

Karsky Dairy and ND Farm Management Education Program

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The Karsky Dairy, owned by Dean and Lee Ann Karsky of Dickinson, ND is a business steep with generational culture and value. The Karsky Dairy is a fourth-generation dairy operation with hopes for a fifth generation in the future. The dairy was established by Dean's great grandparents, Louie and Agnes Karsky, in 1945. The business was transitioned to Dean's parents, Ray and Darlene Karsky, in 1968. The next generational handoff was to Dean and Lee Ann Karsky in 1995. Dean and Lee Ann got their start by leasing cows from Ray and Darlene for \$1 per day per cow—an affordable arrangement for Dean and Lee Ann to get a start in the dairy business.

In 2002, the Dean and Lee Ann made a significant investment into building a new dairy barn. The initial investment into the dairy barn was \$350,000, a significant investment for their dairy operation. Dean and Lee Ann worked with Jerry Tuhy, Farm Management Education (FME) to create cash flow projections that would show that the investment would pay for itself over time based on solid financials and production information. Lee Ann stated that the lenders at the time were more willing to finance a beef operation than a dairy operation. The lenders wanted documents that they could trust and rely upon to make good lending decisions. The lenders respected the unbiased data put together with the help of an independent source. The FinPack program helped the Karskys present a balance sheet and farm analysis to the lender and continue to use FinPack along with accounting software for their financial record keeping. Dean and Lee Ann have been participating in Bismarck State College's Farm Management Education (FME) program since 1998. FME has had a very positive impact on the dairy's financial picture. Lee Ann stated that they couldn't get financing without the FME program when they first started the dairy. The FME program has helped the Karskys secure capital for many other asset purchases since then and has become a very important component of their annual financial planning.

The dairy barn has the capacity to hold 228 dairy cows and milks 200 head. The dairy parlor is set up to milk twenty cows at a time in a “double 10 parallel” system. The dairy's herd is managed by placing the cows into four groups which enables the owners to manage cows and production more efficiently. The dairy holds back all purebred heifers for future dairy production, selling the bull calves. Dairy heifers are bred at fifteen months of age and start to produce calves and milk at about two years of age. A typical producing cow is in the herd until the age of six or seven years, but the age can vary up towards eleven to thirteen years based on health and body weight. The breeds of dairy cows that are used by the Karsky dairy are Holstein, Jersey, and Brown Swiss. Using three breeds gives the dairy the necessary volumes of milk production with high butter fat content. The Karsky Dairy is proud of their butter fat production of 4.3% versus the National Average of 3.5%. Asked if there were any things that they would do differently with the dairy, Dean responded that an investment into robotics would have helped with the staffing issues of the dairy.

The next generation (Karsky/Howie) are currently participating in the dairy business. Dean and Lee Ann's daughter, Rachel Howie, is the “herdsman” of the operation. Rachel has many responsibilities on the dairy that are vital to the success of the operation. Rachel wears many hats, including managing the cow herd and milk production, genetics selection, computerized dairy programs and, maybe one of the greatest challenges, managing people. Dean and Lee Ann

are proud of Rachel's education and degrees from Dickinson State University. Rachel received two Bachelor of Science degrees from DSU in Biology and Environmental Science. Rachel's goal was to become a veterinarian and she apprenticed under local veterinarian, Dr. Doug Rowe. The passion of the dairy industry and her love for cows eventually led her back to the family dairy. Rachel's love of the dairy is being passed along to her two young sons, who also participate in showing 4H dairy calves and own a few of their own calves.

History has proven that owning and operating a dairy has many challenges. We sat down to discuss and identify some of the major challenges that the Karsky Dairy deals with daily. It was no surprise that finding employees and maintaining a stable workforce is their greatest challenge. Utilizing the Cultural Agriculture Exchange Program (CAEP) has been integral to help staff the dairy operation. CAEP is an international program that brings employees to the dairy from around the globe. CAEP is an apprenticeship program that is limited to one year at the dairy. It was interesting to find out from the Karskys that the H2A program is not available to the dairy industry due to the long-term commitment needed to staff the dairy business. Covid 19 has also had a negative impact on their ability to utilize CAEP and bring individuals to the United States.

The second major concern mentioned of the Karsky family is the marketability of their milk products. The avenues and options to market their milk are extremely limited. All their dairy production is marketed to Dairy Farmers of America (DFA) a cooperative dairy based out of Kansas City. The milk is picked up by the New Salem, ND location and then transported to Pollock, SD. The milk is primarily used to make branded cheese products for Kraft and Borden. The Karsky dairy operation is a Grade A operation due to stringent state and federal testing mandates. The state of North Dakota tests the milk production every three months and the Feds test once per year. The Karskys are very proud of their Grade A status and take great pride in seeing their high-quality milk go in the branded production line of cheese products.

Forward contracting of milk production was once utilized heavily by the Karskys. At one time, Dean stated that 75 percent of their production was forward contracted but that 0 percent is contracted today, due to contract complexities. The Karskys would like to see the availability of more marketing options.

The third challenge currently facing the dairy is what Mother Nature has to offer—a drought. The region's alfalfa is not starting out with vigorous growth and current feed stock inventories are being monitored closely. A major concern is the current market value for purchasing dairy-quality hay. Dean mentioned that they recently purchased hay for the June-September time frame, costing \$200 per ton for 2nd and 3rd cuttings. If the rains don't materialize, herd reduction conversations could take place.

The dairy industry has other headwinds as the industry continues to decline in numbers throughout the state of North Dakota. Consumer education of dairy products is a constant effort by various dairy industry organizations such as Dairy Farmers of America. The general opinion is that the dairy organizations are doing an adequate job of educating the public about the safety and health benefits of dairy products, understanding that education is constant. Lee Ann stated that, "Consumers need to understand and believe that dairy products are safe and healthy."

Despite challenges and headwinds, the Karsky family is passionate about their dairy business and finding future opportunities. Rachel would like to explore an ice cream shop in the Dickinson area in the future. When asked, what motivates them every day in their 24/7 business, their response was having a deep passion for what they do. “Dairy is a way of life and culture that we all enjoy and love!” I left their dairy knowing that their love of their cows is sincere—a few were even mentioned by name.

The Karskys suggested that individuals considering entering the dairy business should first do their research and due diligence. Rachel stated that utilizing all facets of technology is vital to the success of a dairy operation. Dean recommended that one should have an off-farm job first to make sure that this is what they really want to do. He noted that this is not only a 24/7 job, but a way of life with a lifetime commitment. Dean also stated that dairies are a specialized investment with a high entry cost, not easily sold or transitioned.

The Karsky family plans to have future discussions and maybe there will need to be some compromise for the fifth generation to see their dreams come true. But if Karsky family history repeats itself, it is very likely that this family dairy operation will thrive into the future with bright, energetic, and caring people who love their cows!

The North Dakota Farm Management Education Program provides lifelong learning opportunities in economic and financial management for persons involved in the farming and ranching business. Visit ndfarmmanagement.com, Facebook @NDFarmManagementEducation, or contact Craig Kleven, State Supervisor for Agricultural Education, at crkleven@nd.gov or 701-328-3162 for more information. The ND Farm Management Education Program is sponsored by the North Dakota Department of Career and Technical Education.