700		$243,700
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ -0-		$ -0-
Operating and cattle notes		-0-		-0-
Portion of intermediate term due		13,400		-0-
Portion of long-term due				-0-
Total		$ 13,400		$ ---
Intermediate				
Tractor and machinery		$ -0-		$ -0-
Long-term				
Real estate contract		$ 93,300		$ 43,000
TOTAL LIABILITIES		$106,700		$ 43,000
OWNER EQUITY		$ 50,000		$200,700
TOTAL LIABILITIES AND OWNER EQUITY		$156,700		$243,700

[a]The financial information given reflected the beginning farmer's net worth not the farm partnership.

[b]Real estate value gain reflected addition of home dwelling.

Trevor Framer
Farmer #0104
Tennessee
Entry Date: 1984
Date of Interview: Oct. 1985

Trevor Framer began shipping milk June 12, 1984 after accumulation of needed resources after his high school graduation in 1972. Mr. Framer's goal was to dairy, although his father grew row crops and raised beef cattle. The beginning dairyman liked the challenge of improving a dairy operation i.e., higher butterfat and shorter calving interval, which made goals easier to set and attain.

Mr. Framer began accumulating beef cattle and basic farming equipment with his father in 1972 after his father expressed the desire for the son to continue farming. In 1972, Mr. Framer's father bought out his share of the equipment. Using funds from the sale of the equipment, Mr. Framer began saving for a modern set of equipment. He also began accumulating an equity in savings while working as a DHIA Milk tester. The interviewed dairyman purchased a tractor in 1973 using his savings. He continued to work with his father while working in his off-farm position.

In 1982, the dairyman decided to purchase a dairy nearby and again the father expressed the desire for the son to continue using the family farm resources. After several discussions, a verbal partnership agreement was reached between father and son. The father contributed land resources and his son supplied all cattle and supplies necessary for a small beginning dairy operation.

In the spring of 1984, Mr. Framer began building a double three herringbone near the family's home dwelling using his own labor and gradually acquired materials. Milking equipment in excellent condition was purchased (at a savings of over 50%) from a young dairy farmer who was getting out of the business. The barn was finished in June 1985, ready to be filled with the young heifers that the young dairyman had purchased in 1982. The largest problem encountered in the first year of dairying was the large initial feed costs which caused a cash flow problem. Also compounding initial cash flow problems were monthly payments on rental land (150 acres.), and payments on a previous farm disaster loan from 1980.

However, there were several factors which contributed to the success of his start: 1) more than 50% of his cattle were paid for, 2) his primary land base was relatively rent free, 3) buildings and machinery were owned, 4) all labor (except seasonal hay and silage) was furnished by the operator, 5) a good set of long term goals: a) the increasing of the quality of the herd before increasing herd size, b) phasing out tobacco and beef production to devote more time to dairy, and the future consideration of farm ownership through purchase or inheritance.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #0104,[a] 1984 AND 1985

	1984		1985	
ASSETS				
Current				
Cash		$ 6,000		$ 2,000
Grain and feed		10,000		17,500
Market livestock	(10 hd)	3,000	(19 hd)	6,000
Total		$ 19,000		$ 25,500
Intermediate				
Milk herds and replacements	(30 hd)	$ 16,800	(77 hd)	$ 59,000
Machinery, truck(s), auto(s)		34,000		31,000
Total		$ 50,800		$ 90,000
Fixed				
Real estate and buildings	(-0- acres)	$ 18,000[b]	(-0- acres)	$ 18,000[b]
Other		---		---
TOTAL ASSETS		$ 87,800		$133,500
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 1,700		$ 1,700
Operating and cattle notes		30,000		27,000
Portion of intermediate term due		---		---
Portion of long-term due		---		---
Total		$ 31,700		$ 28,700
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$ ---		$ ---
TOTAL LIABILITIES		$ 31,700		$ 28,700
OWNER EQUITY		$ 56,100		$104,800
TOTAL LIABILITIES AND OWNER EQUITY		$ 87,800		$133,500

[a]The financial information given reflected the beginning farmer's net worth not the farm partnership.

[b]Value reflects the construction of milk barn and barn facilities, financed by the beginning dairyman.

Mack Evans
Farmer #0106
Tennessee
Entry Date: 1980
Date of Interview: Oct. 1985

Mack Evans decided 2 years before graduating from high school that he wanted to be a dairyman. September 1980, he became the youngest dairy farmer in the county. Using funds that had been set aside for his college education, Mr. Evans persuaded his father to invest in 35 heifers in the summer of 1979. During the course of two years the father and son legalized a partnership in order for the son to begin farming. Prior to the first set of dairy heifers freshening, an additional purchase of heifers was made the summer of 1980. Used milking equipment was also purchased that summer prior to the first milking in September. Mr. Evan's grandfather furnished land and buildings for the operation. The milk barn on the grandfather's land had been stripped of all milking equipment when the grandfather sold out his dairy. Therefore, the beginning dairyman had to purchase similar type equipment for the barn. The grandfather further assisted the beginning operation when he gave the grandson old equipment to start building an equipment base. Rent for the land and buildings was designated by the grandfather as being the management of the 50 head of beef cattle present on the farm and the general maintenance of the farm which was to be performed by the partnership.

After milking approximately a year, the partnership was able to purchase a few pieces of new and used equipment to supplement the

original set of farming implements. The largest initial expense for the partnership was a milk tank purchased in 1981 to replace the previous milk tank owned by the grandfather. The partnership's largest recent purchase was an adjoining 75 acres financed by Federal Land Bank at a fixed 12 1/4%. Mr. Evan sold the beef cattle for his grandfather and currently is paying an annual $1,000 in cash rent for use of the facilities and land. The partnership added a silo using own labor and equity in June 1985.

Apart from the dairy operation, the farm partnership had a contract broiler operation. The partnership began with two chicken houses and in 1978 added two more chicken houses . The additions did cause monetary restrictions on starting the dairy operation. However, Mr. Evans believed that funds from the broiler operation supplemented initial dairy cash flow.

The partnership had a farm account in which income from the dairy and broiler operations were commingled. The farm account supplies money needed form farm loan payments, farm purchases and emergency living expenses. Mr. Evans and his father tried to reinvest all farm income in the farm. Family living expenses came from off-farm incomes provided by spouses and the father.

Long term goals for the young dairyman, recently named "Farmer of the Year", included eventual ownership of the grandfather's farm through a future purchasing agreement, building a larger dairy barn, increasing dairy herd size and eventually eliminating the broiler operation.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #0106,[a] 1980 AND 1985

	1980		1985	
ASSETS				
Current				
Cash		$ ---		$ 5,000
Grain and feed		3,000		10,500
Market livestock	(hd)	---	(hd)	---
Total		$ 3,000		$ 15,500
Intermediate				
Milk herds and replacements	(60 hd)	$ 45,000	(125 hd)	$100,000
Machinery, truck(s), auto(s)		19,000		54,000
Total		$ 64,000		$154,000
Fixed				
Real estate and buildings	(-0- acres)	$ ---	(75 acres)	$ 51,000
Other		---		---
TOTAL ASSETS		$ 67,000		$220,500
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		10,000		---
Portion of intermediate term due		---		---
Portion of long-term due		---		1,400
Total		$ 10,000		$ 1,400
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$ ---		$ 41,600
TOTAL LIABILITIES		$ 10,000		$ 43,000
OWNER EQUITY		$ 57,000		$177,500
TOTAL LIABILITIES AND OWNER EQUITY		$ 67,000		$220,500

[a]The financial information given reflected the beginning farmer's net worth not the farm partnership.

Kenneth Oscar
Farmer #02010
Tennessee
Entry Date: 1982
Date of Interview: Oct. 1985

The purchase of Backroad Farm in August 1982 came about through Kenneth Oscar's previously acquired equity, the involvement of his brother in a limited partnership and bank financing. Mr. Oscar always desired to dairy since high school. After high school graduation in 1975, he began working on his family dairy and a neighboring dairy in order to obtain experience and to use the income to start a small dairy herd. Mr. Oscar combined his small herd into the family dairy herd and for seven years purchased equipment to build equity for eventual sole ownership.

August 1982, Mr. Oscar found a nearby dairy for sale. The dairy had excellent facilities but a limited land base (22 acres), the sale price was $70,500. Mr. Oscar's brother supplied the farm downpayment and became a partner with the aspiring dairyman. Mr. Oscar's beginning responsibility within the partnership involved providing beginning herd base and equipment (additional cattle and equipment was acquired after the farm purchase using farm income). Mr. Oscar was responsible for the labor and management for the dairy. Farm income supplied a salary for Mr. Oscar and a yearly salary for his brother. Mr. Oscar's brother supplied supplemental funds when needed and was the farm accountant.

Dairy farm acreage was supplemented by acquiring family land on a rent free basis and cash rents of other non-family land tracts. The family rent free arrangement required the partnership to pay the annual

taxes on the 75 acres and provide a percentage of corn and hay from yearly yields.

No major problems had been encountered during the three year existence of the family partnership. Currently, Mr. Oscar was providing labor and management for the 65 head milk herd. However, Mr. Oscar felt that his management capabilities were being limited due to demands from the large herd size and supplemental labor duties performed on his family's dairy.

Future goals for the Backroad Dairy involved increasing herd size, hiring labor and building a registered herd. Mr. Oscar desired to fully utilize embryo techniques and purchase quality registered heifers.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #02010,[a] 1982 AND 1985

	1982		1985	
ASSETS				
Current				
Cash		$ ---		$ 4,000
Grain and feed		---		
Market livestock	(hd)	---	(10 hd)	1,000
Total		$ ---		$ 5,000
Intermediate				
Milk herds and replacements	(65 hd)	$ 60,000	(105 hd)	$ 95,000
Machinery, truck(s), auto(s)				20,000
Total		$ 60,000		$115,000
Fixed				
Real estate and buildings	(22 acres)	$ 70,500	(22 acres)	$180,000[b]
Other		---		---
TOTAL ASSETS		$130,500		$300,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		---		26,000
Portion of intermediate term due		---		---
Portion of long-term due		2,800		2,100
Total		$ 2,800		$ 28,100
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$ 47,700		$ 31,600
TOTAL LIABILITIES		$ 50,500		$ 59,700
OWNER EQUITY		$ 80,000		$240,300
TOTAL LIABILITIES AND OWNER EQUITY		$130,500		$300,000

[a]The financial information given reflected the farm partnership, including the beginning dairyman's assets.

[b]Increase due to change in farmer valuation plus value of improvements of $109,500 above the original purchase price.

Daniel Crew
Farmer #03017
Tennessee
Entry Date: 1981
Date of Interviewed: Oct. 1985

Daniel Crew of Crew Dairy had been taken into a family dairy partnership through a written agreement which incorporated the family farm. Mr. Crew decided upon high school graduation to continue the family dairy tradition. His father had a written agreement drawn up in 1981 to involve the son within the incorporated farm structure.

The beginning dairyman's responsibilities included sole management of the dairy herd and crop supervision. The son owned approximately 50 head of cattle within the family dairy, but the incorporation fund owned all machinery and dairy herd and 380 acres. Special provisions of the partnership/incorporation are listed below:

1) An option to buy the partners' stock if either one wanted to be released form the agreement.
2) The son (farm manager) was paid a monthly salary out of the farm account. The father (business manager) was paid a monthly salary out of the farm account.
3) All farm profits are reinvested in the dairy.

The case study dairyman felt that family assistance within a legal framework was his best alternative of farm entry. Even though all major farm decisions were reached through mutual agreement between father and son, the son still had substantial control over the production aspect of Crew Dairy.

Mr. Crew's father co-signed a loan in 1982 for the son to purchase a tractor. The father had regarded the purchase as a way to obtain a good credit record for his son. The father also allowed his son to be responsible for a major farm expansion. Beginning in 1981 and continuing through 1985, the son supervised the increase in dairy herd numbers (from 300 head to 500 head) in order to completely utilize land, labor and management factors of the dairy.

The beginning dairyman enjoyed his farm responsibility and believed the written agreement allowed for the clarity of assigned duties and responsibilities. However, he wanted to become more involved in the financial aspect of the dairy. Mr. Crew hoped for total farm responsibilities when his father retired.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #03017,[a] 1981 AND 1985

	1981		1985	
ASSETS				
Current				
Cash		$ 10,000		$ 15,000
Grain and feed		7,500		50,000
Market livestock	(20 hd)	12,000	(50 hd)	25,000
Total		$ 29,500		$ 90,000
Intermediate				
Milk herds and replacements	(300 hd)	$300,000	(450 hd)	$ 700,000
Machinery, truck(s), auto(s)		260,000		370,000
Total		$560,000		$1,070,000
Fixed				
Real estate and buildings	(380 acres)	$380,000	(380 acres)	$ 220,000
Other		---		---
TOTAL ASSETS		$969,500		$1,380,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 7,200		$ 7,200
Operating and cattle notes		180,000		180,000
Portion of intermediate term due		---		---
Portion of long-term due		---		---
Total		$187,200		$ 187,200
Intermediate				
Tractor and machinery		$ 50,000		$ 1,600
Long-term				
Real estate contract		$ ---		$ ---
TOTAL LIABILITIES		$237,200		$ 188,800
OWNER EQUITY		$732,300		$1,191,200
TOTAL LIABILITIES AND OWNER EQUITY		$969,500		$1,380,000

[a]The financial information given reflected the farm partnership/incorporating, including the beginning dairyman's assets.

Harold Nipton
Farmer #03021
Tennessee
Entry Date: July, 1985
Date of Interview: Oct. 1985

Harold Nipton began his "second start" in the dairy business after the failure of a family dairy partnership in 1984. Mr. Nipton left a brother/brother partnership after management and work schedule conflicts. July 1985, he entered a dairy partnership with his grandmother.

The grandmother's dairy had been managed by her son until his death in January, 1985. Mrs. Nipton sold the 180 milk cows but kept 60 heifers to rebuild a herd base at a later date. Mrs. Nipton approached her grandson in July, 1985 about starting a partnership using her dairy facilities. The young dairyman, who recently terminated a partnership with his brother, agreed to the terms set forth by his grandmother.

The terms of the verbal partnership agreement follows below:

1) Physical management of the farm to be performed by Harold Nipton.
2) Milk check and tobacco profits equally divided between partners.
3) All expenses (feed, supplies, equipment purchases, veterinary bills) are equally divided between both partners.
4) Mr. Nipton and his wife were allowed a home dwelling on a rent free basis during the partnership.
5) Mr. Nipton was allowed to accumulate a herd base within the partnership.

6) Loans made for the farm prior to the current partnership were the sole concern of the grandmother (Mrs. Nipton).

7) All major business agreements were to be mutually made between both partners.

Although the case study farmer felt that the limited partnership agreement with his grandmother had provided an excellent means of dairy entry, there was no financial protection in the event of his grandmother's death. Negotiations were underway to provide a written agreement to supply the grandson a means of tenure and reimbursement of investment made in the event of partnership termination.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #03021,[a] 1985

		1985
ASSETS		
Current		
Cash		$ ---
Grain and feed		---
Market livestock	(--- hd)	---
Total		$ -0-
Intermediate		
Milk herds and replacements	(18 hd)	$ 7,200
Machinery, truck(s), auto(s)		15,000
Total		$ 22,200
Fixed		
Real estate and buildings	(--- acres)	$ ---
Other		---
TOTAL ASSETS		$ 22,200
LIABILITIES AND OWNER EQUITY		
Current		
Accounts payable		$ ---
Operating and cattle notes		---
Portion of intermediate term due		---
Portion of long-term due		
Total		$ ---
Intermediate		
Tractor and machinery		$ 8,500[b]
Long-term		
Real estate contract		$ ---
TOTAL LIABILITIES		$ 8,500
OWNER EQUITY		$ 13,700
TOTAL LIABILITIES AND OWNER EQUITY		$ 22,200

[a]The financial information given reflected the beginning dairyman's net worth as he entered the partnership agreement in August, 1985.

[b]Owed senior partner $3,000 for his portion of the new milking equipment, to be paid at end of the year.

Sanders & Rainbow
Farmer #03022
Tennessee
Entry Date: 1979
Date of Interview: Oct. 1985

The Sanders and Rainbow partnership had its beginning in 1979 on the Sanders family dairy. Mr. Rainbow came to Sanders Dairy in 1975 under a partnership agreement with Mr. Hugh Sanders (the father of Rainbow's current partner). During 1975 to 1979, Mr. Rainbow purchased half of the dairy assets from the semi-retired farmer, which he financed partially with savings and seller financing from the senior partner.

Mr. Hugh Sanders decided to retire in 1979 and gave his son the opportunity to buy out his portion of Sanders Dairy. The son agreed to purchase the option using Federal Land Bank funding for the land purchase and seller financing for the cattle and equipment. A written agreement between the son and Mr. Rainbow required a fifty percent division of expenses, labor and dairy income. A buy sell provision was also included in the agreement to protect each partner in the event of either partner's death or retirement.

After the settlement of the new partnership was in effect, the dairy was increased tremendously, increasing the land base as well as the herd size. According to Mr. Rainbow, the elder Mr. Sanders was conservative of changes or improvements to the dairy, allowing the dairy to be less efficient in resource use over time.

Although Mr. Rainbow made many of the major business decisions concerning Sanders Dairy, responsibilities were divided evenly between both partners. Future goals for the dairy concerned the maintenance of

the herd size and diversification of the farm business to include a custom hiring service offered by the partners.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #03022,[a] 1979 AND 1985

	1979		1985	
ASSETS				
Current				
Cash		$ ---		$ ---
Grain and feed		31,000		28,000
Market livestock	(hd)	---	(hd)	
Total		$ 31,000		$ 28,000
Intermediate				
Milk herds and replacements	(120 hd)	$ 90,000	(150 hd)	$125,000
Machinery, truck(s), auto(s)		60,000		---
Total		$150,000		$125,000
Fixed				
Real estate and buildings	(175 acres)	$262,500	(175 acres)	$385,000[b]
Other		---		---
TOTAL ASSETS		$443,500		$538,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		---		12,000
Portion of intermediate term due		---		---
Portion of long-term due		26,400		8,800
Total		$ 26,400		$ 20,800
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$169,600		$168,200
TOTAL LIABILITIES		$196,000		$189,000
OWNER EQUITY		$247,500		$349,000
TOTAL LIABILITIES AND OWNER EQUITY		$443,500		$538,000

[a]The financial information given reflected the partnership net worth at the formation of the partnership in 1979.

[b]Increase due to change in farmer valuation plus value of improvement of $122,500 above the farm appraisal in 1979.

"Dusty" Tandy
Farmer #04027
Tennessee
Entry Date: 1977
Date of Interview: Nov. 1985

"Dusty" Tandy of Woodlawn Dairy, entered the dairy business as a result of tragic circumstances. Prior to May 1977, Mr. Tandy had a full-time off-farm job in another region. His father (owner of Woodlawn Dairy), suddenly passed away leaving the 465 acre farm to his wife. Mr. Tandy helped keep dairy operations going until affairs were settled. Mr. Tandy's mother requested her son to take over the farm as farm manager within a partnership agreement.

The partnership agreement was written and signed May 5, 1977 between the mother and son. Terms of agreement allowed his mother to retain the title of the farm and for her to receive a salary from dairy income. The son was to receive a salary and a percentage of farm assets each year in return for labor and management efforts. The farm account required both partners signature for withdrawals, therefore, mutual agreements were made concerning farm purchases. In the event of death of Mr. Tandy's mother, he would inherit the family dairy and a land tract owned by the family would be bequeathed to his sister.

During the beginning years as farm manager, Mr. Tandy felt he didn't encounter the problems that plague many beginning dairymen. The dairy was financially sound and all resources were available for the continued operation of the dairy. Advice concerning general farm operations were obtained from an experienced farm employee.

Mr. Tandy was successful in paying the remaining lien on the farm and had increased herd size for greater milk production. Ownership of half of the farm will be Mr. Tandy's in 1998. He felt the knowledge of eventual ownership allowed him to make decisions that would improve long run operations of the farm. Mr. Tandy considered working with an older retiring dairyman was an excellent alternative for a prospective farm entrants. He felt working for a dairyman while accumulating a percentage of farm assets would give the dairy entrant an incentive to improve farm production.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #04027,[a] 1977 AND 1985

	1977		1985	
ASSETS				
Current				
Cash		$ 15,000		$ 8,000
Grain and feed		5,000		12,000
Market livestock	(hd)	---	(hd)	---
Total		$ 20,000		$ 20,000
Intermediate				
Milk herds and replacements	(130 hd)	$ 40,000	(150 hd)	$ 55,000
Machinery, truck(s), auto(s)		35,000		50,000
Total		$ 75,000		$105,000
Fixed				
Real estate and buildings	(465 acres)	$175,000	(465 acres)	$200,000[b]
Other		---		---
TOTAL ASSETS		$270,000		$325,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		---		---
Portion of intermediate term due		n/a		n/a
Portion of long-term due		n/a		---
Total		$ ---		$ ---
Intermediate				
Tractor and machinery		$ 6,000		$ 3,000
Long-term				
Real estate contract		$ 20,000		$ ---
TOTAL LIABILITIES		$ 26,000		$ 3,000
OWNER EQUITY		$244,000		$322,000
TOTAL LIABILITIES AND OWNER EQUITY		$270,000		$325,000

[a]The financial information given reflected the partnership net worth at the formation of the partnership in 1979.

[b]Increase due to change in farmer valuation plus value of improvement of $25,000 above 1977 farm value.

Kerry Laymen
Farmer #04029
Tennessee
Entry Date: 1980
Date of Interview: Nov. 1985

A four-way partnership formed in 1980 converted the family farm into a dairy enterprise. The family partnership consisted of Mr. Ben Laymen and his three sons Kerry, Larry and Harry. The 500 acre family farm owned by Mr. Laymen's wife's grandfather, was a portion of a 3000 acre land grant made by George Washington to an ancestor.

The three sons were agriculture college graduates who persuaded their father to utilize the family farm for dairying purposes. Consent was acquired from the grandfather to use the land resources. Terms of the verbal partnership agreement follows below:

1) The father had controlling interest of partnership decisions. Investment capital from his off-farm income will be utilized within the partnership as needed.
2) All partnership expenses are paid with proceedings from the milk check.
3) The sons receive a regular salary in exchange for labor and management endeavors.
4) No renting, all land requirements should be met through the family farm.

Beginning operating capital was obtained from a timber sale on the family dairy (given as a gift by the grandfather). Forty-five head of dairy cows were obtained from a neighboring dairy. The partnership

used the neighbors dairy facilities while construction of dairy facilities were underway on the family dairy. A rental agreement was obtained between the partnership and neighboring dairy. The partnership was given use of dairy facilities by the neighboring dairy in exchange for use of the family farm land. Equipment was purchased thorough seller financing.

Two years after the cattle purchase, the partnership completed the construction of the milk barn and one silo. Milking equipment was purchased in used condition from a nearby dairy. Milk production in the new facilities began in 1983.

The family partnership continued to keep costs low through utilizing the land to grow feed, using family labor and supplementing dairy income by adding tobacco and row crop enterprises. However, disease problems in 1983 and 1984 reduced replacement herd numbers and increased veterinary bills resulting in a tighter budget for the next year.

Currently, the partnership was milking 60 dairy cows with an expansion possibility of 40 additional milk cows. Family farm continuance was assured through the eventual inheritance of the family dairy to the grandsons from their grandfather.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #04029,[a] 1980 AND 1985

	1980		1985	
ASSETS				
Current				
Cash		$ 10,000		$ 2,000
Grain and feed		12,000		33,000
Market livestock	(hd)	---	(hd)	---
Total		$ 22,000		$ 35,000
Intermediate				
Milk herds and replacements	(45 hd)	$ 49,500	(152 hd)	$137,000
Machinery, truck(s), auto(s)		90,000		125,000
Total		$139,500		$262,000
Fixed				
Real estate and buildings	(500 acres)	rent free	(acres)	$125,000[c]
Other		---		---
TOTAL ASSETS		$161,500		$422,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		---		25,000
Portion of intermediate term due		---		---
Portion of long-term due		13,200		n/a
Total		$ 13,200		$ 25,000
Intermediate				
Tractor and machinery		$ 86,800[b]		$100,000
Long-term				
Real estate contract		$ ---		$125,000[d]
TOTAL LIABILITIES		$100,000		$250,000
OWNER EQUITY		$ 61,500		$172,000
TOTAL LIABILITIES AND OWNER EQUITY		$161,500		$422,000

[a]The financial information given reflected the partnership net worth at the formation of the partnership in 1980.

[b]The amount of the intermediate term loan was for equipment, cattle and operating capital.

[c]Value of improvements and added buildings to the rent free (500 ac) which will be inherited by the family partnership.

[d]Obtained long-term loan for the milk barn, barns, silos and fences built in early 1982.

Bob Gillette
Farmer #05031
Tennessee
Entry Date: 1982
Date of Interview: Nov. 1985

Bob Gillette purchased GLOBO Dairy after ten years of dairy experience and equity under the guidance of others. Originally, Mr. Gillette had a partnership agreement with his father starting in 1972 which ended in 1977. The family partnership allowed the son to receive a percentage of the milk check as salary and gave the son an opportunity to accumulate cattle and equipment within the partnership structure. At the death of Mr. Gillette's father in 1977, the family dairy was sold (there was no will) and Mr. Gillette was reimbursed for his accumulated cattle, equipment and other investments.

After his father's death, Mr. Gillette was employed in a full-time public job. Mr. Gillette purchased 30 acres and a home using the money from his inheritance. In 1979, Mr. Gillette learned of an older, semi-retiring dairyman willing to form a partnership to continue farm operations.

Mr. Gillette and Mr. Howard formed an agreement that year, with terms allowing Mr. Gillette to receive a percentage of the milk check and accumulate equity. Three years later, Mr. Gillette had added ten (owned) milk cows and a tractor (owned) to the operation. Mr. Howard related a desire to retire and sell the operation in 1982, which resulted in Mr. Gillette to look for a farm to purchase.

July 1982, Mr. Gillette purchased GLOBO Dairy (137 acres) using short-term financing while waiting for long-term financing to become available. The dairy had not been operational for some time but the facilities were in excellent condition. Milk production began in November using 20 milk cows from the previous partnership.

The barrier to farm purchase was the acquisition of long-term financing. Mr. Gillette's original intention was to use funds from Production Credit Association to purchase the dairy and sell his property and home. Using funds from the property sale, Mr. Gillette thought he could obtain long term financing with the Federal Land Bank Association. Unfortunately, negotiations for long-term funds were slow and the farmer went to Farmers Home Administration for loan consolidation. Two years later, Mr. Gillette obtained long-term financing at the cost of two years of high interest payments to Production Credit Association.

Mr. Gillette mentioned no other problems besetting the initial growth of GLOBO Dairy. He felt he had utilized the land and facility capabilities and was interested in maintaining the current herd size.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #05031,[a] 1982 AND 1985

	1982		1985	
ASSETS				
Current				
Cash		$ 75,000[b]		$ 2,500
Grain and feed		---		n/a
Market livestock	(hd)	---	(hd)	---
Total		$ 75,000		$ 2,500
Intermediate				
Milk herds and/or replacements	(20 hd)	$ 15,000	(71 hd)	$ 65,500
Machinery, truck(s), auto(s)		16,000		30,000
Total		$ 31,000		$ 95,500
Fixed				
Real estate and buildings	(137 acres)	$150,000	(180 acres)	$350,000[c]
Other		---		---
TOTAL ASSETS		$256,000		$448,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ n/a		$ n/a
Operating and cattle notes		---		---
Portion of intermediate term due		---		---
Portion of long-term due		---		4,000
Total		$ ---		$ 4,000
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$150,000		$121,000
TOTAL LIABILITIES		$150,000		$125,000
OWNER EQUITY		$106,000		$323,000
TOTAL LIABILITIES AND OWNER EQUITY		$256,000		$448,000

[a]The financial information given reflected the beginning farmer's net worth at the end of the partnership and the purchase of the farm in 1982 and his current net worth in 1985.

[b]Amount reflects the inheritance received when the dairyman's father died in 1977.

[c]Increase due to increase of acreage, plus value of improvements and change of inventory valuation.

Alan Vales
Farmer # 06038
Tennessee
Entry Date: 1976
Date of Interview: Nov. 1985

Alan Vales and his brother Ron, began a partnership in 1976, which gave Alan an opportunity to acquire resources to begin his own operation after seven years. Alan and Ron started buying heifers in 1976. Sixteen head were milked by hand in 1978, using their father's farm facilities on a rent-free basis. Later that year, the partnership renovated the barn (switching to Grade A) and built a silo on the rented property.

The operations of the brother/brother partnership expanded in 1980 with a major cattle purchase and increased row crop operations on the father's land. Rapid expansion of resources along with a bad crop year resulted in restrictive cash flow for the partnership. Alan Vales believed that without family assistance (labor, loans and advice), the mistakes and problems encountered during the first years would have seriously damaged the financial structure of the dairy.

The family partnership was agreeably dissolved in 1983. Resources were divided equally, Alan took the 60 milk cows and milking equipment and Ron took the silage and hay equipment. After the termination of the partnership, each brother went to Farmers Home Administration and purchased 70 acres of farm land. Alan Vales continued to use his father's facilities and land to continue dairying.

Alan Vales felt he had maximized his father's facility capability by milking 78 cows. The case study dairyman had planned to expand the

herd, purchase facilities and land from his father to assure continued dairy operations.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #06038,[a] 1983 AND 1985

	1983		1985	
ASSETS				
Current				
Cash		$ 2,000		$ 4,000
Grain and feed		10,000		30,000
Market livestock	(hd)	---	(hd)	---
Total		$ 12,000		$ 34,000
Intermediate				
Milk herds and replacements	(83 hd)	$ 95,000	(98 hd)	$ 90,000
Machinery, truck(s), auto(s)		62,500		60,000
Total		$157,500		$150,000
Fixed				
Real estate and buildings	(-0- acres)	$ 35,000[b]	(70 acres)	$ 70,000
Other		---		---
TOTAL ASSETS		$204,500		$254,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$		$
Operating and cattle notes		80,000		70,000
Portion of intermediate term due		n/a		---
Portion of long-term due		n/a		---
Total		$ 80,000		$
Intermediate				
Tractor and machinery		$ 55,000		$ 50,000
Long-term				
Real estate contract		$ 17,500		$ 84,000
TOTAL LIABILITIES		$152,500		$204,000
OWNER EQUITY		$ 52,000		$ 50,000
TOTAL LIABILITIES AND OWNER EQUITY		$204,500		$254,000

[a]The financial information given reflected the case study farmer's net worth when his partnership ended in 1983 and his net worth as sole manager in 1985.

[b]Value reflected a home dwelling plus lot worth $35,000. The farmer rents facilities from his father.

Jim Konrad
Farmer #05033
Tennessee
Entry Date: 1979
Date of Interview: Nov. 1985

Family assistance was of vital importance to Jim Konrad in order to begin dairy production. Mr. Konrad worked with his father on the family dairy farm for many years until 1979. The case study dairyman wanted sole ownership but lack of credit history and his young age were factors against the possibility of farm lender financing. Mr. Konrad's father recognized his son's desire to farm but was unwilling to relinquish family farm management to his son. Father and son negotiated a partnership agreement during 1979 which enabled the son to obtain cattle and land. The father purchased an adjoining 93 acre farm and 23 milk cows using funds obtained through a local lender. After the purchases, the son took over the payments and a year later obtained funding from the Farmers Home Administration.

The verbal partnership agreement between father and son enabled each to retain separate operations while using mutual resources. The beginning dairyman combined his 23 cows into his father's 35 head herd. Separate DHIA records on the two herds allowed each owner to keep up with individual cow production and resulting milk income. Each cow was fed separately, therefore feed costs were the responsibility of the owner. Repairs and miscellaneous expenses were divided according to the son's percentage of cows in the total herd. Health care costs were the responsibility of the individual cow's owner. The land base (father had 147 acres and the son had 93 acres) was shared by both dairymen.

Jim Konrad received the title to the land and full ownership of the cattle in 1980. Problems did occur for the family partnership, weather and an inadequate milking system caused some cash flow problems. Yet, the partners hedged their operation by growing cash crops and replacing old equipment on a gradual basis. The beginning dairyman realized farm entry would have been more difficult without family assistance. Shortcomings of the existing partnership arrangement involved lack of a written agreement, conflicts in management decisions between the conservative farmer and his more aggressive son, and inability to expand due to the limiting dairy facilities.

Eventually, Mr. Konrad was to build a separate dairy operation on his 93 acre farm. However, he acknowledged that financial growth and stability were two goals that would have to be dealt with before the risk was taken.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #05033,[a] 1979 AND 1985

	1979		1985	
ASSETS				
Current				
Cash		$ 1,600		$ 1,500
Grain and feed		---		7,500
Market livestock	(hd)	---	(hd)	---
Total		$ 1,600		$ 9,000
Intermediate				
Milk herds and replacements	(23 hd)	$ 40,000	(40 hd)	$ 41,000
Machinery, truck(s), auto(s)		12,500[b]		16,000
Total		$ 52,500		$ 57,000
Fixed				
Real estate and buildings	(92 acres)	$ 84,000	(92 acres)	$ 82,800
Other		---		---
TOTAL ASSETS		$138,100		$148,800
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		40,000		20,000
Portion of intermediate term due		2,800		1,000
Portion of long-term due		9,100		9,100
Total		$ 51,900		$ 30,100
Intermediate				
Tractor and machinery		$ 9,700		$ 5,500
Long-term				
Real estate contract		$ 74,900		$ 72,000
TOTAL LIABILITIES		$136,400		$107,600
OWNER EQUITY		$ 1,700		$ 41,200
TOTAL LIABILITIES AND OWNER EQUITY		$138,100		$148,800

[a]The financial information given reflected the beginning farmer's net worth not the partnership's net worth.

[b]Includes mobile home bought in 1979 ($10,000) which was put on the newly purchased land.

Part-time Dairying

Justin Piton
Farmer #03023
Tennessee
Entry Date: 1977
Date of Interview: Oct. 1985

Justin Piton purchased his farm in 1977 after thirteen years of off-farm employment. Mr. Piton used savings accumulated in his off-farm labor and Farmers Home Administration financing to fulfill his dream of farm ownership. The case study farmer purchased the 152 acre farm after extensive search and much planning on paper. Mr. Piton, who was working on a Master's degree in Business Administration, realized from the beginning the importance of minimizing debt load per cow and careful financial planning of loans in order to operate a dairy as a business.

The newly purchased (local lender supplied purchase funds) farm had beef and tobacco enterprises operating until the time of the purchase. Realizing that a milk barn had to be built and furnished, Mr. Piton used a substantial amount of personal savings and a intermediate term loan from Production Credit Association. He acquired 20 head of cattle in 1977 with the help of Farmers Home Administration with the intention of increasing herd size gradually. Mr. Piton continued to be employed off the farm to bring in supplemental funding for operating capital and loan repayment.

Family assistance in the form of labor had proved invaluable for the continued operation of the dairy. Family members (Mr. Piton's mother, father and sisters) supplied valuable labor for farm tasks, enabling Mr. Piton to continue his off-farm employment.

The interviewed dairyman believed his largest difficulties arose during 1980 and 1981 when fluctuating feed and milk prices caused restricted cash flow difficulties. Yet, the dairy was supported by two previously good years of financial growth and Mr. Piton's off-farm employment. Methods the dairyman used to ease financial tension included refinancing a house loan made in 1979, deferment of payments at Farmers Home Administration in 1984, extensive use of custom work and diversification of the farm by including beef and tobacco enterprises.

Mr. Piton planned to expand his dairy from the current 65 milking herd to a possible 85 cows if the oncoming dairy program proved the expansion profitable. He was also evaluating the possibility of adding a broiler operation to further diversify his farm operation.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #03023, 1977 AND 1985

	1977		1985	
ASSETS				
Current				
Cash		$ ---		$ 700
Grain and feed		3,250		17,500
Market livestock	(hd)	---	(hd)	---
Total		$ 3,250		$ 18,200
Intermediate				
Milk herds and replacements	(20 hd)	$ 12,000	(120 hd)	$ 78,500
Machinery, truck(s), auto(s)		37,000		125,000
Total		$ 49,000		$203,500
Fixed				
Real estate and buildings	(150 acres)	$200,000	(150 acres)	$310,000
Other		---		---
TOTAL ASSETS		$252,250		$531,700
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		12,000		---
Portion of intermediate term due		n/a		6,640
Portion of long-term due		16,800		n/a
Total		$ 28,800		$ 6,640
Intermediate				
Tractor and machinery		$ 13,000		$ 63,360
Long-term				
Real estate contract		$183,200		$170,000
TOTAL LIABILITIES		$225,000		$240,000
OWNER EQUITY		$ 27,250		$291,700
TOTAL LIABILITIES AND OWNER EQUITY		$252,250		$531,700

Dan White
Farmer #04028
Tennessee
Entry Date: 1978
Date of Interview: Nov. 1985

Dan White purchased Hightop Farm in 1971, using financing from a local lender for the purchase. The 85 acre farm was used in general farming operation on a part-time basis due to Mr. White's full-time teaching job. In 1978, the case study dairyman decided to start an enterprise where "harder work yields better results" and where the family could work "together". Therefore, a dairy operation began in 1978 as a family farm enterprise.

Since Mr. White had the loan on the farm practically paid, he felt increasing his debt load for dairy asset purchases would be financially feasible. He continued his off-farm employment for two years after the introduction of dairy operations, using the income from teaching to supplement the farm income.

Originally, Mr. White financed dairy investment costs through the Production Credit Association. However in 1980, he refinanced on a long term basis with the Federal Land Bank Association. Employment of labor rather than financial difficulties were the largest problems for the beginning dairy. Family labor was a tremendous help for the dairy but outside interests reduced the children's desire to assist in farm chores. Mr. White related the difficulties in finding reliable, trustworthy help for Hightop Farm.

Expansion of the herd from 40 cows to 60 cows in 1980-81 strained the land resources as well as the labor factor. Currently, Mr. White

rented 150 acres of pasture and hay acreage from his father on a yearly basis ($5,000 yearly). Expansion of the herd resulted in new needs; a new hay barn and increased labor needs.

Mr. White felt a key to his success in the dairy business was the equity built before the dairy was operational. Funds from his off-farm job also helped financial growth of the dairy operation. Finally, Mr. White stressed the value of acquiring dairying experience either through family or partnership agreements.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #04028, 1978 AND 1985

	1978		1985	
ASSETS				
Current				
Cash		$ ---		$ ---
Grain and feed		---		12,000
Market livestock	(hd)	---	(hd)	---
Total		$ ---		$ 12,000
Intermediate				
Milk herds and replacements	(40 hd)	$ 18,600	(60 hd)	$ 50,000
Machinery, truck(s), auto(s)		35,000		50,000
Total		$ 53,600		$100,000
Fixed				
Real estate and buildings	(85 acres)	$ 50,000	(85 acres)	$100,000[a]
Other		---		---
TOTAL ASSETS		$103,600		$212,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ 5,000
Operating and cattle notes		55,000		---
Portion of intermediate term due		---		---
Portion of long-term due		n/a		3,664
Total		$ 55,000		$ 8,664
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$ 17,500		$ 71,336
TOTAL LIABILITIES		$ 72,500		$ 80,000
OWNER EQUITY		$ 31,100		$132,000
TOTAL LIABILITIES AND OWNER EQUITY		$103,600		$212,000

[a]Increase reflected change of inventory valuation plus cost of improvements and building additions of $50,000 above value in 1978.

Randy Haynes
Farmer #06037
Tennessee
Entry Date: 1977
Date of Interview: Nov. 1985

Randy Haynes was involved in dairy operations on a part-time basis for eight years. Mr. Haynes had a partnership agreement with his father that developed from a 4-H project. The father/son partnership was mutually dissolved in 1975, after which the entire dairy cows were sold. Mr. Haynes obtained a job in the farm credit field in 1977. He began to rebuild the dairy herd in 1977 using the heifers kept from the partnership agreement. Mr. Haynes began milk production in 1978, moving up to Grade A standards that same year.

The interviewed dairyman continued to use his father's facilities, renting them on a yearly basis. Mr. Haynes purchased adjoining land in 1978 using seller financing. He also purchased new equipment to replace older outdated milking equipment present in the rented facilities. Additions to the herd was purchased gradually.

At the time of the interview, Mr. Haynes continued to rent his father's facilities, equipment and land. His father assisted his son with labor when off-farm work schedules conflicted with dairy schedules. The case study dairyman realized he could double the size of the dairy herd but acknowledged herd size should compliment the labor available. Therefore, he had no plans for herd expansion in the future. He wanted to concentrate on producing quality registered dairy animals worthy of show standards.

Mr. Haynes was not worried about his farming future, eventually he will inherit the small dairy. He emphasized family assistance and off-farm income as factors to his continued efforts in dairy production and finally stressed the importance for a dairy to "pay for itself".

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #06037,[a] 1978 AND 1985

	1978		1985	
ASSETS				
Current				
Cash		$ ---		$ 2,000
Grain and feed		---		10,000
Market livestock	(hd)	---	(hd)	---
Total		$ ---		$ 12,000
Intermediate				
Milk herds and replacements	(20 hd)	$ 15,000	(40 hd)	$ 20,000
Machinery, truck(s), auto(s)		21,500		55,000
Total		$ 26,500		$ 75,000
Fixed				
Real estate and buildings	(42 acres)	$ 50,000[b]	(42 acres)	$125,000[c]
Other		---		---
TOTAL ASSETS		$ 76,500		$212,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable (land rental)		$ 2,400		$ 2,400
Operating and cattle notes		---		---
Portion of intermediate term due		---		---
Portion of long-term due		---		---
Total		$ 2,400		$ 2,400
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$ 22,000		$ 28,000
TOTAL LIABILITIES		$ 24,400		$ 30,400
OWNER EQUITY		$ 52,100		$181,600
TOTAL LIABILITIES AND OWNER EQUITY		$ 76,500		$212,000

[a]The financial information given reflected the case study farmer's net worth not the partnership's net worth.

[b]Reflected the value of the farmer's newly built home and 40 acres of farmland.

[c]Increase due to change of farmer valuation plus cost of improvements $75,000 above value in 1978.

Dairying After Farm Establishment

Gene Stallione
Farmer #03019
Tennessee
Entry Date: 1982
Date of Interview: Oct. 1985

Gene Stallione began a part-time dairy operation as a farming option after the termination of a poultry contract in 1982. Mr. Stallione purchased his 115 acre poultry farm in 1968 from his grandfather. Mr. Stallione purchased the farm with savings accumulated from off farm employment.

After the termination of his poultry contract in 1982, Mr. Stallione decided to start a dairy after considering the regular cash flow opportunities that a dairy operation provided. Summer of 1982, Mr. Stallione traded 19 beef cows for 11 Holstein heifers then purchased eight more heifers from a relative. Since he had all basic farming equipment, only milking equipment was purchased. The beginning dairyman designed and constructed the stanchion milk barn. Milk production began the Spring of 1983.

At the time of the interview, Mr. Stallione had a small milking herd (31 total herd size), was working with a 50 head beef herd and was utilizing a 12,000 pound tobacco allotment. The dairyman extended his land by renting an additional 48 acres.

Mr. Stallione considered having the land base, basic farming equipment, an early dairy background and supplemental family labor as being factor for his continued success in dairy production. Division of management time was a problem for the farmer and Mr. Stallione hoped to discontinue the beef operation and increase herd size.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #03019,[a] 1983 AND 1985

	1983		1985	
ASSETS				
Current				
Cash		$ 8,000		$ 8,000
Grain and feed		3,750		9,650
Market livestock	(90 hd)	27,000	(47 hd)	14,100
Total		$ 38,750		$ 31,750
Intermediate				
Milk herds and replacements	(11 hd)	$ 7,700	(31 hd)	$ 15,600
Machinery, truck(s), auto(s)		40,000		59,000
Total		$ 47,700		$ 74,600
Fixed				
Real estate and buildings	(115 acres)	$460,000[b]	(115 acres)	$460,000
Other		---		---
TOTAL ASSETS		$546,450		$566,350
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 700		$ 700
Operating and cattle notes		8,000		5,600
Portion of intermediate term due		---		---
Portion of long-term due		---		---
Total		$ 8,700		$ 6,300
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$ ---		$ ---
TOTAL LIABILITIES		$ 8,700		$ 6,300
OWNER EQUITY		$537,750		$560,050
TOTAL LIABILITIES AND OWNER EQUITY		$546,450		$566,350

[a]The financial information given reflected the case study farmer's net worth after his poultry contract was not renewed after 1982.

[b]Farm estimated reflected value of home dwelling, improvement cost and farmer's valuation of property which was near a local university.

Jim Smith
Farmer #04026
Tennessee
Entry Date: 1979
Date of Interview: Nov. 1985

Jim Smith began a dairy operation in 1979, seventeen years after the purchase of his farm. He had purchased 64 acres in 1962 and built a house in 1969. During this time, he had held an off-farm job and had a small beef enterprise. Mr. Smith left his off-farm employment in 1974 to do custom work and farm trucking of vegetables and livestock. A dairy replacement heifer business was started in 1978 with a partner. Mr. Smith sold his portion of the partnership to his partner in 1979, renovated the calf barn to a milk barn and purchased 13 lactating cows that year.

Mr. Smith purchased the cattle and equipment from an exiting dairyman using funds from the Farmers Home Administration and personal savings. Renovation of the barn was done with family labor and was self-financed. Hay was obtained as payment for custom baling services. The beginning dairyman realized he had a lack of dairy experience but he used the advice of experienced dairymen, extension personnel, and other knowledgeables in the dairy industry.

Mr. Smith felt he had an advantage entering the dairy business by already owning a land base and an equipment base. Keeping his herd size small enabled him to reduce labor costs by utilizing family labor. He emphasized building the quality of a milk herd over a six to seven year span by using good breeding techniques through artificial insemination methods.

Mr. Smith's 14 year old son, David was very involved with the dairy farm operations. David owned half of the 35 head milking herd (Holstein and Jersey) and was actively involved in acquiring a 100% registered Jersey herd.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #04026, 1979 AND 1985

	1979		1985	
ASSETS				
Current				
Cash		$ ---		$ ---
Grain and feed		2,500		7,500
Market livestock	(hd)	---	(hd)	---
Total		$ 2,500		$ 7,500
Intermediate				
Milk herds and replacements	(13 hd)	$ 10,000	(65 hd)	$ 34,500
Machinery, truck(s), auto(s)		28,000		20,000
Total		$ 38,000		$ 54,500
Fixed				
Real estate and buildings	(64 acres)	$100,000	(64 acres)	$125,000[b]
Other		---		---
TOTAL ASSETS		$140,500		$187,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		---		---
Portion of intermediate term due		---		---
Portion of long-term due		n/a		n/a
Total		$ ---		$ ---
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$100,000[a]		$ 60,000
TOTAL LIABILITIES		$100,000		$ 60,000
OWNER EQUITY		$ 40,500		$127,000
TOTAL LIABILITIES AND OWNER EQUITY		$140,500		$187,000

[a]Long-term loan with Farmers Home Administration was refinanced from previous real estate loan and current cattle, equipment and barn loan.

[b]Increase reflected change of inventory valuation plus cost of improvements of $25,000 above value in 1979.

Perry Nethery
Farmer #04030
Tennessee
Entry Date: 1979
Date of Interview: Nov. 1985

Perry Nethery purchased his 55 acre farm in 1966 for row crop and beef production using off farm income. He purchased two adjoining 45 acre tracts in 1978 after deciding to expand his farm enterprise to include dairying.

Mr. Nethery decision came about after considering the current rates of return on a dairy operation. He received advice from older, more experienced dairymen on basic dairy operations and capital investment requirements.

Mr. Nethery built his milk barn and silo in mid 1978. The barn was furnished with new milking equipment financed through the Farmers Home Administration. Farmers Home Administration also financed the purchase of springing heifers that Fall and by January 1979, he was able to begin milking his 45 head milk herd. Labor for milking was furnished by the owner and his brother.

Mr. Nethery experienced serious cash flow problems during his first years. He had made a tremendous capital outlay of personal savings and future savings against future farm income. Adding to the loan payments for the purchased land, cattle and equipment were bills from the care of the diseased milking herd. Rental payment for additional land and feed bills added to the overall financial problem. However, Mr. Nethery weathered the immediate problems by relying on his wife's off-farm income for family living expenses, leaving farm income to pay for farm

debts. Increased milk production as the result of improved herd health also eased overall cash flow difficulties.

The future of the dairy was uncertain at the present time. Mr. Nethery expressed the desire to sell out the milking herd and retain heifers for future re-entry or sale.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #04030, 1978 AND 1985

	1978		1985	
ASSETS				
Current				
Cash		$ 15,000		$ ---
Grain and feed		12,500		10,000
Market livestock	(hd)	---	(hd)	---
Total		$ 27,500		$ 10,000
Intermediate				
Milk herds and replacements	(45 hd)	$ 40,000	(100 hd)	$ 65,000
Machinery, truck(s), auto(s)		40,000		35,000
Total		$ 80,000		$100,000
Fixed				
Real estate and buildings	(209 acres)	$130,000	(308 acres)	$250,000[a]
Other		---		---
TOTAL ASSETS		$237,500		$360,000
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ 3,000		$ 5,000
Operating and cattle notes		40,000		---
Portion of intermediate term due		n/a		---
Portion of long-term due		---		n/a
Total		$ 43,000		$ 5,000
Intermediate				
Tractor and machinery		$ 55,000		$ ---
Long-term				
Real estate contract		$ 65,000		$115,000
TOTAL LIABILITIES		$163,000		$120,000
OWNER EQUITY		$ 74,500		$240,000
TOTAL LIABILITIES AND OWNER EQUITY		$237,500		$360,000

[a]Increase in real estate value reflected increase in acreage (99 acres) and plus cost of improvements and value of the home dwelling of $120,000.

Robert Dover
Farmer #05034
Tennessee
Entry Date:1983
Date of Interview: Nov. 1985

Robert Dover began his career in the dairy business in 1983. Mr. Dover, a semi-retired construction worker, grew beef cattle on his 57 acre farm purchased in 1973. He had been seeking a small dairy for sale with the intention of including his son in farm operations. Mr. Dover decided in the Spring of 1983 to use his current resources for his dairy goal. Personal savings and proceedings from the beef sale enabled him to build a high percentage of the milk barn without financial assistance. New milking equipment and 35 dairy cows were obtained to complete the requirements for a dairy enterprise. Mr. Dover began dairy operations November 5, 1983.

Debt per cow was initially high which exerted pressure on Mr. Dover to make the dairy pay. Problems caused by inadequate equipment and changes in feed caused scouring problems in the cows which resulted in decreased milk production.

However, milk production increased after a better feeding program was implemented. Mr. Dover increased his herd to 50, thereby utilizing his resources to a maximum and receiving an adequate return for his labor. He increased land resources by renting an additional 54 acres. Equipment purchases were delayed by borrowing equipment from neighbors. Family labor reduced the need for hired dairy labor.

Mr. Dover related the need for a greater expansion of the operation and was considering the possibility of leasing cattle and renting additional acreage from a neighboring farmer.

CASE STUDY FARM FINANCIAL OUTLINE, FARMER #05034, 1983 AND 1985

	1983		1985	
ASSETS				
Current				
Cash		$ ---		$ ---
Grain and feed		12,000		2,000
Market livestock	(hd)	---	(hd)	---
Total		$ 12,000		$ 2,000
Intermediate				
Milk herds and replacements	(35 hd)	$ 36,000	(57 hd)	$ 42,000
Machinery, truck(s), auto(s)		41,500		6,500
Total		$ 77,500		$ 48,500
Fixed				
Real estate and buildings	(57 acres)	$ 90,000	(57 acres)	$110,000[a]
Other		---		---
TOTAL ASSETS		$179,500		$160,500
LIABILITIES AND OWNER EQUITY				
Current				
Accounts payable		$ ---		$ ---
Operating and cattle notes		36,000		28,000
Portion of intermediate term due		---		---
Portion of long-term due		n/a		n/a
Total		$ 36,000		$ 28,000
Intermediate				
Tractor and machinery		$ ---		$ ---
Long-term				
Real estate contract		$124,000		$112,000
TOTAL LIABILITIES		$160,000		$140,000
OWNER EQUITY		$ 19,500		$ 20,500
TOTAL LIABILITIES AND OWNER EQUITY		$179,500		$160,500

[a]Increase in real estate value due to increase in value current land of $20,000 to reflect recent industrialization of the rural area.

APPENDIX C

Advantages and Disadvantages Associated with Farm Entry Alternatives

Case Study Dairymen's Perspectives of Advantages and Disadvantages Associated with Dairy Farm Entry Alternatives, Middle and East Tennessee, 1985

I. Family Partnerships Between Generations

ADVANTAGES:

1. Experience gained from working with an older dairyman.
2. Financial entry burden reduced for beginning dairyman.
3. Able to accumulate and merge farm assets within partnership structure.
4. Farm continuance assured through farm inheritance.
5. Beginning dairyman was able to achieve a good credit record within stability of partnership.

DISADVANTAGES:

1. Management decision conflict between inexperienced farm entrant and experienced conservative senior partner.
2. Beginning dairyman limited in amount of managerial input concerning farm planning and financial decisions.
3. Without a written agreement, junior partner encounted problems with division of shared assets in the case of the senior partner's death.

II. Family Partnership Under a Limited Agreement

ADVANTAGES:

1. Able to share financial burden for farm entry.
2. Farm responsibilities were equally distributed according to each partner's capabilites.
3. Had option to acquire a percentage of farm assets each year.

(continued)

4. Beginning dairymen able to acquire experience and farm assets.
5. Freedom of farm ownership without the financial risk.

DISADVANTAGES:

1. Beginning responsibilites difficult for beginning dairymen.
2. Lacking a written agreement, farm continuity was question if one partner died or left the partnership commitment.

III. Non-Family Partnership

ADVANTAGES:

1. Farm entry expenditures were decreased by pooling resources with partner.
2. Labor, decisions, expenses and income were shared by farm partnership members.
3. Beginning farmer was able to merge and accumulate owned assets with partnership to promote farm growth.
4. Percentage of salary was associated with milk production giving an incentive to work harder to get a higher salary.

DISADVANTAGES:

1. Management decision conflicts between partners.
2. Lacking a written agreement, no provisions were made in the event of the termination of the agreement.

IV. Family Rental Agreements

ADVANTAGES:

1. Acquire land base for farm entry.
2. Family assisted by leasing cattle and equipment at low cost.

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reasonable rates and further help through monetary gifts and/or loans.

3. Family paid for improvements and repairs to leasehold.
4. Security of tenure assured through eventual transfer of the leased resources by inheritance or purchase.
5. Rent payments set by family landlord were at low cost.

DISADVANTAGES:

1. Family tenant encounterd interference in land use decisions by family landlord.
2. Family tenant did not have complete control over land, family landlord continued to use the leasehold.
3. Beginning farmer reserved in making improvements due to unstable family relationships.

V. Family Rental Agreements Rent-free

ADVANTAGES:

1. Acquired land base rent-free and increased investment for other farm resources.
2. Security of tenure through the possibility of eventual inheritance.
3. Able to make additions and improvements having security of tenure.

DISADVANTAGES:

1. Security of tenure in question without a written agreement.

(continued)

2. Investments to the leasehold made by the beginning dairyman was not reimbursed.

VI. Non-Family Rental Areements

ADVANTAGES:

1. Beginning farmer acquired necessary land base for farm operations.
2. Written agreement assured tenure allowing farmer to make necessary improvements.

DISADVANTAGES:

1. Had to cover the cost of repairs and improvements to the farm.
2. Interference by landlord in land use decisions.
3. Encountered poor condition of leased resources.
4. Difficulty expanding the dairy operation under rental agreement restrictions.

VII. Purchasing Farm Assets with Family Assistance

ADVANTAGES:

1. Sole ownership.
2. Family seller financing with a low purchase price and at a low interest rate.
3. Had knowledge of postive and negative aspects of purchased farms.
4. Had continued assistance from family members, i.e., livestock gifts, monetary gifts or loans and managerial advice.

(continued)

DISADVANTAGES:

1. Farm facilities required renovation.
2. Large capital outlays even with family assistance.

VIII. Purchasing Farm Assets from a Non-Relative

ADVANTAGES:

1. Sole ownership.
2. Acquiring farm for dairy size needs.
3. Seller financing of the farm purchase allowed farmer to pay lower interest rates with longer repayment periods.

DISADVANTAGES:

1. Resource conditions poor, requiring extensive replacement and repair.
2. Large capital expenditures involved with the purchase.
3. Difficulty in obtaining farm loans from conventional sources unless one had seller financing.

IX. Part-Time Dairying

ADVANTAGES:

1. Cash flow from off-farm employment supplemented farm income.
2. Acquired farm assets using off-farm income to supplement repayment.

DISADVANTAGES:

1. Limited in farm expansion unless hired labor or utilized family labor.
2. Division of management between off-farm job and farm responsibilites.

(continued)

X. Dairying After Farm Establishment

ADVANTAGES:

1. Had land base and basic farming equipment before started to dairy.
2. Decreased the cost of farm entry by converting existing facilities to dairy facilities.

DISADVANTAGES:

1. Farm not suited for dairy operation ,i.e. land base to limited, facilities required extensive repair.
2. Large capital outlay for building or converting dairy facilities, purchasing cattle and dairy equipment.
3. Division of management responsibilities between dairy and existing farm enterprises.

VITA

Julie Ann Welch Bohannon, daughter of Julian and Betty Welch, was born in Dyersburg, Tennessee on February 25, 1961. She attended elementary and secondary schools in Parsons, Tennessee and Palmersville, Tennessee and was graduated from Palmersville High School in 1979. The following September she entered the University of Tennessee at Martin, and in June 1983 she received a Bachelor of Science degree in Animal Science. In the winter of 1984 she began a Master's program in Agriculture Economics at the University of Tennessee at Knoxville and in spring of 1984, she accepted a research assistantship with the Tennessee Agricultural Experiment Station as a Graduate Research Assistant in Agriculture Economics. The requirements for this degree were fulfilled in August 1986.

The author is married to Kenneth Angus Bohannon of Jacksonville, Arkansas. She was involved with Big Brothers/Big Sisters of Knoxville and the Knoxville Opera Company while pursuing her graduate degree.