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Grazing Looks Best With New Financial System

by Dick Levins

We normally think of using income and expense figures to measure progress toward the goal of earning profits. Surely, farmers in sustainable agriculture are concerned about feeding their families and paying their bills, but those are not their only goals in life. They set out to protect the land, improve their quality of life, and enhance the communities in which they live. Their day-to-day decisions are not guided by a single-minded search for profit, but by a delicate balancing act among many goals.

It will seldom, if ever, be the case that pursuing only one of many goals will lead to the best balance. The way farm progress is monitored must be comprehensive enough to measure progress toward a complete set of goals that includes, but is not limited to, profitability.

Land Stewardship Project and its partners on the Monitoring Team have developed a way to use the numbers from financial statements and tax reporting to paint a more complete picture of how a farm is doing. The new system focuses on farm performance in four important areas: dependence on government programs, use of equipment and energy, creation of jobs, and maintaining a balance between the production and use of livestock feed.

These indicators, looked at as a group, can be useful in measuring how an individual farm is making progress from year to year toward becoming more sustainable. The indicators can also be used to compare one farm to another in discussions of farm sustainability.

We used the new system to compare a grazing dairy farm to three more conventional farms--a cash crop farm, a crop farm with hog finishing, and a conventional dairy. The advantages of the grazing dairy came through loud and clear.

Since there was no corn, the government saw no reason to help the grazing dairy at all with expensive commodity programs. Perhaps the public will someday rethink its decision to single out the one farm which used no chemicals and no commercial fertilizer for such treatment!

The cows are not inside all day waiting to be fed and cleaned up after. They are out most of the year, spreading manure and harvesting feed. One result is that there is very little equipment on the farm. The total bill for the equipment and energy category, even counting custom hay harvesting and manure handling (you can only ask so much of cows in a Minnesota winter!) was 20.7 percent of gross income. This is by far the lowest percentage for this category among the four example farms.

The third, or "jobs" category, accounted for 39 percent of gross income. This is a far higher percentage than the grain operations have shown and is not much different than the conventional dairy. What is very different, however, is the way the income is split up. There is a much better balance between the operator and the hired help, and both get reasonable vacations and time with their families.

Finally, the farm is close to being a perfect balance. Some hay was sold, some feed was purchased, but the overall picture was far closer to being in balance than the three conventional farms.

This example shows that the answer to dairy financial problems does not necessarily lie in bigness. The problem to begin with is too much equipment, and buying more won't fix it. What works better in this example is creative management guided by thoughtful goals.

And compared to grain farming, there is no contest at all with these indicators. Grain farming, even with conventional livestock feeding, is heavy on equipment, light on jobs. Grazing dairy cows is the mirror image-light on equipment, heavy on jobs.

For more information on the new system and the examples, Monitoring Sustainable Agriculture with Conventional Financial Data is available for $7.00 from Land Stewardship Project, 2200 Fourth Street, White Bear Lake, MN 55110.

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