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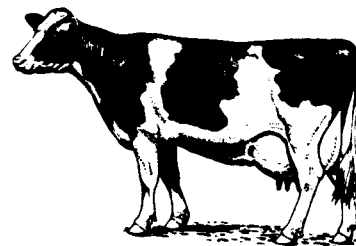
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College of Veterinary Medicine

VETERINARY CONTINUING EDUCATION



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## *Dairy Update*

**Farm Financial Credit**

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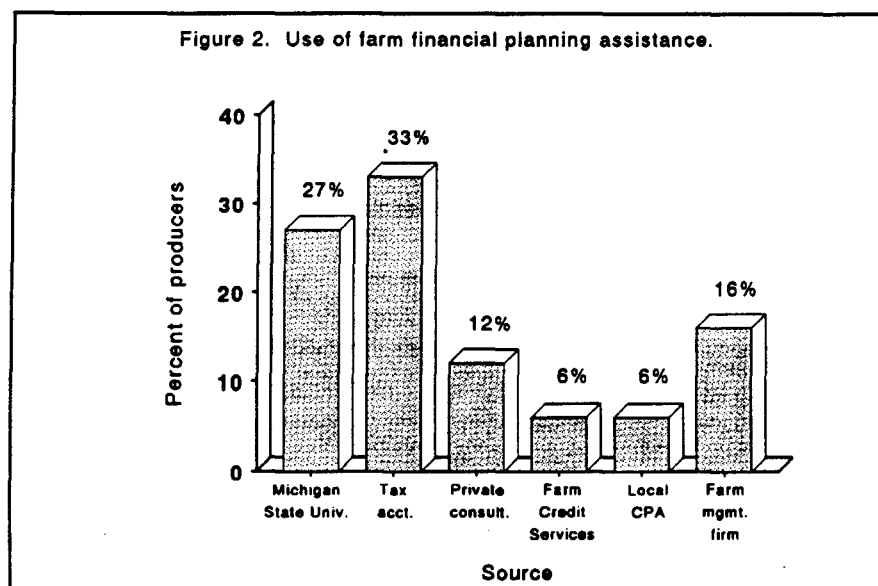
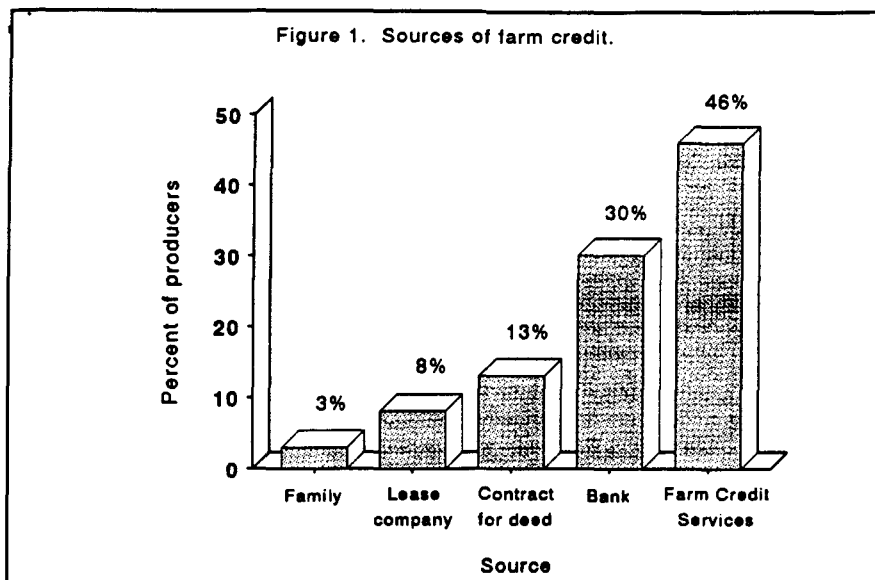
Farm financial credit is always an interesting field of study. In the fall of 1993, 29 large dairy herds (130-1,010 cows) were studied utilizing a survey. Farm credit usage, sources of farm credit, farm planning assistance, farm computer usage, and financial growth over time were all addressed in the survey.

Based on the survey, it is evident that credit is used by the majority of large dairy farm owners surveyed. Of the 29 farms surveyed in Michigan and Wisconsin, 90% reported utilizing credit.

Sources of farm credit varied. Figure 1 shows different sources of farm credit. In Michigan, dairy farms surveyed utilized Farm Credit Services heavily. In discussions with Michigan State University farm management staff, it was reported that the majority of the banks had exited themselves out of the farm credit market by overpricing credit and favored automobiles, household appliances, etc. On the other hand, banks in Eastern Wisconsin were very aggressive in the farm lending business and 71.5% of the herd owners surveyed in that area relied on banks as their major creditors.

The area of professional farm planning assistance was studied in the survey. Again, 90% of those surveyed responded affirmatively to using professional farm financial planning assistance. A number utilize more than one person or business in this area. Figure 2 summarizes the usage of farm financial planning sources by farm owners surveyed.

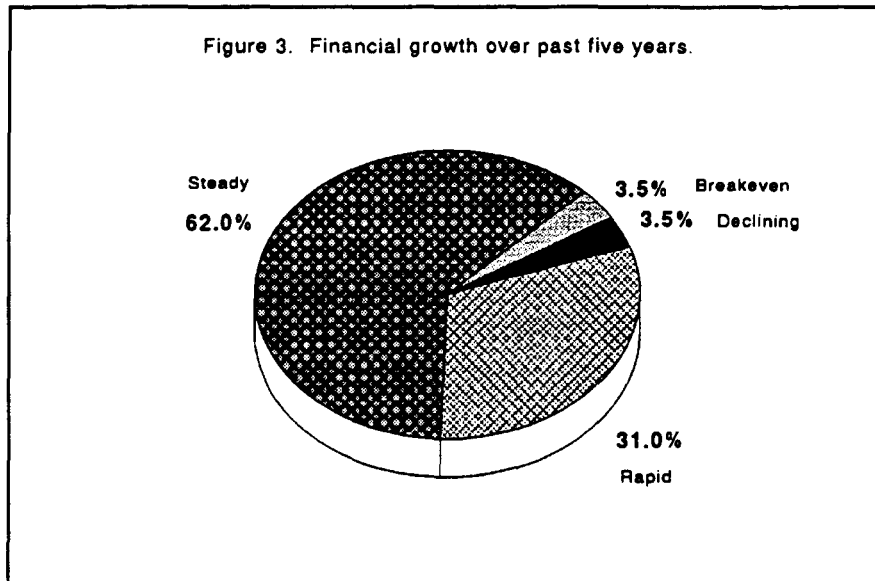
On-farm computer usage on large dairy farms in Michigan and Wisconsin was addressed. Sixty-eight percent of farm owners surveyed reported owning an on-farm computer system. Records are kept largely for income tax purposes and to analyze profitability of total farm and enterprises within it. The different software packages utilized were numerous.



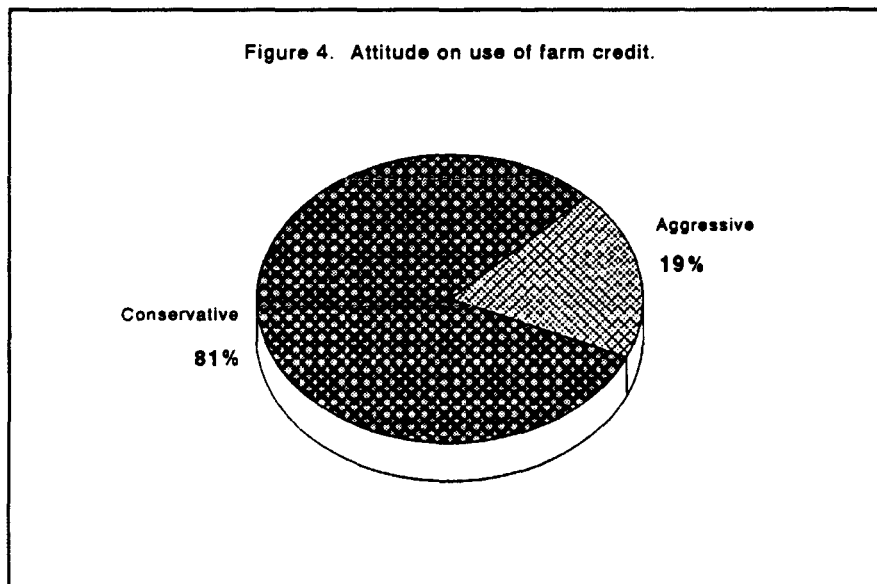
Another area studied using the survey was financial growth over the past five years. The majority (62%) reported steady financial growth over the past five years. Options offered were: rapid, steady, breakeven, or declining growth. Figure 3 depicts financial growth reported over the past five years on large dairy farms in Michigan and Wisconsin.

Interest rates were studied in the survey. This was a difficult area to attain accurate data simply because large dairy herd owners do not have it on their minds or it may be partially because they preferred to not share their interest rates in the survey. Short term interest rates reported on the survey ranged from 6.55% to 8.875%. Intermediate interest rates ranged from 6.25% to 10%

while long term interest rates ran from a low of 5.95% to 8%. This area will take some time and more in-depth research to generate credible data on interest rates.



The last area studied under Financial Management was attitude toward farm credit. Two options were offered in attitude toward credit, aggressive or conservative. Figure 4 clearly depicts that large dairy herd owners in Michigan and Wisconsin in this survey label themselves as conservative when it comes to using credit.



In summary, large herd owners in Michigan and Wisconsin have and continue to utilize farm credit; however, the majority (81%) label themselves as conservative in their usage of farm credit and use it very wisely to avoid credit crunches. They have built net worth over time and prefer to remain on a steady financial growth pattern in their dairy operation.