



Dairy's Bottom Line

Clean Under the Couch Cushions...

And save up! It's time for some fun at the PDPW Education Foundation Live & Silent Auctions at the 2007 PDPW Annual Business Conference!

Live auction

1) Registered Jersey Calf – high performance pedigree and show aged; K&K Iatola Milky Way. Sponsors: Alto Dairy Cooperative; Land O' Lakes Cows Match Jersey Blend; Cooperative Plus, Inc.; ABS Global; WI Jersey Breeders Association; K&K Jerseys – Allen and Bonnie Kracht; Show and stable halters donated by Nasco

2) 10 Bird Pheasant Hunt at Hunter's Park Game & Shooting Clays by Brillion. A guide, dog and bird cleaning for Fall 2007 season. Sponsor: Diamond V

3) Suite Comfort Cruises, Kewaunee – four people for a five hour charter fishing outing or combination fishing, sighting and shopping with a Tiara Yacht. Sponsor: Land O' Lakes

4) Redefining the Milky Way Quilt. Sponsor: Karla Zimmerman, Fox Lake

5) Stihl Chain Saw Package. Sponsor: Landmark Services Cooperative, Cottage Grove. Accessories: Helmet with safety features, case, extra chain. Sponsor: Johnson Sales, Inc., Arlington

6) Four Packer Tickets. Sponsor: George Twohig, Chilton; Attorneys for Agriculture, Twohig, Rietbrock & Schneider

7) Kalahari Resort Package. Sponsor: ARM & HAMMER Animal Nutrition

Silent auction

A sampling of silent auction materials include:

- Bonnie Mohr Print "Place



Milky Way Quilt

This quilt stitched by Karla Zimmerman, Fox Lake, mimics the theme of PDPW's Annual Business Conference - Redefining the Milky Way. It will be auctioned off live at the conference the evening of March 13.

Photo by Karen Topel

Called Home"

- Culvers Custard for a year
- Floral arrangement
- Pedal tractor
- Motel and meal package
- BettyLou Cruise tickets
- Blanket
- McCann OutFitters Canoe/Motel/Meal Package
- Packer tickets
- Badgers Men's basketball

tickets

...to name a few!

The Live Auction will take place in the evening after the entertainment on March 13. The Silent Auction will continue throughout the PDPW Annual Business Conference, March 13-14. All proceeds will benefit the PDPW Education Foundation.

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'Discovery Farms'

Panel to Compare Manure Handling Systems

On March 13 the Professional Dairy Producers of Wisconsin will be hosting its Annual Business Conference at the Alliant Energy Center in Madison. One of the pre-conference sessions (9:15-10:30 a.m.) is a panel of three leaders in the Wisconsin dairy industry who have a wide range of manure handling systems. This group of people will share with you their knowledge on manure storage, handling, application, digestion and further processing of manure. This group will be able to talk about the potential improvements in manure management, the economics of manure handling and distribution and the potential environmental benefits of each of these handling systems.

The first producer on the panel is Joe Bragger, the first participant in the UW-Discovery Farms Program. The Bragger family dairy operation consists of two milking facilities. The home farm is a 150-cow freestall operation with a liquid manure system designed and installed through the priority watershed program. Heifers and dry cows are housed on and around this farm, and the manure is largely from a variety of bedded pack areas. The second farm is a few miles down the road and consists of a 60-cow tie stall barn with daily haul manure. The challenges faced on this dairy include the handling of both liquid and solid manure from storage and daily haul systems, in an area of the state where the slopes and distance to surface water present a challenge on a year round basis.

The second presenter on the panel is Gary Boyke. Gary and his wife, Rose, farm in an area of the state where homes are encroaching on their operation and they want to

remain in the area and be seen as good neighbors. This farm has experienced significant growth in the past 15 years and storing and handling manure in the typical manner was not feasible any longer. The Boykes traveled overseas and across America researching methane digesters before investing in the latest technology. They were aggressively pursuing new technologies that would be acceptable to their neighbors, as well as installing a manure management system that enhanced their farm's profitability. For those farms thinking about investing in an anaerobic digestion system, you need to come and listen as Gary shares his experience, suggestions and his story.

The third panelist is John Vrieze, one of the largest and most innovative producers in Wisconsin. John farms in Western Wisconsin in a part of the state with increasing urban pressures from the Twin Cities area. In the past few years John has done extensive research on manure handling systems and innovative technologies that will improve his farm's profitability and reduce the potential for negative environmental impacts. We have asked John

to talk about his anaerobic digester and what happens to the manure coming out of this system. He is working on an overall waste-treatment system that not only separates the liquids and solids, but utilizes new technologies including clarifying the wastewater streams. This industry innovator shares what he's learned and talks about where he sees the next generation of manure management systems and other land application technologies heading in the future.

If you're thinking about modifying your dairy operation or evaluating how to handle manure in the future, you need to listen to this panel. These leaders in the dairy community are willing to talk about what they have learned about manure management systems. They have made significant investments in time, energy and money and their experiences can help you make the right decisions for your operation. There are three ways to register for the PDPW conference - online at www.pdpw.org; call PDPW at 800-947-7379 or send your check to: Professional Dairy Producers of WI, P.O. Box 2, Fox Lake, WI 53933.

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PDPW Board of Directors Candidates Up For Election

Four candidates are seeking positions on PDPW's Board of Directors this coming March at the Annual Business Conference. Eric Hillan, Charlie Knigge, Gary Rueggsegger and Russell Strutz are all advocates for the state's dairy industry. Here, *Dairy's Bottom Line*, provides a look at each of the candidates.

Eric Hillan



Born in South Dakota and raised in Waukesha, Eric Hillan was the son of a pediatrician and voice lesson instructor. He found his love for agriculture spending his summers back in South Dakota with his brother on his grandparents' grain farm. When his grandfather unexpectedly passed away, Hillan tried to take over the farm and ran it for one year between his junior and senior year of high school. Realizing he wanted to do more at his young age he returned to Wisconsin to finish high school and went on to study agronomy and dairy science at UW-Madison. That's where he met his wife Carol, as they both worked on the campus dairy farm.

They took over her parents' dairy farm in the fall of 1982, with fresh bachelor's degrees in tow. The dairy near Ladysmith now houses 235 cows, both milking and dry, and employs two full-time and five part-time

employees. The Hillans crop 750 acres in corn, alfalfa and soybeans. "We try to do a very good job with what we have," Hillan says. Which includes a new parlor and freestall set-up that celebrated a one-year anniversary in October.

Hillan appreciates the seminars held by PDPW and says they challenge what you're thinking. "You're challenged to defend your farm's practices in your own mind," he says. "Sometimes it's valid and sometimes it's not."

The seminars also allow you to "obtain a concentrated amount of information in a short amount of time. No other organization does that as well as PDPW," Hillan says.

"The perception of the dairy industry has changed fundamentally," he says, noting PDPW has been instrumental in that change.

Sixty years ago people farmed because they like cows and didn't want to work with others. That's still true today, but many producers are being transformed to be better managers.

"What PDPW has done for the State of Wisconsin was make more of its No. 1 industry," Hillan notes.

What's unique to the organization is its constant turnover of the board and personnel.

"Each new person has ideas and different perceptions than the current board members," he says. "This keeps the board young and vibrant."

Turnover is extremely important to an active organization. If you keep the same board, Hillan says, the ideas remain static.

Plus, PDPW's board of directors encompasses different sized dairies that have a different approach to problems.

"It's an organization I want to be a part of," he says.

Charlie Knigge



Omro dairyman Charlie Knigge purchased his first cows when he was a sophomore in high school and has been farming ever since with his father Pete. He did spend two years at Farm and Industry Short Course at UW-Madison and brought that knowledge back to the farm. They operate 650 total acres and milk 120 cows with two

robotic milkers. The herd averages 24,000 pounds of milk.

PDPW helps them network with positive people in the dairy industry. "They're upbeat and always looking for new information and solutions," he says. "It's a benefit to be around people like that."

Knigge also says the organization offers a lot of good educational seminars that he's made a point of attending.

"PDPW is another outlet for dairy producers to gain information and network with progressive producers to gain outlook and better their business," he says.

Knigge would like to be a PDPW board member to help the industry and to gain more exposure to things off the

See Board, on Page 7

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Captain James Lovell to Give Out of This World Insight

By Crystal McNett
Assistant Editor

"Houston, we have a problem."

Uttered by Capt. James Lovell on that fateful day in April 1970, this is perhaps one of the most recognized phrases in America. Announcing a crippling malfunction with the Odyssey's oxygen system, the Apollo 13 mission turned from landing on the moon to survival.

Professional Dairy Producers of Wisconsin is honored to welcome Captain James Lovell to the PDPW Annual Business Conference March 14, to share the famous story of a successful failure. Lovell will take attendees to the moon and share the tension-filled cockpit of Apollo 13 from one of the few people who truly lived it.

As he reveals his experi-

ences in space, Lovell will connect with dairy producers and their family situations and everyday challenges.

Lovell will share his courageous journey as he relates the skills the team mastered to turn a failed system into a successful mission. His message is not only a story about space travel, but also connects with the needs to succeed in today's dairy industry.

No stranger to the dairy state, Lovell attended UW-Madison for two years prior to graduating from the U.S. Naval Academy. In addition, his son was a student at St. John's Military Academy in Delafield



Capt. James Lovell

See Lovell, on Page 46

Apollo 13: Successful Failure

Captain James Lovell is the record holder for time in space with over 715 hours. One of his four flights included commanding one of the most famous NASA missions - Apollo 13. Lovell will share his famous story of a successful failure at the PDPW Annual Business Conference on March 14.

Photos courtesy of Kepler Speakers



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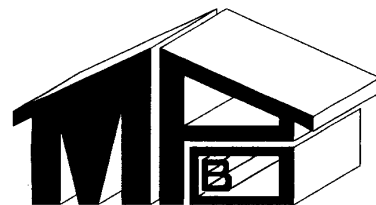
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Professional Dairy Producers of Wisconsin Calendar of Events

Annual Business Conference

PDPW's hallmark, business-management conference aligning high-reaching dairy producers and industry representatives to share ideas, solutions, resources and experiences.

Alliant Center, Madison

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Board

Continued from Page 3
dairy farm. "I try to help make a difference in the industry," he says.

Gary Rueggsegger



The turning point to enter agriculture for Gary Rueggsegger came at the young age of 12. He recalls, his mother decided he needed to be occupied so she found him a job on a farm. Since then everything he's done has "been related in some shape, form or fashion to agriculture," he says. Gary went on to obtain an undergraduate degree at UW-Platteville and a graduate degree in dairy cattle nutrition from UW-Madison.

In 1998, along with his brother-in-law and father-in-law, Rueggsegger started Maple Ridge Dairy in Stratford. They have 1,000 cows, milking and dry, and 2,000 acres to grow feed for the cows. Maintaining a family farm is very important to the partners in Maple Ridge Dairy and they've developed a management team and system they believe will keep the farm family-oriented for years to come.

"PDPW provided a good opportunity for us to get additional training in the dairy area," he says. "It's valuable in that aspect."

Education topics include business management, nutrition, health, personnel management and much more. It provides a good medium to get new ideas and stay current with what's happening in the industry.

"It's a nice arena to estab-

lish networks with other dairy producers. You learn just as much or more visiting with others," Rueggsegger says.

With over 1,000 members, PDPW has pretty impressive participation. That's because "it's allowed a good forum for the dairy industry to get together and participate and work on certain issues and challenges," he says.

A positive organization itself, PDPW has worked to portray that to the public. Rueggsegger says, "PDPW has promoted a positive image of the dairy industry in Wisconsin and I think that's very important."

PDPW has also helped foster education to the dairy industry and producers in the state.

"I would like to give something back for what it's done for us at the dairy and the dairy industry," Rueggsegger says of his decision to run for a position on the board of directors.

His varied background allows him to bring in a new perspective to the board. "I have a different perspective and I look at things a little differently," he says.

Rueggsegger has also served on PDPW's programming committee for many years and says he's ready for the next step of participation.

Russell Strutz



The fifth generation on his Two Rivers dairy farm, Russell Strutz grew up in the business. Following high school, he attended UW-Madison's Farm

and Industry Short Course and has been back home working with his father ever since. Strutz was the only one of five siblings to return to the farm.

In the early 90s, they had a stanchion barn with 120 cows and grew forage, grain and vegetables. "The future of the dairy industry was to get more efficient in producing milk," he says. Therefore, a few years later the farm grew to 425 cows. They abandoned the stall barn and built a brand-new parlor and freestall set-up. Since then they've made a few more changes and now milk 650 cows, raise 550 young-stock and grow 900 acres of forage, both alfalfa and corn.

"PDPW is all around education," says Strutz. He's attended every Annual Business Conference and always brought something back to the farm that he's incorporated somehow.

By working closely with various state departments,

PDPW aids the industry in educating its members and teaching communication while listening to both sides of an issue.

Attending the Manager's Academy, Strutz noticed first hand how PDPW listens to its members and addresses any industry issues raised at future seminars.

"I believe in the things that they do for dairy farms in Wisconsin," he says. "It's an asset all dairymen need as a resource to use."

A forward thinker, Strutz likes to know the next thing coming down the line before it becomes an issue. He'd like to become a PDPW Board member to help get educational information on those subjects to the board and members.

"Being on the board and getting information out there is something I believe in," Strutz says.

By Karen Topel

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Judy Rupnow
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Education Foundation: Always More to Do

Like the work on the farm, there is always more to do. That's how members of the Professional Dairy Producers of Wisconsin (PDPW) Education Foundation Board view their work this year. "We feel a bit like a toddler moving from taking those first steps to running down the hall. We have momentum but we need more development and coordination to bring it all together," says Judy Rupnow, serving her second year as a PDPW Education Foundation board member.

The PDPW Education Foundation was established in 2002 by producers to support educational projects and programs that would otherwise go unfunded. "Our role starts where PDPW's ends," says Rupnow. "We fund projects that the parent organization may not, either because resources are limited or the scope of the project falls outside of the organizational charter."

As the charitable arm of the Professional Dairy Producers of Wisconsin, the PDPW Education Foundation's role is to ensure funding for education programs that prepare producers for issues that will impact the way they do business. "The belief that our success as an industry is dependent on the knowledge, leadership talents, and passion of our members, is what fuels our vision – to create a legacy of learning for the dairy industry," says Rupnow.

"We live in a global economy, issues are more complex, they involve multiple stakeholders and they don't exactly stop at the state

lines. Issues like land use, urban encroachment, animal welfare, sustainability and others can pose a threat to a dairy producer's success," Rupnow adds. PDPW Education Foundation ensures that programs exist to help producers deal proactively and positively with these issues.

"Some issues are like a train whistle. We hear it; we know something is coming down the tracks," she says. "Our role is to make sure producers are equipped with the tools they need to stop the train, move before the train arrives or jump on board."

The PDPW Education Foundation's efforts focus on training dairy producers in public affairs, leadership and communications skills and preparing youth for careers in dairy.

One of those efforts is ACE – Agriculture Community Engagement. Spurred by urban spread into agricultural areas, the program was designed to help local elected officials understand agricultural land use. Working in conjunction with the Wisconsin Towns Association and the Wisconsin Counties Association, ACE opens communication channels between elected officials and agricultural residents. Dialogue about how land use decisions impact the community encourages informed decision-making.

Another area of critical concern for PDPW Education Foundation is youth development. The Youth Leadership Dairy Derby is a weekend lock-in for teenagers. Parents say this program has motivated their chil-

dren's interest in agriculture. "One mom said her daughter and friend were so excited after the Dairy Derby they began working to start an FFA chapter in their high school," says Rupnow.

When asked what's next for the PDPW Education Foundation, Rupnow talks about building for the future. She says the Foundation Board's role is not providing the programs, but rather to ensure that programs can happen. She says the Board is working to establish giving vehicles and raise awareness of the Foundation.

The first steps include establishing an annual giving campaign and an honorarium program. "I Believe," the Foundation's annual awareness and giving campaign, began about two years ago. The Foundation Board is formalizing the program to ask for a contribution along with the reasons each donor believes in the future of the dairy industry.

The Foundation also is formalizing its Memorial/Honorarium program. Donations can be given to honor a special occasion or milestone, or given in memory of a person. "The Foundation offers a way to honor and remember dairy industry leaders through a donation that builds a strong future for the industry those individuals love," says Rupnow. "It gives deeper meaning to PDPW Education Foundation's vision – a legacy of learning."

The two campaigns are just the start for the PDPW Education

See Foundation, on Page 31

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'The Business Edge'

How Leaders Decide At the 'Go Point'

General Robert E. Lee's disastrous decision to order Confederate General George Pickett to charge the Union line at Gettysburg, Pa., marked the turning point of the U.S. Civil War. How did Lee reach this point? As Wharton Professor Michael Useem points out in his new book, "The Go Point: When It's Time To Decide, Knowing What To Do and When To Do It," there were a series of "go points" before Pickett's charge, where critical decisions were made by leaders on both sides of the conflict, that ultimately led to Lee's defeat at Gettysburg and the Southern surrender a short time later.

Lee first made the decision to take the battle to the North, hoping that by marching into Union territory he could seize the initiative and perhaps break the will of the North. A second "go point" occurred when Lee arrived in Gettysburg and sent instructions to general Richard Elwell to "carry the hill occupied by the enemy, if he found it practicable." The vague message and Elwell's inexperience led Elwell to be overcautious. At that moment, he very likely could have seized the high ground before the Union forces were firmly entrenched. Instead, he waited as "some of the most fateful seconds of American history ticked past," in the words of one historian.

Finally, when Lee made the decision to order Pickett to attack the Union troops entrenched on Cemetery Ridge, he chose not to confer with his senior officers. Lee took his own counsel and so did not have the opportunity to hear the severe misgivings his men had about the ill-

fated initiative until it was already in motion.

It was "go points" such as these that determine the fate of a company or a nation. Lee's choices offer lessons about understanding the capabilities of others in making decisions (such as Elwell's inexperience) and consulting with associates in making important decisions (which Lee failed to do in planning his final assault).

Creating a template

In his book, Useem takes readers through the decision processes of leaders at critical "go points." The stories examine firefighters in the heat of wildfires, bond traders at Lehman Brothers, Marines on training exercises, and leaders of organizations from Hewlett-Packard and Lenovo to Tyco and Enron.

While some books on decision making might offer simple recipes, Useem's lessons are drawn from decisions in context. As with Lee's choices at Gettysburg, they are filled with the gritty details that make such decisions complex. Then, Useem draws out the lessons that can be applied to future decisions. He encourages readers to use these lessons to forge their own "decision templates" to guide their choices in the future.

For example, he learned the lesson of examining the past from Liu Chuanzhi, who created the Chinese company that would become Lenovo. With the acquisition of IBM's personal computer line in 2005, it became the third largest personal computer company worldwide. Before starting the company,

See Decisions, on Page 20

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Three Ready to Serve on PDPW's Education Foundation Board

PDPW's Education Foundation is set up to meet the needs of the industry on a greater scale.

Three candidates would like to lend their expertise to this Foundation by serving on the board.

Keith Engel



A farm boy from Hampshire, Ill., Keith Engel was one of five boys in his family, all of them very close in age.

After receiving a degree in animal science with a dairy science emphasis from the University of Illinois, he saw there wasn't enough room for him to return home to the Registered Holstein tiestall operation. All of his brothers are involved in agriculture and some are home on the farm, which now milks 150 cows, some belonging to Engel.

His first job was with Midwest Dairymen Company as a field representative. Seven years later he became the ProMilk specialist for WestfaliaSurge. He supports dealers and dairymen with milk quality information in Wisconsin, Northern Illinois, the UP and Eastern Iowa.

"PDPW has been a tremendous value to WestfaliaSurge," he says. "The networking experiences and exciting platform for education for producers and industry is a recipe for suc-

cess." The organization helps the industry by bringing progressive dairy producers together so they can be more profitable and bring forth the best light for the public. "Through education and through networking PDPW creates better stewards in dairy producers in Wisconsin," Engel says.

He'd like to serve on the Education Foundation board because "I feel PDPW has done a lot for me and my producers and I want to give something back," he says. As an 11 year dairy quiz bowl coach he also fully believes in educating youth.

Deb Reinhart



Along with her husband David Geiser, Deb Reinhart has owned and operated the same farm since she came home from college in 1975. They milk 250 cows three times a day in a parlor/freestall set-up.

Reinhart's primary responsibilities are calf and youngstock care and handling financial and human resources for the dairy, which employs six full-time and two part-time laborers. Many of the employees are Hispanic and she has learned enough of the language to communicate effectively with them.

See Education, on Page 14

BINKY

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Education

Continued from Page 11

Reinhart has previously served on PDPW's board and she says, "PDPW has done so much for our business. The opportunity to interact with that caliber of producers helped us grow from 80 to 250 cows and manage the changes that come with growth."

She adds, "PDPW has really helped the dairy industry in Wisconsin to thrive." It has helped producers learn the skills necessary to make the transition from dairying as a lifestyle to dairies that need to run like a business yet have fun doing it. "PDPW producers are upbeat, proactive and very passionate," says Reinhart.

While serving on the board, she was active on the Foundation Advisory Committee. Now, if elected

to the Foundation Board, she'd like to look at the future of the industry and reach out to the youth. "I'm excited to be involved in that endeavor."

Judy Rupnow



Growing up on a small dairy farm in Ixonia, Judy Rupnow watched her father breach further into the industry as a bulk milk hauler.

Now working at Morgan&Myers, a marketing communications firm, Rupnow works with a variety of agricultural clients, including some in the dairy industry.

The "relationships and networking PDPW provides is very valuable" to her and her business, she says, especially considering the caliber of producers and industry members in PDPW. Farm to plate issues are something Rupnow works with everyday. The insight she gains from PDPW allows her to provide that insight and leadership to her clients.

As someone who works on the consulting side, she views the issues PDPW reads producers for as invaluable. "As the production chain comes closer together and becomes more integrat-

ed, PDPW offers an incredible, forward-looking opportunity to keep producers prepared," Rupnow says.

The Education Foundation offers opportunities the main organization can't do. "Our role is ensuring funding that keeps dairy producers learning and ready to be proactive," she says.

"I believe in the dairy industry and can see it changing. The Education Foundation is part of the solution for dairy producers to remain viable in a dynamic market. I have served two years on the PDPW Education Foundation board and feel that my experience with fundraising and branding can continue to help the Foundation grow and serve the entire dairy industry."

By Karen Topel

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Whether it's from your family or friends, most of you have probably been subject to the following advice, "You should go to the doctor and get a check-up." Just as it's important for you to get a "check-up" to evaluate your health, your dairy operation needs a financial "check-up." By taking the time to analyze your operation's financial health, you'll be able to determine what aspects get a clean bill of health, where bandages are needed and what should undergo major surgery.

"It's very important for dairy producers to conduct periodic financial updates," says Greg Schopen, regional vice president, Badgerland Farm Credit Services,

Dodgeville. "The operation's financial position should be analyzed annually on an accrual basis, at a minimum. Ideally, analysis should be completed at the same time each year, and should occur more frequently during times of low milk prices or expansion."

Armed with the right financial knowledge, producers can better manage and make more informed decisions on their operations. In a time of low milk prices and a difficult economic environment, you need to make sure records are kept, financial measures are calculated and the meaning of the measures is understood. Knowledge is a key to business success.

"An increase in the depth

and understanding of accurate financial records is needed to maintain long-term viability," says Schopen. "You need to know where you're at."

Determine financial health

"Every lender has specific underwriting guidelines," says Schopen. "We encourage producers to analyze a number of financial measures."

Schopen says the most important measure to evaluate is net accrual earnings, both historical and projected. Adequate earnings are needed to pay expenses, make loan payments and meet your and/or family living needs. A look at earnings helps determine how much

additional capital debt, if any, you can take on.

"Earnings are your future, and they determine where you can go from here. If you can't support present or additional capital obligations, changes are needed," adds Schopen.

Besides earnings, a number of financial measures reflecting liquidity, solvency, profitability, repayment capacity and efficiency should be calculated. Some of these measures include working capital, owner equity, collateral and capital debt per cow, says Schopen. A calculation of your cost per hundredweight of production for all operating expenses is

See Fit, on Page 18



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How to Make Your Words Count

A producer has many important roles and not all of them are the familiar or comfortable variety.

While a goodly number of Wisconsin producers have had considerable experience speaking before groups both large and small, not as many have spoken before legislators at a public hearing.

But help is on the way.

Charlie Arnot, CMA Consulting in Kansas City, Mo., will be providing tips on how producers can best get their points across, when they are speaking at a public hearing, before a large or small group, or in a simple one-on-one conversation.

Arnot, a consultant and public speaker, grew up on a small Nebraska farm. He has first hand knowledge of what it is to raise farm animals and grow alfalfa hay.

"CMA Consulting special-

izes in issues management and public relations across the food chain," Arnot told Dairy's Bottom Line.

At the upcoming PDPW Annual Business Conference, Arnot will be talking about the "animal welfare issue – how to engage the entire dairy chain in animal welfare and how the industry should best address the issue."

His message hasn't been derived simply from his own farm background, however. It's from bringing together stakeholders – including producers, industry organizations from across the country, as well as leading processors and food companies.

Arnot said there are three primary elements a producer needs to think about as he or she prepares a presentation.

"First, I encourage producers to embrace their moral obligations to provide for ani-

mal well being. They should think of animal welfare just as consumers think of that issue, which is that producers have an obligation to provide for animal welfare beyond just the economic incentive.

"Secondly, there are specific standards that we have to use that allow us to measure the effectiveness of the presentation.

"Third, develop an effective communications campaign to tell the story of what the industry itself is doing about animal welfare," Arnot said.

For PDPW members, Arnot will be conducting a training session on how to accomplish those three objectives.

"We've put together a step-by-step curriculum to help producers prepare for and participate in a public hearing or forum and be successful in

delivering their message," Arnot said.

It probably goes without saying that the most successful strategy for speaking at a public hearing is to understand and lay the groundwork in advance.

Whether the issue is one dealing with the environment or animal welfare, a successful strategy involves development of a strategy for working with emotional people who will be speaking at a public venue.

"Producers are great when it comes to production issues but it makes many of them really uncomfortable when it comes to getting their message across during a public hearing," Arnot said.

To be effective, Arnot says, "you have to put yourself on the side of the audience and let them know you share their val-

See Words, on Page 22

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Farm Bureau Spokesman: Agriculture Needs Viable Guest Worker Program

Dairying - and all of U.S. agriculture - requires lots of labor. Increasingly, more and more of that labor is hired.

And, immigrants supply more and more of that hired labor. But if Congress passes the wrong kind of immigration reform legislation, dairying and the rest of agriculture will suffer, warns Austin Perez, director of congressional relations for the American Farm Bureau Federation.

Perez will share his insight into where U.S. immigration policy is headed and its impact on dairy producers and the economy during the Professional Dairy Producers of Wisconsin's (PDPW) Annual Business Conference. The conference takes place March 13 and 14 at the Alliant Energy Center, Madison.

"If federal immigration legislation is enacted that fails to take into account the unique needs of agriculture - which include our increasing dependence on hired labor, our extreme vulnerability to competitively priced foreign-grown produce and our inability either to absorb cost increases or pass those on - we will all watch as Congress takes literally billions of dollars out of the pockets of farmers and sends them to our competitors overseas," says Perez.

If Congress enacts legislation that deals only with border security and enforcement, the impact on the agricultural sector will be "enormous," says Perez.

"Most of the harm will be borne by agriculture's fruit and vegetable segments. They will lose \$5 billion to \$9 billion annually," the Farm Bureau spokesman predicts.

But the rest of agriculture will suffer, too. The Farm Bureau estimates that net farm income in other segments will fall by \$1.5 billion to \$5 billion each year.

"The fruit and vegetable sector as it now exists would disappear," says Perez. "From one-quarter to one-third of operators in the sector - which is especially dependent on hired labor - would be uncompetitive. In all likelihood, they would go out of business."

That would impact U.S. grocers and consumers, too. More foreign produce would fill the gap. As a result, billions of dollars that now stay in the U.S. will flow overseas.

Perez points out that the Farm Bureau's analysis of what would happen is founded on data and surveys from the USDA and the department of labor. He says the numbers reflect trends and factors that have been taking place in agriculture for years and decades.

"After almost a century of losing surplus labor, the farm workforce has been stable for the last 15 years, at just under three million," notes Perez. "Two-thirds of the workforce is made up of family labor, and one-third is made up of hired labor. With unemployment in the broader rural economy low, there is no readily available pool of labor to draw on to replace migrants outside the farm sector."

Higher wages

Here's what the Farm Bureau predicts will happen if Congress passes legislation to "immediately deprive" agriculture of many of its laborers.

Wages would rise. That would happen as farmers fill job vacancies by bidding against other farmers and other employers who are also faced with a labor shortage. For example, wage rates in the construction industry would climb.

"The current average hourly wage of \$9.75 for farm workers would have to increase to at least \$11 per hour - and more likely to the

\$14.50 paid for cleaning and construction labor," says Perez. "Those represent labor cost increases of between 13 percent and 48 percent - an unsustainable hit on American agriculture."

More hired labor used

Agriculture's dependence on hired labor has grown for several reasons, the Farm Bureau notes. One of the most important changes has come in the consumer market.

"Consumer demand for fresh fruits and vegetables that have to be harvested by hand to avoid mechanical damage has grown to almost half of the total harvest. The magnitude of the labor needed rules out the use of family labor," according to Perez.

"In addition," he says,

"other sectors of agriculture are undergoing consolidation and restructuring that also increase the demand for hired labor. These market and structural forces make it difficult to reverse dependence on hired labor."

But mechanization can only do so much. Perez explains that most of the easy gains from replacing people with mechanization have already been made.

"Since mechanization generally saves money, producers have already adopted available technologies," he says. "Moreover, increasing mechanization to offset the loss of migrant workers would depend on public-private investment in technology

See Immigration, on Page 19

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Fit

Continued from Page 15
valuable. You should know your specific breakeven price, as well.

Improve financial health

Once the financial measures have been calculated, the next step is to take a look at your operation compared to industry benchmarks. Before you can make improvements, you need to know how you're doing in relation to the financial standards, says Schopen. Once that's done, use the knowledge to sharpen management, increase revenue and reduce expenses where needed.

Schopen says lenders also are looking more at production benchmarks, such as annual cull rates and pregnancy rates, than they had in the past.

"Ultimately, it's the opera-

tion's performance from a production standpoint that determines financial performance," says Schopen. "So, take a look at your production levels compared to industry benchmarks."

Having a written business plan also can be valuable, says Schopen. When specific, measurable financial goals and benchmarks are set, the plan can serve as a road map for the future and a basis for growth that's not decided on impulse.

Your lender as a partner

A lender that understands your operation, is concerned with your long-term success and with whom you're comfortable talking to can be a strong business partner.

"The relationship with your lender is very important, because he or she can serve a

valuable role on your operation," says Schopen. "When communication is open, you can utilize a lender as a resource for information or advice before problems get too big. When communication is not there, it's often too late by the time a producer talks to the lender."

Schopen says lenders can provide a wealth of financial information, such as informing you of production and financial alternatives for your operation, providing references and resources to help you address potential profit areas and strengths and weaknesses, advising you how much capital debt per unit you can handle and reviewing your annual financial position to determine true accrual earnings. Every operation is different, and lenders recognize that.

An examination of your operation's financial health is essential, especially during times of volatile milk prices. Make it a priority to check vitals and determine your business' strengths, weaknesses, opportunities and threats. Not only will you get the results of past performance, you'll be able to write the prescription for future success.

Farm Credit Wisconsin, a collaborative effort of the Farm Credit associations serving Wisconsin, is committed to supporting the state's dairy industry and was the first-ever PDPW Mission Sponsor. Its member associations include AgStar Financial Services, Badgerland Farm Credit Services, FCS Financial Services and GreenStone Farm Credit Services.

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— Immigration —

Continued from Page 17
development and a long enough lead time for changes to go from the drawing board to the field. Even then, it would mean American producers waiting literally years for a solution which then might allow them to recapture markets already lost to foreign competitors.”

For some aspects of agriculture, mechanization will never be a complete solution, Perez adds.

Another critical part of the situation is the fact that U.S. farmers generally take what they are offered in the way of prices. They do not generally tell buyers what the price is going to be. That means farmers can't pass higher labor costs along to consumers, says the Farm Bureau spokesman.

Dairy hard hit

Aside from the specialty crop sector, the impact of high-

er farm labor costs would be felt the most by livestock operations such as dairy farms, says Perez. The livestock farms are places structural changes in agriculture have increased producers' dependence on hired labor.

“In dairy and many other livestock categories, the typical farm family workforce has simply become too small to operate enterprises large enough to capture economies of scale,” he explains. “These losses compare to a sector income average of \$56 billion per year over the last decade.”

All of agriculture will be harmed by fewer farm laborers and the resulting higher wages, the Farm Bureau says.

“These labor cost issues cannot be viewed in isolation,” asserts Perez. “They threaten American agriculture at the same time natural gas prices - which are a key component of fertilizer production - have

remained at record high levels. A significant component of U.S. fertilizer production has already moved offshore, and U.S. farmers have seen fertilizer prices rise more than 36 percent over the last 18 months.”

Temporary workers

To settle the immigration issue and not harm agriculture, the Farm Bureau wants legislation that sets up a temporary worker program. It says a program like this would do several things:

- Allow agricultural employers to pay no more than an average prevailing wage in a particular agricultural occupation and region.

- Provide an uncapped number of temporary worker visas that each lasts several years and is renewable multiple times but eventually ends.

- Not impose more stringent requirements on agriculture than on other sectors of

the economy, including housing, transportation payment guarantees and the hiring of workers after the contract period has begun.

- Not expand labor laws, including the Migrant and Seasonal Agricultural Worker Protection Act (MSPA), or otherwise provide temporary agricultural workers with private rights of action in state or federal court.

- Offer a legitimate, fair opportunity for some agricultural workers to apply for permanent resident visas.

At their 2007 annual meeting, Farm Bureau delegates overwhelmingly reaffirmed their support for comprehensive immigration reform that improves farmers' timely access to legal farm workers. They also underscored the need for an improved temporary agricultural guest worker,

See Workers, on Page 22



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Decisions

Continued from Page 10

Chuanzhi was a researcher at the Chinese Academy of Sciences until 1984. He had no experience as an entrepreneur or business leader. He had no formal business training. But he made it a discipline to sit down with his top aides at the end of every week and review every major decision of the past five days. As he told Useem in an interview, the purpose of the debriefing was "to ensure that we don't make [the same] mistakes in the future."

Useem said such stories are what make lessons about decision making memorable. "Through the crucible of being in the classroom and trying to get across ideas that really stick, I have found that decision principles devoid of practical embeddedness tend not to stick," he said. "If pre-

scriptions for decision making are anchored in a case, they are more easily remembered and more readily recalled at a point of decision. If drawn from personal experience, they are even more memorable and retrievable when facing a go point."

When the time is right

With real decisions, leaders sometimes have only hours, minutes, or even seconds to make the right choices. They have to know when to gather information rather than rushing in, but also have to be able to pull the trigger when the time is right.

How can a leader know when the moment is right? The Marine Corps uses a 70-percent rule. "In making a decision, you want to reach the 70-percent level of confidence, not wait until you are 99 or 100 percent sure,"

Useem said. "Conduct your due diligence, but when you reach 70-percent confidence, don't wait for perfect data. It is important to be right but also timely."

When acting with only 70-percent confidence, "you are inevitably going to make some mistakes," Useem said. And it is essential to learn from them. "Good decisions now are paved with errors in the past decisions that you have reviewed and come to understand." He recalled a discussion with Charles Elachi who directs the Jet Propulsion Laboratory, NASA's contract agency for unmanned space missions. When the mission to Mars in 1998 ended in failure, the top two managers were ready to resign. Elachi refused to let them. He said, "We have spent \$400 million training you. You have to learn from those mistakes, and I am sure you will not repeat them."

On the other hand, leaders cannot rush in. They need to carefully assess the situation, even in the heat of the moment. Useem spoke with Tom Boatner, group manager of fire operations for the National Office of Fire and Aviation, who recalled a lesson he learned from a fire supervisor early in his career. Boatner and other young firefighters on the crew who landed at a fire site in Alaska wanted to plunge in to battle the blaze. But his more experienced supervisor, Robert Burritt, quickly but meticulously assessed the situation and then issued orders to different teams. In about 15 minutes, Burritt calmed the team and created a clear plan of action. While Boatner was chafing at the bit at the time, it was a lesson he never forgot throughout this long and distinguished career. He would remember this image of Burritt coolly and calmly assessing the situation. This became part of his own deci-

sion template.

Making better decisions

"Go points" are moments when leaders truly demonstrate their leadership and their value. Useem recalls conversations with several senior executives that go something like this: "Much of the year I am overpaid, but from time to time I am making very consequential decisions, and then I truly earn my keep. Much of my leadership comes down to making the right decision at the right moment."

What is the value of making better decisions? While this can be difficult to assess in life, a simulation that Useem uses in the classroom offers some insights. The case is based on the actual experience of People's Express Airline, the pioneering discount airline launched in 1980, which collapsed just six years later. Students are asked to make their own decisions about building the airline. While the decisions of People's Express founder Donald Burr took the actual company into bankruptcy, some managers in the simulation have achieved market caps of \$2 billion or more based on making better decisions.

Can it be learned?

Can better decision making be learned or is the capacity for making good decisions something you are born with? While some decision makers are naturally talented, and they are often hired for that skill, all managers can learn to make better decisions. Useem notes that participants in the People's Express simulation do much better the second time around, with a visible payoff. "People who go through it once with good feedback on their first-round decision making almost

See Learned, on Page 32



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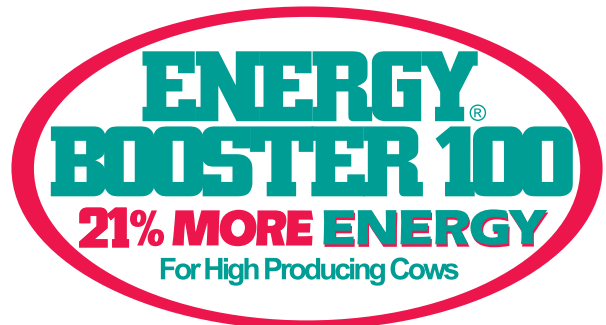
Research shows Energy Booster 100 improves dry matter intake versus our competitors' products containing calcium soaps. Cows fed Energy Booster 100 consumed an average of 2.5% more dry matter for 21% more energy. Gains like this boost your herd performance and profitability.

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Workers

Continued from Page 19
or H-2a, program.

Said American Farm Bureau President Bob Stallman, "We came closer last year than we ever have to getting true immigration reform. Farm Bureau members were frustrated by Congress' inability to finish the job. The message that the delegates are sending is that they will continue to push for comprehensive immigration reform."

Bills in Congress

Two bills dealing with immigration law reform have been introduced into Congress. Together, the measures are known as AgJOBS legislation.

In the House, the bill is H.R. 371 and was introduced by Reps. Chris Cannon (R-Utah), Adam Putnam (R-Florida), Howard Berman (D-California), George Radanovich (R-California), Tom Reynolds (R-New York), and Devin Nunes (R-California). The Senate bill is S. 340. Its main sponsors are

Dianne Feinstein (D-California) and Larry Craig (R-Idaho), along with judiciary committee leaders Patrick Leahy (D-Vermont) and Arlen Specter (R-Pennsylvania).

These two bills would reform the temporary worker program and regulations of undocumented workers. The AgJOBS provision was part of the immigration reform bill that passed the Senate last year. However, it was not part of the House immigration bill.

Perez points out that the Farm Bureau joined with the Bush Administration and congressional leaders just a few months ago to pass the Central American Free Trade Agreement because it meant gains for U.S. agriculture. Now, he says, some in Congress want to wipe out those potential gains with one single bill.

"It doesn't have to be this way," says Perez. "Congress can - and must - enact a viable guest worker program."

By Ron Johnson

Words

Continued from Page 16
ues. Tell them how you want to be a good neighbor and share those commitments.

"Being able to speak publicly and deal with an emotional audience means letting others complete what they are saying and wait until they have completely finished with their testimony and are done - that may even mean until they are done crying," he added.

When a producer steps forward the first thing to do is acknowledge the situation. "Obviously, the issue is important to the other speakers and you have to let them know it is important to you as well. Acknowledge and then say, 'let me tell you what we do - to protect the environment/care for our animals - for all of us,'" Arnot recommended.

Simply put, "you have to put yourself on the same side as the audience. This gives you an opportunity to talk about

what you are going to do to address the concerns," Arnot said.

People on the other side of an issue "are usually not interested in hearing about science until they understand you share their concern. You have to find that common value as a place to begin that conversation so it will be meaningful," Arnot emphasized.

Arnot plans to break PDPW members into groups, and then have them work through an exercise on how they will prepare for a public hearing. "The groups will have to develop their own strategy, discuss that strategy and then provide feedback so they have some sense of how it all comes together," Arnot said.

Arnot's workshop will occur on March 13 starting at 4 p.m. during the PDPW business conference.

By Joan Sanstadt

Redefining the *Milky Way*



Annual Business Conference

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Day 1 - Tuesday - March 13



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Wisconsin Cheese Makers Association
Wisconsin Milk Marketing Board
Wisconsin Public Service*

9:00 a.m. Hall of Ideas – Designed to blast the doors off the traditional mode of showcasing new technologies and products. Producers – this is the place to spot new ideas and products, capitalize on show specials, and converse with industry's preferred suppliers. Innovation, profit tips, new ideas and solutions are all at your fingertips. **The Hall of Ideas** is open for you to explore during the entire conference.

9:15 – 10:30 a.m. Preconference sessions (select one)

A. Manure-handling systems - producer panel, moderated by Dennis Frame

This top-notch panel brings to your doorstep a variety of approaches and technologies that we know work in the Midwest's diverse climate where weather swings and high-producing cows are reality. These producers represent the breadth of our industry, mentality of pioneers and industry mavericks.

Producer panelists include: **John Vrieze**, one of Wisconsin's largest dairy operators, talks about his digester, waste-treatment system and new technologies including clarifying waste-water streams. This industry innovator shares what he's learned and talks about where he sees the next generation of nutrient management and technologies heading in the industry.

Joe Bragger is from one of the Wisconsin Discovery Farms – a farm that shuttles to the top of the chart when you talk about diverse and challenging topography! Bragger will share what he's learned from the on-farm research, as well as how he manages liquid storage and solid pack from his steer and heifer operations.

Since growing their family operation in the late 1990s, **Gary and Rose Boyke** have aggressively pursued new technologies that would enhance their profitability. They traveled overseas and across America researching methane digesters before investing in the latest tools. They share their experiences, suggestions and story.

Sponsored by Delaval, Inc.

B. Carbon Credits – the future has arrived!

Rapidly changing regulations and new financial markets require you to explore new options in nutrient management. While carbon credits have been around for some time, agriculture has just launched into a new frontier. **Dr. Tej Gidda**, who holds a doctorate degree in environmental engineering from the University of Guelph, shares how and why entering this new galaxy may help you. The possibilities he uncovers include: 1) earning revenue each year, 2) improving the NPK ratio of liquid manure by substantially increasing the nitrogen content and decreasing the phosphorus content, 3) reducing land application costs, 4) simplifying manure handling, 5) providing you an opportunity to create renewable energy from biogas, and/or 6) entering a viable, valuable emerging carbon credit market.

Gidda has experience in gas modeling, feasibility studies, collection field design and utilization. Gidda is working on greenhouse gas credit projects under the United Nations and engaged in greenhouse gas emission reduction quantification for domestic projects. In addition, he is investigating alternative waste processing technologies including aerobic treatment of source-separated organics and anaerobic digestion.

Sponsored by Stewart-Peterson Group

C. Do you know your insurance needs?

Suzanne Lois from Mangold Insurance helps you understand this important topic. One type and size of coverage does not fit all situations. Lois' presentation will cover a variety of issues, such as pollution liability insurance for manure spills, chemical spills and milk hauling spills, workers' compensation including state requirements, why it is a good idea, who is covered and more.

D. Selecting the right job candidates...effectively and legally

It's not always easy to sort out job applicants. Who will turn out to be a good employee, or a great one? Who will be a dud? This presentation will address best practices in selecting and hiring of new employees, and focus on identifying the best candidates. You will also learn approaches you can use to avoid unwanted legal problems. **Chip Hunter**, Larry (Chip) Hunter is a Procter and Gamble-Bascom associate professor of management and human resources at the School of Business of the University of Wisconsin-Madison.

**10:30 - 11:30 a.m. Fuel up for a conference that will move at the speed of light!
Lunch will be served in the Hall of Ideas**



Redefining the Milky Way

11:30 a.m. Conference lift-off – Emcee and dairy enthusiast, Ron Fruit, WRCO Radio Broadcaster, leads us through the conference. He has walked in the shoes of a dairy producer, carried the messages of our industry and developed a successful broadcasting business.

Noon - 1:00 Defining our market niche – Ben & Jerry's shares their philosophy on "corporate and social responsibility." **Andrea Asch** with Ben & Jerry's will cover the company's philosophies on ordinary issues – philosophies that sound extreme to some. From her views, we will glean a sneak preview from outside of dairy's perspective on issues like environmental practices, animal welfare and more.

Asch leads the environmental program for Ben & Jerry's Homemade Inc., the Vermont-based ice cream manufacturer that is widely recognized for its socially and environmentally conscious business practices and its innovative ice cream flavors. During her presentation, she will question not only how we operate, but also the values on which we base our decisions. This presentation is about understanding what others believe and learning to shorten the gap between perception and reality. Asch's presentation may challenge you as she shares Ben & Jerry's approach to defining their market.

1:00 - 2:30 Redefining the Milky Way – Similar to the first men that walked the moon, these individuals were some of the first pioneers who dared to go where no others had ever traveled. Two dairy producers and an innovative dairy consultant share their stories of search, discovery, success and failure as they reached beyond the traditional bounds of the dairy universe to the unknown – pioneering a new way in the *Milky Way*.

George Crave, Waterloo, Wis., is president of Crave Brothers Farmstead Cheese LLC. George and his three brothers own Crave Brothers Dairy Farm where the family milks 600 cows. In 2001, Craves built a cheese factory across the field from their dairy and produced their first cheese in 2002. George and his wife, Debbie, oversee plant management and cheese production.

John Fiscalini, Modesto, Calif., manages his family-owned farm of 530 acres and 1,700 Holsteins. In 2000, the Fiscalinis built their cheese production facility and began manufacturing artisan farmstead cheese.

Dan Giacomini, Middletown, Calif., is an independent animal nutrition and management consultant. He has worked with organic dairy producers since the first dairy west of the Mississippi River converted to organic production more than 12 years ago. Within the organic industry, he has consulted with dairy producers, feed mills, feed supplement manufacturers and marketers, veterinarians, milk processors and organic certifiers. Giacomini currently serves on the National Organic Standards Board, a federal advisory committee within the U.S. Dept. of Agriculture. The panel is moderated by **Jim Gage** from the Wisconsin Dairy Business Innovation Center.

2:30 Special introductions – leaders

3:00 - 4:00 Alltech's Ice Cream break in the Hall of Ideas
Sponsored by Alltech

4:00 - 6:15 Breakout Session 1 and 2 – see the right column

6:30 Join us for dinner...if you dare! Be ready for a serving of non-stop corporate comedy and 'nuclear-style' entertainment!

Over the past 20 years, Tim Bedore has spent thousands of hours entertaining audiences, first on the radio and then as a comedian, headlining comedy clubs across the country. One of the few young comics to have combined the disciplines of stand-up comedy and broadcasting, Bedore knows the rigors of working within demanding parameters. His broadcasting experience combined with a pleasant Midwestern demeanor gives Bedore the ability to entertain people with a wide range of tastes and sensibilities. **Entertainment sponsored by Novartis Animal Health; dinner co-sponsored by Rabo AgriFinance**

8:30 - midnight Network until the moon rests! A cold beverage & time to relax – in the Hall of Ideas. This is your time to mingle with industry partners and fellow producers. **Sponsored by Fort Dodge Animal Health**

4:00 - 6:15 p.m. Specialty sessions – Day 1

Select the breakout sessions that interest you most – two, one-hour sessions or one, two-hour session, or spend the entire afternoon with our industry's preferred suppliers in the *Hall of Ideas*.

1) Cross Ventilation - new design for changing times

John Smith with Kansas State provides the skinny on new building designs and innovative solutions on the old issues of air movement, cooling and ventilation. **(one-hour session)**

2) Public hearings – practice & prepare for effectiveness

Many producers view a public hearing as more frightening than facing a band of Klingons without your phaser! Fear not! Star Fleet has designed a battle plan to help you navigate through the meteor shower of a public hearing. **Charlie Arnot**, CMA Consulting, shares how to plot your course to success and avoid falling victim to overlying emotional opponents. This session is more valuable than a light saber in the battle for production permits. **(two-hour session)**

Sponsored by The Beef Checkoff Program

3) Farm Bill '07: animal activism in America

Bryan Scott, executive vice president regulatory affairs with Ag Associates, LLC, provides an update straight from the cockpit of policy on issues like animal welfare, activist concerns, and consumer expectations that drive farm policy.

We will explore the current agendas and tactics of animal welfare and consumer groups, and how they are influencing the thinking in Washington on both the regulatory and legislative fronts. In addition, we will explore the role producers will play in this debate both at home and outside of the farmgate. Hear how Washington's forces plan to manage agriculture's issues. Will plans for reform, discussion on trade and conservation lighten your load or tighten your belt?

(one-hour session) Sponsored by Wisconsin Farm Bureau

4) It's not your father's corn silage: you will be all ears in this discussion

with **Dr. Mike Allen**, Michigan State University, and **Dr. Joe Lauer**, University of Wisconsin-Madison. Selection indicators such as Milk per Acre or Milk per Ton cannot rank corn hybrids for silage accurately. A partial budget approach is a more accurate, albeit more complicated, way to choose corn hybrids for silage. This presentation will discuss selecting hybrids using a partial budget approach and demonstrate Corn Picker, a free spreadsheet developed to assist in the process. **(one-hour session)**

5) Cow Centric: a new look at cow management

In this session, **Bruce Woodacre**, Suffolk, UK, addresses declining fertility and longevity trends in dairy cows worldwide, as milk yields continue to rise. He proposes using a holistic approach to cow management and stresses that we should be looking at total cow performance, rather than solely focusing on one component.

He recommends working with the cow to ensure profit targets. Woodacre asks us to imagine a dairy cow with high yields plus high milk quality, longevity, feed efficiency, healthy milk, disease resistance and fertility. He explains that achieving this is possible by adopting a cow-centric approach to management. **(one-hour session)**

Sponsored by Alltech

6) Hall of Ideas - time with industry's preferred suppliers

...and delicious cheese **sponsored by Wisconsin Cheese Makers Association**

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Redefining the Milky Way - Day 2 - March 14

7:00 - 8:00 a.m. Continental breakfast served in the Hall of Ideas
 Another great time where industry and producers are together to share ideas and learn from one another. **Sponsored by Animart**

8:00-10:15 a.m. Specialty sessions - Day 2

Select the breakout sessions that interest you most (select any two sessions) - or spend the entire morning with our industry's preferred suppliers in the **Hall of Ideas**.

1) Get updates on dairy compacts, the MILC program, federal orders, price support, and other issues surrounding the products we produce - Tom Cox and Brian Gould professors of agricultural and applied economics from UW-Madison. **(one-hour session)**

2) Immigration: where national policy is headed and its impact on you and the economy During this session, **Austin Perez**, director of congressional relations with the American Farm Bureau, will provide insight into immigration reform and where the national policy is likely to go and how it is going to impact U.S. agriculture. **(one-hour session)**

3) Extreme Makeover: freestall edition Step aboard and learn what's new in the world of stall and surface design that translates quickly to higher production and happier cows. After studying cow behavior, production and profitability results, **Dr. Nigel Cook** from the University of Wisconsin has suggestions for some adjustments and design enhancements that could make big differences for those "crew members" who produce the milk and keep your business flying high. **(one-hour session)**
Sponsored by Merial/Igenity

4) Tracking the killer by utilizing on-farm studies to end cow losses In the universe of cow handling and performance, this session is all about catching the bad guy who robs you of profits and cows. **Bill Stone, DVM**, senior Extension associate with PRO-DAIRY Cornell University, shares information that you can apply immediately to your operation. **(one-hour session)** **Sponsored by Diamond V Mills**

5) Know the rules A lot has changed in 12 months. This session is to update you on the final Wisconsin rules surrounding ATCP50 (nutrient management) and NR243 (CAFO rules). Everyone will be regulated by at least one of these rules. Get the facts here from **Dennis Frame-Discovery Farms; Tom Bauman - DNR; and Dave Jelinski - DATCP**. **(one-hour session)**

6) Hall of Ideas - time with industry's preferred suppliers... and cheese **sponsored by Wisconsin Cheese Makers Association**

10:15 - 10:45 Dairyland Seed Break Gather for hot coffee, milk, an assortment of great midmorning treats & some steamy conversations. **Sponsored by Dairyland Seed Co., Inc.**

10:45 - 11:45 Renewable energy: opportunities and challenges for dairy **Samantha Slater** from Washington, D.C., shares her national, regional and state perspective on more than just ethanol. This session's goal is to stimulate your thought processes about the future as you gain a glimpse of the new frontiers possible. Since energy is a lot like food production, there is a role for agriculture. How will changing dynamics impact land use discussions, nutrient management, social issues, our economies and what does this mean to you? Will you capture the opportunities or weather the challenges?

11:45 - 12:45 PDPW and PDPW Education Foundation annual business meetings - Hear an update on both organizations, as well as meet your new leaders and review financial information.

12:45 - 1:45 Lunch served in the Hall of Ideas
Co-sponsored by M & I Marshall & Ilsley Bank and ARM & HAMMER Animal Nutrition

1:45 - 2:45 Consumers - The Final Frontier Boldly go where no producer has gone before - the mindset of today's consumer. Explore the galaxy of social responsibility and learn why today's consumer may not understand or appreciate your coordinates. **Charlie Arnot**, CMA Consulting from Kansas City, MO, will offer coordinates for a destination where consumers and producers live in harmony on the same planet. Buckle up and come along for the journey!

3:00 Captain James Lovell, astronaut from Apollo 13, shares his riveting message of "Apollo 13: a successful failure" Two hundred thousand miles from Earth, locked in a tiny computerized craft, **Captain James Lovell** and his Apollo 13 crew faced almost certain death when their oxygen system failed. In his dynamic keynote, Lovell takes you to the moon and shares with you the tension-filled cockpit of the Apollo 13 mission.

As he shares his experiences in space, he connects with you, your family situations and everyday challenges. Lovell shares his courageous journey as he relates the skills his team mastered to turn a failed system into a successful mission. His message is more than a story about space travel as he makes a very real connection with what you need to succeed in today's dairy world. **This keynote literally takes you to a new altitude of thought and provides insight that is "out of this world!"**
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Redefining the Milky Way

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Leave Emotions Out of Investing

"Investing is a struggle," said Bruce Jones, UW-Madison ag economist. "It must be done with a sound objective and without emotion."

Jones' presentation was a collaboration of a talk set up by Randy Fortenbery and his own thoughts.

There are five keys to successful investing, Jones stated. They are:

- Clearly identify your objectives
- Identify your planning horizon
- Clearly and objectively assess the likelihood or failure/probability of success
- Be able to survive investment failure
- Understand the tax implications of your investment strategy

Identifying objectives

When identifying your objectives, go on record with yourself as to what is acceptable as a minimum return on investment in order to make money on every investment. Take some steady reliable returns and make some high-risk investments "looking for a home run but be willing to fail," he said.

Other objectives could include finding investments that utilize farm production, such as taking a crop to feed livestock. Or, find investments with expected returns that are inversely related to your farm returns. You may be willing to give the returns to the community by investing in local businesses.

Putting together a sound investment plan involves following an investment pyramid. Preserve your capital with a solid base made up of savings and checking accounts, life insurance and retirement programs. Move up on the pyramid by taking on bonds and annuities, then mutual funds and blue chip stocks. Higher

up on the pyramid are real estate for investment, speculative stocks and commodity pools.

"Don't go up that pyramid until you have sound investment," he said.

Planning horizon

Give yourself investment direction by identifying your planning horizon. Consider how you want to retire, will you need money to send your children to college, or is it simply for next year's vacation. According to Jones, "The key thing here is asking 'how much time do you have?'"

Likelihood of failure

Before investing, it is very important to clearly and objectively assess the likelihood of failure. The more exciting an investment opportunity seems, the more difficult it is to consider the downside.

"A prudent investor will always consider not just the return, but the risk you must take to get the return," he said.

Evaluating the business plan of a new venture is very critical. Consider the following:

- Have they clearly identified those elements that could lead to failure?
- Have they clearly identified their competition, including the elements that make it likely they can compete?
- Is there a clearly defined exit strategy (for both you and the company)?
- Can the company make it without your investment?

You're also going to need a financial projection. Be prepared to seek outside assistance for this if necessary.

Has someone else invested and had success? Is the company producing a commodity or a unique product? Does the company possess protected

See Investing, on Page 31

Dairy Plants Would Benefit From New Tax Credit Proposal

Did you ever notice things seem to occur in groups of three?

First came the Dairy Investment Tax Credit (DITC) signed into law by Gov. Jim Doyle in March of 2004. In tax year 2004, DITC's first year, nearly 7,000 claimants filed for a total of \$13.1 million in tax credits. The second year (2005), almost \$12 million in tax credits were claimed.

Next, the DITC was followed by a similar credit for the livestock industry – a Livestock Investment Tax Credit. It was approved along with the budget passed during the last legislative session.

Now, in his 2007-09 Biennial Budget, Doyle is proposing a similar credit for dairy processing plants. This is the third time the governor wants to use investment tax credits to help a segment of Wisconsin agriculture.

It's no secret that dairy processing plants have been struggling to remain competitive with those in other parts of the country. Doyle's proposal is intended to help those plants compete by providing an incentive for them to update their facilities.

Probably not too many people will want to wade through all pages of the governor's almost 1,800-page budget document – but for those who are interested, details of the dairy plant credit can be found on pages 900-902.

Budgets usually include definitions of terms that are used and this is true of what is officially called the "Dairy Manufacturing Facility Investment Credit" or (DMFIC).

Not only is "dairy manufacturing" defined as "processing milk into dairy prod-

ucts or processing dairy products for sale commercially," the document also defines the meaning of "modernization or expansion."

Carefully spelling out exactly what "modernization or expansion" covers is important because it ensures everyone has the same understanding of what is meant.

Here's what the governor's budget says is meant by "modernization or expansion:"

- Constructing, improving or acquiring buildings or facilities, or acquiring equipment, for dairy manufacturing (if used exclusively for dairy manufacturing and if acquired and placed in service in this state during taxable years that begin after Dec. 31, 2006 and before Jan. 1, 2015):

- A. Building construction, including storage and warehouse facilities.

- B. Building additions.

- C. Upgrades to utilities, including water, electric, heat and waste facilities.

- D. Milk intake and storage equipment.

- E. Processing and manufacturing equipment, including pipes, motors, pumps, valves, pasteurizers, homogenizers, vats, evaporators, dryers, concentrators and churns.

- F. Packaging and handling equipment, including sealing, bagging, boxing, labeling, conveying and product movement equipment.

- G. Warehouse equipment, including storage racks.

- H. Waste treatment and waste management equipment, including tanks, blowers, separators, dryers, digesters and equipment that uses waste to produce energy, fuel or industrial products.

- I. Computer software and hardware used for managing the claimant's dairy manufacturing operation, including software and hard-

ware related to logistics, inventory management and production plant controls.

This equipment must be used for the purpose of dairy manufacturing 95 percent of the time.

The maximum amount of investment tax credit a claimant (and that includes a partnership, limited liability company or tax-option corporation) may claim is \$200,000.

DITC success

Success of the DITC cannot be denied. Bipartisan support for the plan began with the Wisconsin Federation of Cooperatives (WFC) and Mike Krutza, WFC director and CEO of FCS Financial Services of Wausau. Credit also goes to legislators, especially the chairs of the agriculture committees – State Rep. Al Ott (R-Forest Junction) and State Senator Dale Schultz (R-Richland Center). It extends to the majority of lawmakers in both houses who voted for the measure and to Gov. Doyle who signed AB 283 into law as 2003 Wisconsin Act 35.

When the Department of Revenue (DOR) initially projected the effect of DITC, it was estimated there would be \$5.7 million in claims.

What actually happened in the first year of DITC, was that nearly 7,000 filers made claims for \$13.1 million.

Dr. Bruce Jones, UW ag economist, warned that the DITC should not be construed "as a give-away" because the state was collecting \$13.1 million less in tax revenue.

"Every \$1 earned at the farm level generates \$1.50 in taxable income in surrounding communities. In the long run," Jones explained, "Wisconsin should get increased tax revenues to more than offset the cost of

See Credit, on Page 34

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Managing Risk Through Insurance

Most people don't put as much time and consideration into evaluating their insurance policy as they should.

"People usually don't think about their regular insurance policy until they've had a loss," said Suzanne Lois from Mangold Insurance in Burlington, who will be presenting at the PDPW Annual Business Conference, held March 13-14.

"Normally, many people don't make a habit of changing until they have a claim," she said.

It is important to know how to cover your property right. What coverage may work for one person, may not necessarily work for another. One type and size of coverage does not fit every situation.

There are three main types of insurance, which include essential insurance, important insurance and

optional insurance.

Essential insurance protects you against a loss that could result in bankruptcy.

Important insurance protects you against a loss that would force you to borrow money or resort to other forms of credit to cover the loss. A majority of the time, this covers property or income loss.

Optimal insurance is when you can actually cover the loss yourself, but you decide to pass some of the risk onto someone else, like your insurance company.

"You have to think about if you want to spend the money with optimal insurance," said Lois.

New world, new needs

Pollution liability coverage is one of the biggest issues facing the industry today. Many farm policies do

not cover these problems such as manure or chemical spills.

Sudden and accidental, which is usually included into farm policies, will cover accidents, like if you back into a fuel tank and then it explodes, said Lois.

However, an accident such as a manure spill, which contaminates well water, is not included.

"It doesn't matter if you milk 100 or 2,000 cows," she said. "It's about, how do you pick and choose what coverage you need for your farm."

"Insurance is not a cookie cutter situation," she added.

"Every operation is different, farmers have to determine how much risk they want to take on themselves and how much they want to pass on," she said.

"The idea is to get these farmers to sit down with an agent and use this as a risk management tool," said Lois.

The largest portion of a farmer's risk is covered by their farm policy.

One of the biggest problems today, is that farmers are not taking the time to sit down and go through their policies with their insurance agent.

"Many people quickly go through the policy, and then it stays the same for the next five years," said Lois.

Since many people don't take the time to sit down and re-evaluate their policy from year to year, it doesn't stay updated. This can be a great problem, especially when it comes to policies about buildings. Inflation factor is significant with buildings and can change greatly from one year to the next.

"Building costs have gone up 75 percent in just the last two years," she said.

Lois meets with her clients once a year. She said she thoroughly overviews policies, including building inflation factor.

"People need to utilize their agent as a tool," she said.

"A lot of agents don't have the farming background," she added.

"It's just like anything else on the farm, like a feeding program," she said.

You wouldn't want just anyone figuring out the ration for your cows, especially if they didn't know anything about them, she said.

"Your policy should be tailored around your operation, not what everyone else is doing," said Lois.

Another problem that she notices is that people have no business income loss or extra expense coverage.

"With 99 percent of my dairy farms, I have that on their policy," she said.

Anytime there is a fire, or a situation where farmers have to move their cows, there is an automatic drop in production. Problems like this can occur often and farmers should make sure that situations such as this are covered in their policy.

There are many important aspects of farm policies, which many people are unaware of. The first step in fixing this problem is to make sure you work with an agent that understands your operation.

"I would pick an agent that understands farming," Lois said.

"You should try to pick an agency that has more than one insurance company that can write for them," she added.

It is important for an agent to understand your operation, so they know what kind of coverage you need.

"You need to know what insurance you have to have and what is important to your operation," said Lois.

"It's all about risk," she said. "You need to learn to manage your risk through insurance."

By Kelsi Hendrickson

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— Investing

Continued from Page 28
patents, etc.? Is success dependent on public policy? All of these questions need to be thought out to clearly assess the likelihood of failure or success.

Jones shared mean average rates of returns from 1960 to 2005. T-Bills returned 5.8 percent, Wisconsin farming 8.4 percent and stocks 11.7 percent. Through standard analyzed risk, Wisconsin farms were at moderate volatility and stocks had high volatility.

“Don’t make an investment solely on return,” said Jones. “Make it on relationships across investments.”

Surviving failure

Understanding your ability to absorb risk is vital to investing. There are two different types of risk tolerance.

First is financial. Are you

in a financial position to absorb the outcome or a risky investment without risking your primary business and/or family needs? Can you take the loss in the form of the loss? If you don’t have the equity or liquidity, you may have to let the investment go, he said.

Then, do you have the emotional tolerance to absorb the realization of a risky event?

Make sure this investment isn’t so closely related to other investments that its failure will impact the performance of other investments.

Tax implications

You may need to seek expert advice regarding the tax implications of your investment strategy.

“You can’t be an expert in everything,” Jones said.

“You’re going to need some help.”

The same identical investments by two different individuals will have different tax implications for those individual.

“Even if you seek professional tax advice,” Jones cautioned, “understand your tax situation and why the recommendations made make sense for your situation.”

For example, looking at farm land sales and Section 1031 tax treatment, if you sell land but do not wish to pay capital gains tax, you may choose to reinvest that money to postpone taxes. At 15 percent capital gains you might be willing to pay a premium or 5 to 10 percent to avoid the tax, but not 25 to 30 percent.

“The way you avoid making a bad decision is to consult with a tax agent,” he said.

Successful investment

Don’t make an investment on a hunch or because your neighbor made a recommendation. Keep your emotions checked at the door by not making emotional investments, for example: this business will save the environment or revitalize the town.

Demand documentation for all claims. Understand how and when you can liquidate your investment. “It’s always easy to get in, but always know how to get out,” he said. “The first thing you should negotiate is the exit.”

It never hurts to have an expert look over the business plan, technology or financial projection; they know the questions that need to be asked. “If you can’t afford good professional guidance, then the investment is not right for you.”

By Karen Topel

— Foundation

Continued from Page 8
Foundation, according to Rupnow. Other active campaigns include soliciting grants and a silent auction, which takes place at the Professional Dairy Producers of Wisconsin Annual Business Conference in March. The Board also is working on other campaigns.

“The goal is to provide opportunities to give, whether individually, through a sponsorship, an item for the silent auction, a corporate donation, an honorarium or a bequest. Our role is to provide the means for people to direct their funds to help an industry they believe in,” says Rupnow, “and build an infrastructure that allows us to be good stewards of the dollars.”

Part of good stewardship is building for longevity, according to Rupnow. The Foundation’s policy that 25 percent of cash contributions be held in reserve for an endowment fund is meant to act as a security blanket for

program funding.

One of the challenges the organization faces is identity. The PDPW Education Foundation shares part of its name with its parent organization, Professional Dairy Producers of Wisconsin. The two organizations are similar, but not identical. The Foundation’s 501(c)(3) tax status makes additional resources available for which the parent organization doesn’t qualify. The confusion isn’t stifling the Foundation Board, according to Rupnow, who says that most organizations generally go through a period of identity crisis during development. “We are embracing the challenge,” she says.

The PDPW Foundation set its annual I Believe campaign into motion in late December. If you would like to donate to the PDPW Education Foundation or give an honorarium or memorial contribution, visit the PDPW website at www.pdpw.org.

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PDPW Thanks Wisconsin Dairy Products Association

Professional Dairy Producers of Wisconsin (PDPW) is proud to work with the Wisconsin Dairy Products Association (WDPA) and thanks the organization for their support of the PDPW Education Foundation.

Funds raised at the 2006 World Dairy Expo Championship Dairy Product Contest and Auction were donated to several organizations, including a \$2,000 donation to the PDPW Education Foundation "I Believe" campaign.

"We're thankful that the Wisconsin Dairy Products Association recognizes the value of the PDPW Education Foundation," said Shelly Mayer, PDPW executive director. "This contribution to the Foundation shows that processors also believe in the

future of the dairy industry and value a good working partnership with their suppliers."

This generous contribution was applied to the "I Believe" initiative, which focuses on continuity and strengthening the future of the dairy industry. Since kicking off the "I Believe" program nearly two years ago, the program has continued to grow Foundation awareness amongst the industry and support from generous donors.

To learn more or to support the future of the dairy industry through the PDPW Education Foundation, contact Julie Gabris at the PDPW Office at 800-947-7379. Tax deductible gifts can be sent to PDPW Education Foundation at P.O. Box 2, Fox Lake, WI 53933.

– Learned

Continued from Page 20
always create far more value the second time," he said. "If they build an airline to a \$500 million market value the first time, they may well build twice that the second time through, hitting a billion dollars in market value or more. It is because they simply learn to make better decisions."

Learning to make better decisions can come from making your own mistakes or learning from the stories of others. Useem uses stories, as well as expeditions to battlefields and mountaintops, to teach leadership and decision making to MBA students and executives. He teaches in many Wharton Executive Education programs, including the Advanced Management Program, Executive Development Program, Essentials of Management, and The Leadership Journey.

While Useem's past teach-

ing and research, including his book *The Leadership Moment*, have focused on leadership, he realized that leadership is inextricably bound to decision making. "I'm increasingly convinced that we can't talk about successful leadership fully without talking about how leaders make decisions," he said. "Similarly, you can't talk about governance without talking about how directors make decisions. The learning is incomplete if we don't devote time in a leadership or governance program discussing decision making."

PDPW has teamed up with The Wharton School to deliver new resources and educational pieces to its membership and the dairy industry.

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Credit

Continued from Page 29
the DITC.”

David Ward, WFC's dairy director, who is also a farmer and a former state lawmaker, said it is important to remember that before a dairy producer gets that tax credit he first has to make that investment in his operation's expansion/improvement. “That means the producer has done business with an equipment dealer, a laborer has had to come and install the improvement – and that improvement has probably increased the value of that producer's property.”

“So, while it is true the amount of money coming into the state's coffers may be less initially, once the investment has been made the tax credit continues to expand and generates increased taxable revenue both on the local level

and for the state,” Ward said.

“I've always believed agriculture doesn't get enough credit for the economic development it spurs in local communities through salaries to employees and goods and services purchased at hardware stores, veterinary clinics, feed mills and other businesses,” Ward emphasized.

Dairy manufacturing credit

WFC President and CEO Bill Oemichen called the tax credit “a step in the right direction for Wisconsin's cooperative dairy processors. The dairy industry is one of the leading economic cornerstones of Wisconsin and it's in everyone's best interest that we look at the industry's long-term profit potential through immediate dairy plant modernization.”

Oemichen also noted that

85 percent of Wisconsin's milk is shipped through dairy cooperatives.

Laurie Fischer, DBA executive director, quoted directly from the governor's budget address as she addressed the issue of competition in the dairy processing industry.

“Governor Doyle said ‘California thinks it can get the edge on us in cheese production...but we have news for them. Using significant new tax credits, we'll upgrade, modernize and expand our cheese production facilities so they remain the best in the world. With all due respect to our friends in California, the happiest cows come from Wisconsin, because we're still number one,’” Fischer said.

“Wisconsin cheese production is the heart of our state's economic, cultural and historical fabric and we need to do

everything we can to make sure it remains that way,” she added.

What's next?

This dairy facility investment tax credit proposal is in its initial stages. While it's true it is part of the governor's budget, that budget must first go through deliberations and recommendations of the Joint Finance Committee, a number of legislative hearings, both houses of the legislature and perhaps even a conference committee before Doyle can sign it into law.

According to statutes, the new budget begins on July 1. But if the budget hasn't been passed, the old budget provisions continue. Sometimes a new budget isn't ready for signing until late fall.

By Joan Sanstadt



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Stepping It Up at the PDPW Foot Health Seminars

World-renowned hoof expert, Dr. Jan Shearer will share his expertise at the PDPW Foot Health Seminars to be held April 10 and 11 at the Fox Valley Technical College in Appleton. Along with his duties as a professor and dairy Extension veterinarian at the University of Florida College of Veterinary Medicine, Shearer travels throughout the globe sharing his research and experience.

Shearer's research focuses on the effects of heat stress on production and health, mastitis, drug and chemical residues in milk, neonatal immunity and lameness in dairy cattle. At the PDPW Foot Health Seminars, Shearer will share

new strategies in hoof care that will improve mobility, longevity and ultimately profitability.

Joining Shearer will be four Wisconsin hoof trimmers who will lead demonstration labs - a full afternoon of hands-on learning labs. One of these expert hoof trimmers is Jerry Bowman, a 40-year veteran farrier with 20 years experience as a professional hoof trimmer.

The seminars will conclude with a producer and veterinarian panel that will highlight proper trimming schedules and record keeping. For more information or to register for any PDPW event, visit www.pdpw.org or call 800-947-7379.

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Survival Strategies For Family Farm Transitions

Farming is a lot like white-water rafting, said Dr. Donald Jonovic, an advisor to business and farm owners since 1973, last week at PDPW's Financial and Business Transition Symposium in Madison.

Once you get through one set of rapids another is waiting around the bend. Plus, when we become successful, the rapids get so much bigger.

There are six key survival strategies to tackle the rapids on a family farm. They are:

- Understand who we are
- Decide why we're here
- Combat anarchy
- Crack the hermetic seal
- Prevent procrastination
- Avoid the semi-retirement scam

Understand who we are

Jonovic suggests drawing out a reporting chart. Start with the owners on top, then who reports to them and so

on. Put where everyone in the business belongs.

"What's drawn and what I see is different," he said of what he is shown by his clients.

Usually the truth is there's an owner on top with a long line of authority leading to the help scattered equally below.

Then, just below the owner, enters the bookkeeper, "who's purpose is not to keep the books," he said. "The purpose of the bookkeeper is to hide the books."

A board of directors is formed with the owner as chairman; his wife, who is typically the bookkeeper; and an attorney, who is there to write up the minutes of the meetings that are never held, explained Jonovic. Eventually the second generation is welcomed to the board to "shut them up for six months."

He gave an example of a family farming together with

three married sons and one married daughter. The son-in-law will never be regarded as higher or equal to any of the sons and the daughters-in-law will ultimately become second in command through whispering thoughts into the sons' ears.

"These are the things we all know exist, but we don't do anything about," he said. "Everybody has some variation of this."

Decide why we're here

Quoting Henry Ford, he said, "If two people in a business agree on everything, one of them is superfluous."

Disagreement is inevitable, he said, but must it mean anarchy?

How do we handle disagreement on the farm? We don't, he said. "It's amazing what can be handled in a single grunt."

What is our real purpose?

Why are we in dairying and farming together as partners? Producers invest capital, time, effort, ideas, reputation and heart. In return, they get net income, growth in land value and more assets, cash, power, career and opportunity for future generations and loyal employees.

What classifies as a good return on a farm? Ten percent is a good number, but an investment banker would look for 25 to 30 percent, Jonovic said. The true number lies in the minds of the investors.

If you're going to work together in a business, you need to understand the balance sheet. The balance sheet combines equity (what we own) and liabilities (what others own) to equal assets (what we have to generate cash flow). Leverage is the difference between liabilities and

See Transition, on Page 41

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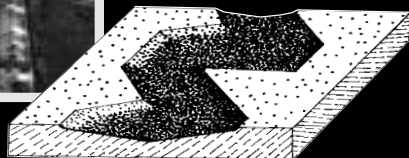
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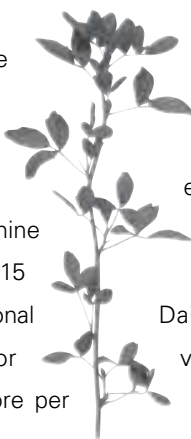
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Transition

Continued from Page 37

equity, and used to measure risk.

Cash flow can be used to buy assets, pay off debt to reduce liabilities, or rewarding retiring shareholders with equity. It is generated by effective use of assets by management.

One tool to manage cash flow is to set up a plan or budget. With the future so uncertain, some argue why spend time doing it when everything changes. According to Jonovic, a budget doesn't predict, it sets where we need to be and keeps us on track. It can set up the steps to generate cash flow to make a successful business.

Combat anarchy

How you look at a business can be very different. The manager looks for security, income and career. Growth, risk and return are interests of investors and entrepreneurs want capital, management and strategy. "They all look at the business at the same time with different perspectives and don't even know it," Jonovic said.

Issues such as compensation, business direction and influence can cause overlap within the interested parties. You can regain perspective by having meetings. Annual or semi-annual family meetings and quarterly board meetings will drive the management team to do better. The management team should meet weekly or monthly to discuss tactics, operations and budgets. Board members should cover structure and capital, leadership and pay systems, and owner value and strategy. Families should review growth expectations, risk and return levels and family values.

Crack the hermetic seal

When you first start a

business you begin with very little and tend to keep information secret to hide how bad you might be doing. As time passes, your assets grow and you continue to hide information – this time it's how good things are.

Most producers have the mindset that they do not run their business to make a profit, they are run to breakeven higher and higher every year. "You can't keep putting off taxes forever," Jonovic said. "You just fool the tax people and yourselves."

The more complicated things get...the more difficult it is to manage and an outside source may be needed. "If we are going to move ourselves forward, we're going to have to lay out the financials so the outsider can see," he said.

What's wrong with advisors? They don't understand farming, they don't take risks, they don't forget their own agendas, and they cost money, he noted as to why they may not be trusted.

"One of the best ideas I'm going to give you," he said, is to bring your key advisors – accountant, attorney and someone who "knows" – together for regular meetings.

If you're not pleased with the current advisors you have, Jonovic recommends asking other producers to find out who they work with.

Don't include your lender in this group, he said. There are some things they should not know until you're prepared to tell them.

The advantages to an advisory group are controlled cost, mutual education, mentoring of managers, delegation and management of conflict of interest. However, it needs to be done efficiently to make it work. Hold regular meetings, scheduled in advance, and held whether or not everyone can make it. Appoint someone as chairman who can make things happen.

Provide agendas, minutes and action items, and set annual objectives and evaluate them at the end of the year.

Prevent procrastination

How many should one business support? What is it we are building for our heirs? Does being an heir simply give them the right to be in charge one day? If so, what will your business need to look like to support your family's population four generations from now.

Jonovic provided many options for the future of a business.

- Build the business for future generations
- Position for strategic sale
- Form holding company and diversify into new businesses
- Spin off growth subsidiaries

- Divide strategically among shareholders

- Recapitalize into preferred/common

- Restructure into operating and fixed-asset entities

- Develop internal market for shares

- Create vehicle for safe and efficient shareholder "puts"

- Allow non-family managers to own

"How many of us really consider all options? We are blinded by just passing down the farm," he said.

"To constrain our vision about the future will constrain our heirs."

As you transition, you'll want to keep some for your retirement and give some away, while keeping taxes in perspective. In a transition you need to protect owner

See Planning, on Page 44

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— Planning —

Continued from Page 41
value, manage disaster, meet the owner's needs, and treat heirs fairly. With on-farm and off-farm heirs this can be a challenge to not set-up a life-long fight. Be sure to run the scenarios out into the future, he said.

Semi-retirement scam

Some people believe succession is dependant upon the disappearance of the older generation. "I don't think that's possible," he said. They need to stay around, allowing the younger generation to make mistakes, but help them through. To structure well for transition, you need to do it everyday.

Taking action

"We are dealing in farms today that are much more complex...than in prior generations," Jonovic said.

In order to survive and grow you need to organize for decision, define and renew "vision", manage "ownership" strategically, and compensate strategically.

Organize for decision

Holding meetings, as noted, is instrumental in the decision making process. When planning for the family meeting, you need to understand why they would want to come and what would they want to know. "This has to happen," he stressed. "All owners need to come to an agreement."

This meeting includes all family and/or non-family shareholders and their spouses and possibly children. If any owner doesn't want anything to do with it, he suggested you get that in writing.

These people are not

interested in what happens in the freestall barn, he said, just what's happening with their investment. They do not have input at the board or management levels.

If it's a large group, spend time preparing with your advisors and put together a show for the stakeholders. At the meeting you'll want to set goals and objectives for the future. Structure the meeting so it is based on fact. Prepare financial records for everyone.

Board meetings should include senior managers and advisors.

When adding family into the business, it must be cleared by all partners, Jonovic said. The decision should be based on performance, hard work, ability to grow and pay should be based accordingly. Family members must work their way in to the operation. In the business world, people only work if there's a position for them. Dairymen need to put competence ahead of ownership. If you can't afford the luxury of having an extra person you'll have to change the culture on your farm.

Jonovic recommended to lay out an employee plan early before children take an interest and situations arise.

Define and renew 'vision'

To create your vision, he suggested publishing an example investment strategy for key managers, shareholders and advisors.

His example is as follows, filling in the quotations as they relate to your strategy:

The owners of "XYZ Farms" expect a "minimum annual return of what percent" on combined operations, and believe that the business should be able to provide a "rolling, five year average target return of what percent". We expect to grow "owner equity by at least

what percent per year" maintaining an "average leverage of z/1", and will "distribute earnings to owners as appropriate" assuming achievement of the above targets.

To set this, establish base assumptions, run out the "organic" cash flow, consider the "inevitables" and "likes". Then see how you like the results and figure out what you may need to do to get there.

Manage ownership

If our advisors know us, they will help us minimize taxes as much as possible within the transition plan, he said.

He also recommended creating your plan early with enough flexibility to change with your business.

You can manage disaster through "board" oversight, owner agreements, capital/operating budgets, real compensations and responsibility definition.

Through family limited partnerships, voting and non-voting stock, or a "holding" company structure you can plan to take care of the older generation.

Use professionals to set up stock ownership and contractual arrangements such as Articles of Incorporation, Code of Regulations, By-laws, Voting Trusts, Close Corporation Agreements and Buy-Sell Agreements.

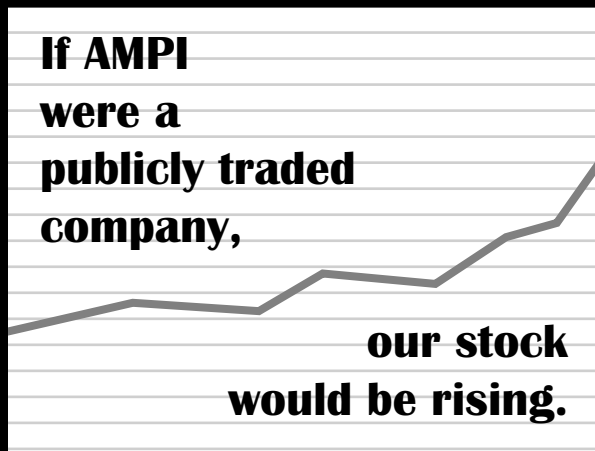
Developing a business

"When developing a business and moving forward, you tend to forget about the next generation," he said.

Agriculture is the only industry where you learn the business at the knee of the expert, yet no responsibility is passed down.

"You need to develop new leaders to develop your business; so old leaders can do what they please," Jonovic said.

By Karen Topel



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– Lovell

Continued from Page 4

during the Apollo 13 mission.

Lovell entered the NASA space program in 1962 with extensive experience as a naval aviator and test pilot. He carried out several command positions in the Gemini Mission Program, including flights on Gemini 7 and Gemini 12, before becoming an integral part of the Apollo Missions.

Showing true courage Lovell and his crew of Apollo 8 were the first people to leave the gravitational force of Earth on the maiden voyage to the moon.

Apollo 13 was Lovell's fourth and final flight. As commander, he and his crew, Fred Haise and Jack Swigert, modified their lunar module into a lifeboat when their oxygen system failed. One of the most famous NASA missions, Apollo 13 was deemed "a successful failure" as the astronauts never landed on the moon, but made

it back to Earth safely.

His four flights made Lovell the record holder for time in space with over 715 hours and has seen more sunrises from space than any human prior to the Skylab missions.

Lovell retired from the Navy and the space program in 1973 when he went to work with the Bay-Houston Towing Company in Houston, Texas. He became president of Fisk Telephone Systems in 1977 and later worked for Centel. He retired in 1991.

Lovell co-authored a book with Jeffrey Kluger on the Apollo 13 mission entitled, "Lost Moon: The Perilous Voyage of Apollo 13." This book served as the basis for the movie Apollo 13 in which Lovell played a role as the USS Iwo Jima's captain. Today he is president of Lovell Communications, a business devoted to disseminating information about the U.S. space program.

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