



Panel Provides Low-Cost Profit Enhancing Ideas for Down Cycle

By John Frey, Executive Director
Center for Dairy Excellence

Editor's Note: This is a special feature from the Center for Dairy Excellence exclusively for the Farmshine newspaper.

Last month's Pennsylvania Dairy Profitability Forum offered a unique look at the dairy industry — both the individual dairy farms and the businesses that support them — to look

at where we are and what we will need to survive going forward.

There is no doubt that our dairy industry is in unprecedented times, with dairy producers in Pennsylvania now facing the 11th month of below break-even prices. During the forum, Phil Plourd, an economist from Blimling and Associates, provided a 2010 forecast with prices at or above break-even levels. However, recovery may not come quickly.

All of us must ask ourselves whether we are doing everything we can to restore the dairy industry — and individual dairy farms — to profitability.

Nobody in the industry knows this better than the consultants and service providers who work with our dairy farms day in and day out. They are in a unique position to witness the good things happening on the farm and to share them with others looking for solutions.

During the profit forum in both Harrisburg and Mercer, we invited panels of these consultants to share what they are seeing with the group. What they offered were simple, low cost ways farms are cutting costs and adding revenue to their bottom lines.

While we are very aware that this is only a small part of the solution, not to share these ideas represents a missed opportunity for our industry. Here are comments from Harrisburg.



BRIAN REED

Veterinarian, Ag Vet Associates
Manheim, Lancaster County

Brian is a partner in Agricultural Veterinary Associates, a 10-doctor practice that services 300 dairy farms in a four-county area. Brian does traditional veterinary work and dairy business consulting.

What are the top three things you see dairy farms doing today to get through these tough times?

1. **Managing cash flow.** "Producers need to know where they are from a cash flow perspective, so they can make accurate cash flow projections and have good information to base their management decisions on."
2. **Maintaining or increasing the amount of milk they sell.** "You don't get paid for the milk you don't make. So don't give up the opportunity for higher production even in the bad times.
Production results from cow comfort, genetics, forages and other variables, and it can be limited by these things, too. Don't make quick decisions that will hurt in the future."
3. **Containing costs.** "You have to know the difference between a 'want' and a 'need'. Successful dairy managers have a way of finding and cutting all expenses that are not necessary to maintain their production and health. However, they're willing to pay for needed maintenance and preventative measures."



DAVID KIRK

Nutritionist, Pennfield Feeds
Lancaster, Lancaster County

Dave oversees nutrition at Pennfield and works closely with the 20 dairy feed consultants who work day-in and day-out with the 1,700 dairy farm customers in Pennfield's six state region.

What are the top three things you see dairy farms doing today to get through these tough times?

1. **Minimizing Feed Shrink.** "This can include dry matter losses from poorly stored silage, excessive feed refusals, wind-blown feed, broken bags and many other kind of waste."
2. **Evaluating feed additives.** "Additives that make sense when milk prices were high may not look so good when prices drop. There are many additives that are effective, but remember their benefits are not always cumulative.
Be careful about the feed additives you remove when milk prices are low. Taking out the products that improve health and reproduction can negatively affect production in the future."
3. **Maintaining positive herd growth.** "This includes several key strategies, including keeping your calves alive, calving your heifers by 24 months, having an effective transition program, minimizing involuntary culls, and improving reproduction."



RICK RIDGWAY

Dairy Farm Business Consultant
York, York County

Rick has over 12 years of experience as a dairy consultant, working independently for the past five years. His clients range in herd size from 70 to more than 500 cows.

What are the top three things you see dairy farms doing today to get through these tough times?

1. **Making as much milk as the farm's resources allow.** "Every farm may have a different level of optimal production per cow. Make sure you are reaching yours. Keep your cows comfortable, give them an adequate supply of fresh, clean water, and maintain their nutritional needs."
2. **Reducing production cost.** "Reduce operating costs where possible that do not result in lost milk. Track supplies closer, do not buy ahead, and remove inefficient cows from the herd.
"Reduce overhead if necessary. If you have too many heifers, sell a few. Sell un-used equipment, and freshen your heifers at 23—24 months."
3. **Getting to know the lender really well.** "Consider deferring principal payments or extending credit lines. Only refinance if absolutely necessary. Sit down with an accountant or lender to paint your financial future. Don't let all your equity erode away before making a decision to discontinue dairying."

Resources for Your Dairy:

In both good times and bad, dairy farm families must constantly look for every opportunity to control costs, improve revenues and manage their bottom lines. The Center for Dairy Excellence has several resources available to help farms accomplish this daunting task.

The Dairy Farm Resource Team Program — Financial and program support is available to help establish on-farm advisory teams — or a "board of directors" — for their dairy. Producers can choose to initiate a traditional profit team, a target profit team or a succession planning team through the center.

Practical Dairy Advisors — Seasoned dairy producers trained to serve as mentors for dairy farm families involved in the dairy farm resource team program, these PDAs can bring new ideas and unique insight into your business.

Risk Management Resources — Dairy farm families can receive assistance from the Center for Dairy Excellence's risk management program coordinator Alan Zepp in reviewing their business risk, understanding their options, and developing a risk management plan, which could include the LGM for Dairy insurance program.

A Business Planning Template — This new resource simplifies the process of establishing a business plan being required by lenders by taking dairy farm families through each step of writing the plan, providing examples and explanations along the way.

More information about these tools and other resources available through the Center for Dairy Excellence can be found online at www.centerfordairyexcellence.org or by calling 717-346-0849 to reach the Center for Dairy Excellence.

