Chapter 6
Early Financing and Permitting

Even before obtaining my real estate license I had the dream of working or relocating a good number of dairies to the valley. I could see the benefits of the area: inexpensive land, good water, lots of feed and great use for dairy wastes.

The passage of the Milk Pooling legislation in 1968 opened the door for me to begin promoting the valley and particularly Tulare County.

It took some time to work out a strategy or marketing plan. What would draw an Artesia dairyman to relocate in Tulare County when most of his friends were moving to Chino? Which dairyman should we target – those who owned their facilities or those who leased? Since there was already a large community of people of the Portuguese descent, shall that be our first target? Did we have enough amenities to attract people who did their shopping in large new Southern California malls? Did the community offer enough things to do? Did people who rented facilities have enough equity in their herd to build their own facility? Was the church base large enough? Would people who wanted their children in Christian education be willing to have the kids go to Hanford everyday? What could be done to make Tulare County a more attractive option for relocation?

While we wrestled with the items above, the reality was that without good financing the above really didn’t matter. There were really no existing dairies available and those that did become available were old and generally needed a lot of work. That meant we could work as hard as we wanted to but unless financing could be obtained for land, facilities, cows and feed, our efforts didn’t accomplish much.

Things didn’t start out very well! Our first try on getting a loan for land and construction was a huge disappointment. A dairyman and myself went to the Federal Land Bank to see what the possibilities might be. He brought a copy of the estimated cost for construction and I can’t remember if he had a small sketch of a dairy or not. He was hoping for a 60% loan. At that percentage he could make it work.

I’ll never forget that morning as we sat down with the Vice President, Ken Billings, and went over the costs. I’m not sure Ken had ever made a dairy loan, certainly not in the recent past. Remember, this was just prior to the establishment of Milk Pool Quota and dairies had not been generating a lot of profit. Ken put some figures together and told us he could possibly make a 35% loan. The dairyman’s face fell, as did mine. After all, I had a property in escrow subject only to the approval of financing. It was a dark day and both of us knew if there would ever be any hope it would come by way of the Milk Pool Quota. His dairy was in Artesia and his production history was particularly fluid milk.

A brighter day came but it was not without meeting with a number of bankers and finally the passage of the Milk Pool Quota legislation at the end of 1968. This really opened the door for Southern California producers to come to the valley and receive class 1 prices for their milk while enjoying the benefits of lower production costs.
The permitting process was unreal! You purchased a piece of property and built a facility of whatever size you wanted – no acreage requirement. You just started grading (if you wanted to grade) and dig a lagoon as deep as you please. You did not even need a building permit for the barn or the corrals. No one came by inspecting anything!

In total, prior to 1973 you needed three building permits – one for your home, one of them the septic tank for your home and one for the septic tank in the bathroom in the barn. That was the extent of the permits! You could buy a property, close the escrow a week later and begin building the following day. It was simple, it was easy and it kept the costs down to a minimum. Its hard to believe today that the world was so simple at that time.

Today there are still many dairies that were built prior to 1973 that were never permitted and are not permitted today. All have to conform to certain rules such as set forth by the Regional Water Quality Board, but there is no dairy permit in place for these facilities. That is why you will find some dairies milking 600 cows on 40 acres or 900 cows on 80 acres. These operate under what is called and “Existing Non-Conforming Use” and they can continue to operate and change ownership without any required changes as long as these operate on a continuous basis with no larger than a 90 interruption. Also, these can be upgraded and remolded as long as they remain the same fast pint.

Having some from this kind of permitting processes is no wonder that the older dairymen hate the new process with a passion.

Back to financing; in order to attract the maximum number of producers to the Valley we developed a brochure that outlined a construction proposal with a dairy just large enough to support the payments; yet affordable to most. We produced the brochure with minimum cost, doing most of the work ourselves, including pasting the pictures! Approximately 500 of the first brochures were produced and advertised in the “Dairymen” as well as being handed out personally in the greater Artesia dairy area.

A copy of some of the pages in the brochure are printed below. This was a joint venture that was sponsored by The Federal Land Bank, Wasnick Dairy Equipment and Rossitter Dairy Construction.

Promotional Dairy Brochure

1971
Tulare - Visalia - Hanford

Central California's

"DAIRY VALLEY"

Presented by:
JOHN GRIMMIUS
of
Emerson Westcott and Associates
Real Property Brokerage - Consulting - Appraising
125 N. Court St. (Highway 63)
Visalia, California 93277
(209) 732-2226
This brochure has been presented to you in order to better acquaint you with our dairy program in the Tulare - Visalia - Hanford area.

Many of your friends and acquaintances have built new dairies in this area in the last couple of years. Hopefully, the enclosed sketches and cost figures will be of help to you as you plan the future. The sketches and figures used represent a very substantial and workable set-up for a total of 380 head. All sketches were drawn by Central California largest dairy construction firm.

DAIRY CONSTRUCTION INC.
TULARE, CALIFORNIA
(209) 686-5989

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Picture on front cover is similar to the barn described in this brochure.
A COMPARISON OF PRODUCTION COSTS

Los Angeles County .................Tulare County
All figures used are on a per hundred weight (per CWT) basis.

<table>
<thead>
<tr>
<th></th>
<th>LOS ANGELES CO.</th>
<th>TULARE CO.</th>
<th>DIFFERENCE</th>
</tr>
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<tbody>
<tr>
<td>Feed</td>
<td>2.79</td>
<td>2.52</td>
<td>.27</td>
</tr>
<tr>
<td>Labor</td>
<td>.84</td>
<td>.63</td>
<td>.21</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>1.81</td>
<td>1.43</td>
<td>.38</td>
</tr>
<tr>
<td>Hauling</td>
<td>.19</td>
<td>.31</td>
<td>(.12)</td>
</tr>
<tr>
<td>Total costs per CWT</td>
<td>5.36</td>
<td>4.89</td>
<td>NET .74</td>
</tr>
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Based on these figures the net result in total operation expenses is 74¢ per hundred weight in favor of the Tulare County dairymen.

* * * * * * * * * *

October 1969 payout

<table>
<thead>
<tr>
<th></th>
<th>Los Angeles Co.</th>
<th>Tulare Co.</th>
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<tbody>
<tr>
<td>Gross</td>
<td>5.84 (CWT)</td>
<td>5.49</td>
</tr>
<tr>
<td>Less haul to plant</td>
<td>.14</td>
<td>.14</td>
</tr>
<tr>
<td>NET</td>
<td>$5.70 (CWT)</td>
<td>$5.35</td>
</tr>
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Based on the October 1969 payout the result equals to the Tulare County dairymen receiving a net return of 39¢ per hundred weight above the Los Angeles dairymen.

Note: Cost figures are based on a 5 year average. Production cost figures based on figures used by California State Bureau of Milk Stabilization and supplied by Green, Opper, Hays, Bandy and Hilbert, Certified Public Accountants, Tulare, California.

(Data is from sources believed reliable but not guaranteed.)
CONSTRUCTION COSTS AND FINANCING

Barn and Corrals - 2-100 cow, 1-80 cow and 2-50 cow corrals (total 380 cows)

Double 8 Herringbone with feed system, washpen, all shades (no milking equipment) $62,000.00

Grading - 2% away from mangers, 1% away from barn 5,000.00

House - 1700-1800 sq.ft. 3 BR, 2 bath refrigerated (carpeting, dishwasher, built-ins, fireplace, family room, etc.) 23,000.00

TOTAL CONSTRUCTION COSTS...........................$90,000.00

Land, 40 to 120 acres depending on location, quality of soil, and water conditions $40,000.00

TOTAL LAND AND CONSTRUCTION COSTS................$130,000.00

FINANCING

CASH NEEDED:

Land - 30% down* $12,000.00

Real Estate Construction Loan $81,000.00 9,000.00

TOTAL CASH NEEDED.........................$21,000.00

(Plus milking equipment)

LOAN PAYMENTS:

Construction Loan: $81,000.00 - 9% - 25 years $679.80 per month
(300 monthly installments of $679.80; annual percentage rate - 9%)

Land Loan: $28,000.00 - 8% - 20 years $234.00 per month
(240 monthly installments of $234.00; annual percentage rate - 8%)

TOTAL REAL ESTATE PAYMENTS INCLUDING INTEREST.....$913.80 per month

Note: Total Real Estate payments of $913.80 per month should be partly offset by the labor cost difference between the conventional and herringbone type barns.

* Purchase land @ $40,000.00 with 30% down and have seller carry back balance on 2nd. Trust Deed subordinate to a construction loan. (Not all sellers will agree to this arrangement but there are a good number that will.) If land seller does not wish to take back subordinated Trust Deed the total cash outlay would increase to approximately $49,000.00 and monthly payments reduced to $680.00 per month.

Due to constant price changes the total cost may vary slightly from time to time.

(Data is from sources believed to be reliable but not guaranteed.)
LONG TERM FINANCING

Buying a parcel of ground and building your own dairy are major steps in your success as a dairyman. One of the major ingredients in taking these steps is obtaining ample long term, low cost financing, custom tailored to your needs.

Many dairymen all over the State have enjoyed the financing as provided by Federal Land Bank. The men at Federal Land Bank know the dairy business. They understand dairy financing. They understand local conditions. Member-owners vote and control their local associations and have a representative voice in bank policy and management.

Choice of Repayment Plans:

Every loan is an individual situation. Repayment plans are tailored to fit into your total budget. In some cases, deferred principal, interest-only payments can be arranged while short term cow loans and equipment loans are being repaid. Loans are written for as long a period as possible, consistent with the type of operation.

Stock:

Each borrower purchases stock in his local association in the amount of $5.00 for every $100.00 of his loan. Loan funds may be used for this purpose. Member-borrowers receive a dividend on their stock when earnings of the association permit. The stock is retired at par when the loan is paid in full.

Costs:

There are no applications or appraisal fees and no commissions. Customary recording fees and title expenses are your only costs. Additional payments may be made on your loan at any time or you may make payment in full at any time without penalty.

Stop in at our new office and we'll be glad to discuss your needs for your new dairy.

Federal Land Bank
3000 West Main Street
Visalia, California  93277
(209) 732-4517
Vandenberg Stalls and Feed Systems

WASNICK BROS. DAIRY SUPPLY
1012 North "J" Tulare
(209) 686-4581
Dairy Refrigeration
GENERAL INFORMATION

Dairying is not new to Central California. At present there are over 650 dairies located in Kern, Fresno, Kings and Tulare Counties. The bulk of these are located in Tulare County.

Inquiries from all over the State are received; from as far South as San Diego and as far North as Sacramento. Several dairymen have moved to Tulare County from the Coast. Many have moved from the South. A good many new dairies have been built in the past couple of years and many are scheduled to be built.

Net income is based on the cost of producing a pound of butterfat. The cost figures for Tulare County are extremely favorable. A dairymen can make money in Tulare County!

Of interest to all is the climate of the area. The Visalia Chamber of Commerce furnishes the following climate information:

<table>
<thead>
<tr>
<th>Temperature</th>
<th>Fahrenheit</th>
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<tr>
<td>Average maximum summer</td>
<td>95.50</td>
</tr>
<tr>
<td>Average minimum summer</td>
<td>59.72</td>
</tr>
<tr>
<td>Average maximum winter</td>
<td>60.80</td>
</tr>
<tr>
<td>Average minimum winter</td>
<td>41.02</td>
</tr>
</tbody>
</table>

Average rainfall over 80 years period: 9.78 inches.

Climate affects milk production. Wind is almost non-existent. We suggest that you compare temperature figures with those of your own Chamber of Commerce. We recommend that you talk to some of the dairymen who have moved here from other areas in regard to maintaining production during the course of the year. We're sure it will surprise you.
The price of land in Tulare County which is suitable for dairying varies greatly, depending on location, soil, water conditions, etc. Undeveloped, virgin soil with high alkali content is the least expensive and sells for $200.00 to $400.00 per acre.

Marginal soils sell at $550.00 to $850.00 per acre. The good sandy loam soils with good water penetration characteristics sell at $900.00 to $1200.00 per acre depending on location.

The undeveloped soils are generally located some distance from town while the better soils are usually found close to town. Water penetration is rather poor on undeveloped soil. Most of this type of soil tends to show a high alkali content.

Water is generally plentiful in the Central Valley area. Some wells in the Visalia area are pumping a tremendous flow of water from a depth of 25 to 50 feet. Most of these wells are from 100 to 275 feet deep. Water supplies are somewhat deeper, West of Highway 99 and pumping depth may be near or exceed 150 feet near Hanford. These wells are generally 400 to 600 feet deep. The quality of water is excellent.

For additional information and a tour of Tulare County call

JOHN GRIMMIUS
of
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Real Property Brokerage - Consulting - Appraising
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The price of farm ground has declined steadily over the past three years. It looks as though it has now leveled off and we may see the market edge up again soon, as money is becoming more readily available and at a cheaper interest rate. This is an excellent time to invest in a parcel for your future use. Choice land priced at $750.00 to $1,000.00 per acre and undeveloped land for $200.00 to $375.00 per acre may soon be a thing of the past. In most cases this land can be leased out and the lease will pay taxes and a substantial portion of the payment.

- A FEW OF OUR BEST BUYS -

40 ACRES - 7 miles West of Visalia toward Hanford. Planted to alfalfa. 20 H.P. pump on well. Old House. Try $750.00 per acre.

**********

80 ACRES - Northwest of Visalia and all planted to permanent pasture. 20 H.P. pump on excellent well. Cutting corrals and loading chute. $56,000.00.

**********

100 ACRES - on Highway 198. Beautiful custom built home. 2 good wells. 6 miles from Visalia. Excellent soil and cotton allotment. 2 older homes. This is truly a steal at the asking price of $100,000.00.

**********

400 ACRES - 9 miles to Visalia. Undeveloped ground. Best water area. Water stands at approximately 40-45 feet. $250. per acre.

For a tour of
Central California's "Dairy Valley"
contact

John Grimmius

EMERSON WESTCOTT & ASSOCIATES
125 N. COURT STREET
VISALIA, CALIFORNIA 93277
(209) 732-2226
Did anyone ever build a complete facility for the amount shown in the brochure? One dairyman came really close with a 40 acre site for $25,000 and the described dairy. However, a few extra thousand dollars was spent on the home.

The brochure accomplished what it was designed to do: Attract dairy producers to Tulare County and the southern San Joaquin Valley. Approximately 35 came to the Valley between 1968 and 1972 to buy land and build new dairies!

The numbers used in the brochure look like pocket change today. In 1968 this was really money and every last dollar was hard earned with an unbelievable amount of manual labor.

Several more brochures were developed over the years, each was better and bigger and each considerably higher prices.

It was a fun time when you could see people realizing their dreams of owning their own dairy facility and raising their families with the entire family working together. The kids grew up in true old fashioned “country living”.