

New business accelerating

Dairy herd leasing up

United Press International
NEW YORK — Dairy herd leasing has one thing going for it no other financing business has: the collateral reproduces itself every year.

"Every producing milch cow drops a calf each year, and that's vastly more than enough to replace the cows that must be culled," says Dennis Steinberg, president of Livestock Financial Corp., a new dairy herd leasing company based in Aurora, Colo.

"This is so much the case that we require only the heifer calves as additional collateral for the money," Steinberg added. "We let the dairy farmer sell the steer calves off for veal."

Dairy herd leasing is a new and small business. Only about 30,000 of the 11 million dairy cows in the country are leased, and up to now, banks have shied away from the business.

Steinberg said insurance companies are starting to show some interest. His own firm has obtained its financial aid from a small public stock offering and from funds provided by its parent firm, Westwind Financial Corp. of Aurora, an equipment leasing firm.

LFC presently has 425 Holstein cows valued at \$1,200 to \$1,500 leased to dairy farmers in Colorado, Nebraska, Iowa, Kentucky, Oregon, Washington and California. Agricultural Asset Management Co. of Salem, N.Y., headed by Doug Jolly, is the biggest firm in the business.

Dairy herd leasing got an early black eye when one firm, a subsidiary of a large conglomerate, engaged in some shady shenanigans, Steinberg said.

He said companies in the business now follow conservative policies. For example, his

firm has accepted only a tiny part of nearly \$10 million in applications for leases from established dairy farmers. "We think the shakeout in dairy farming is going to continue and we want only good farmers," he said.

"Actually, in the long run, a good dairyman can buy his herd more cheaply through direct bank financing than he can get it by leasing. It would be dishonest not to admit this. But in the present financial climate, it pays the good farmer to pay more and lease from us."

Steinberg gave the following reasons for this:

— The farmer can get a larger and better quality herd faster by leasing than by direct buying.

— The leasing company provides the help of experts in choosing good cattle. The farmer makes his own choice,

however. The leasing company cannot force any cows on him.

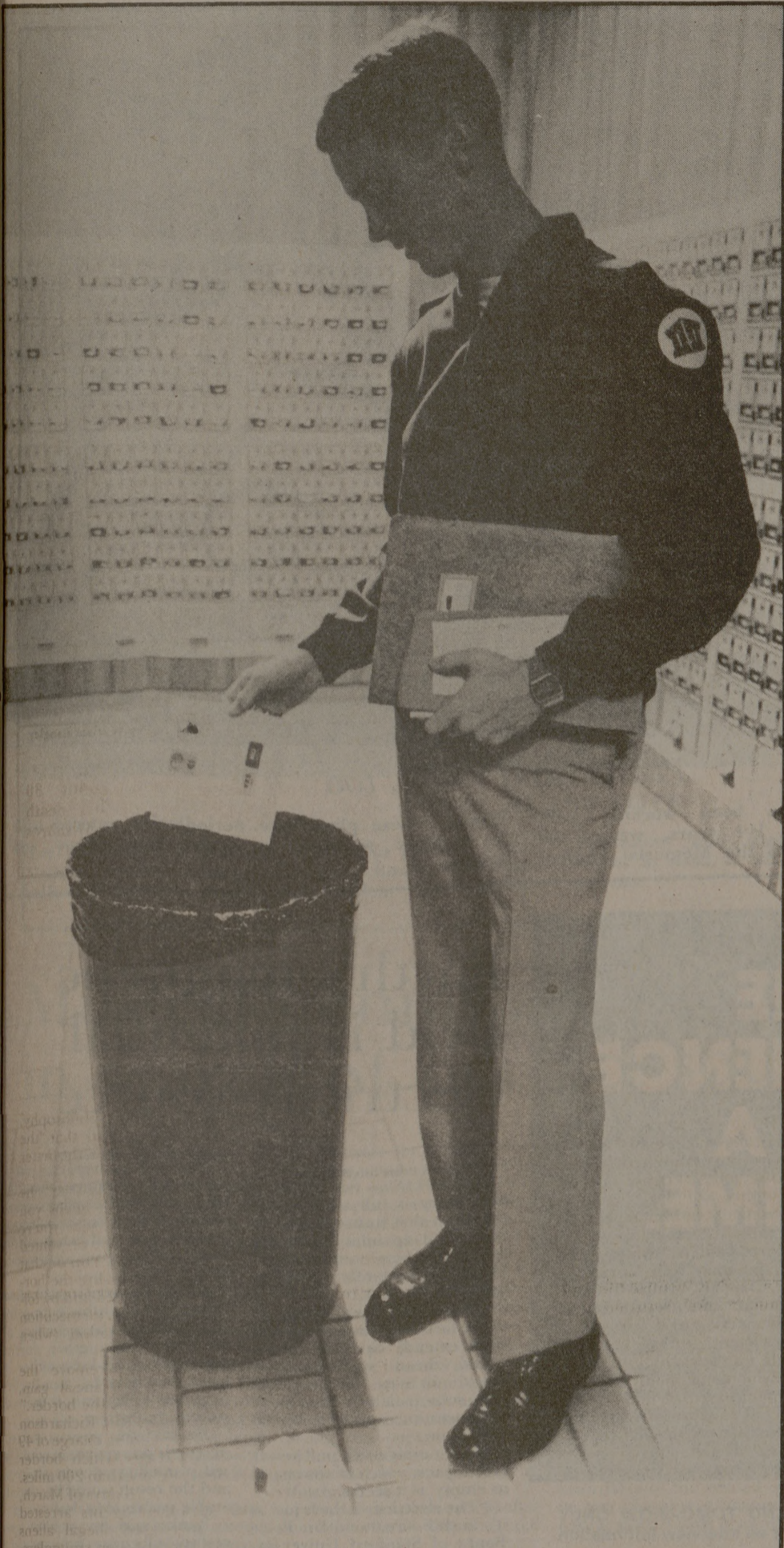
— The heifer calves are additional collateral only temporarily; eventually they become the clear property of the farmers.

— The leasing company provides full insurance protection for the herd against theft and death by accident or disease.

— By leasing, the farmer can get 100 percent financing of cows bought to expand the herd. In direct bank financing, he can get only 80 percent and often less.

— Rental payments are a direct deduction from earned income for tax purposes.

— Repayment is likely to be made with cheaper dollars than the dollars borrowed.



staff photo by Eileen Manton

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