

What Has This All Been About?

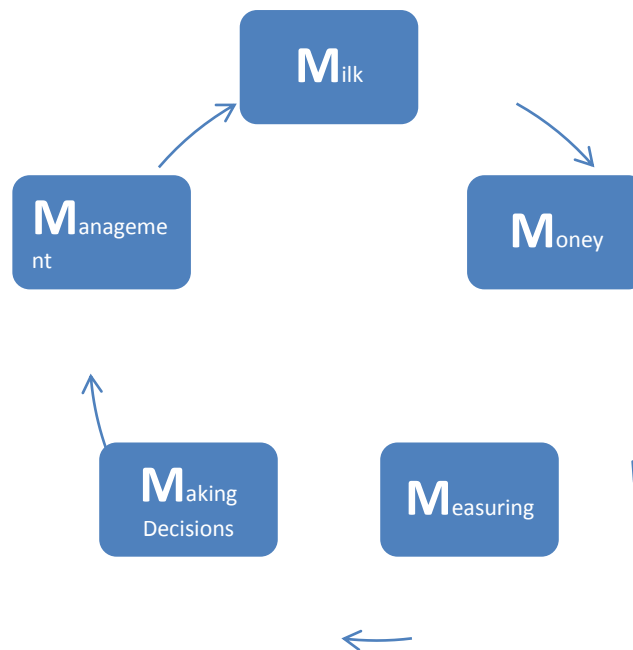
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I have had the privilege for the last, almost 22 years, of being employed as a dairy specialist for the Cooperative Extension Service of the University of Kentucky, but I have always felt that I worked for the dairy farmers of Kentucky. Now that my retirement is approaching (January 3, 2012), I have spent a little time reflecting on my professional life back in my native Kentucky and what I hope I was able to share with dairy farmers to enable them to be more successful.

Simply put, dairy farming is about 5 M's – Milk (and the cows that produce it), Money (income, expenses and the net), Measuring (herd, cow, crop and financial performance), Making decisions and Management. Much of my work with dairy farmers has been focused on the last 4 M's.



Management consists of five functions – Planning, Organizing, Staffing, Directing and Controlling. Two of those, Planning and Controlling, are highly information dependent. Planning draws heavily on written mission and goals as well as clearly defined tactics. Controlling is measuring performance against a recognizable standard and then taking corrective action if expected results are not obtained.

Performance must be recorded to be measurable. Comparing performance to a standard can lead to a decision or multiple decisions. Good managers make many

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decisions every day. They need accurate information on which to base those decisions. Top dairy managers have two characteristics that relate to information. First, they access, assess and use information – they are voracious recordkeepers and second, relating to financial information, they know their cost of production because they have calculated it and continually monitor it.

A dairy farm business owner/operator who aspires to be successful should 1) cast the vision for the business and share it with those with whom he/she works, 2) keep both production and financial records, 3) practice monthly monitoring and evaluation, and 4) have a clear understanding of the roles and responsibilities of all persons involved in the business and 5) effectively manage the human resources of the business. Many have found the formation and use of a management/advisory team to have been beneficial.

Let's examine each of these to see how they might contribute to the farm's success.

- Cast the vision for the business – know the direction you want the business to head and because you have a vision of what you want your farm business to look like in the future. You are more likely to hit a target if you are aiming at it. Sharing this vision with those who work with you is really important. This is what Kouzes and Posner called “inspiring a shared vision” (The Leadership Challenge, 2007, 4th edition).
- Keep both production and financial records – both relate to the 5 M's of dairy farming. Production records, such as those available through DHIA, are a comprehensive source of herd and cow performance information with financial implications. Financial records, such as a balance sheet, an income statement and budgets, contain valuable information for managing the business.
- Practice monthly monitoring and evaluation – the value of information gathered is in its use. Completing an annual balance sheet can reveal whether the dairy farm business is increasing in net worth, a reasonable goal for the business. A monthly income statement will show both income and expenses and net returns. Reflection on them and thought about the dairy production system of the farm could reveal opportunities for both increasing income and decreasing expenses. Key financial ratios can be calculated from these reports which can also help evaluate the financial health of the dairy farm business.
- Have a clear understanding of the roles and responsibilities of all persons involved in the dairy farm business – labor management is key in getting the work done daily in order to produce the kind of cow performance desired.
- A shared vision of the business supported by clearly defined goals and a work environment where everyone involved feels that they are valued and appreciated will produce the most desirable results.

Perspective can mean everything. When looking at the cows and the production system one might want to be thinking about their impact on the financial performance of the dairy. Likewise, as the financial records are being examined, thinking about the cows and the production system and how they impact the financial performance can be beneficial. The cows and the dollars are linked to one another so much that an overall perspective on the dairy farm business must consider both at the same time.

On the cow side, the key factors are 1) achieving the most profitable level of milk production per cow, 2) emphasizing forage quality to minimize feed cost per hundredweight of milk and maximizing the energy produced per acre and 3) optimizing cow comfort to increase dry matter intake per cow and minimize mastitis incidence and cost.

Finally, there are a number of opportunities for increasing income and decreasing costs that can directly impact the financial performance of the dairy farm business:

Increasing Income

- Lower cell count – more milk harvested
- Higher milk quality – quality bonuses
- Lower calf and heifer losses – more heifers as a “cash crop”
- Lower cow losses – greater return on investment
- More efficient reproduction – more milk per cow per year

Decreasing Costs

- More efficient reproduction – lower breeding, veterinary and reproductive costs
- Optimized feeding program – lower supplement costs

Helping dairy farmers achieve success, however they defined it, was the underlying goal of my work with them. I deeply appreciate the fulfilling and gratifying experience provided by the dairy farmers with whom I have worked.