



IDEAS TO SURVIVE AND PROSPER

[HTTP://WWW.DAIRYTEAM.MSU.EDU/DOLLARSANSENSE](http://www.dairyteam.msu.edu/dollarsandsense)

GETTING THE BIG PICTURE “RIGHT”

- Contact your MSU Extension educator or consultant to do a whole-farm economic analysis to identify strengths and weaknesses of the business. Attack the weaknesses and improve on the strengths with a business plan.
- Are you attempting to pay off debt too fast for today's cash flow crunch? Analyze the farm's debt structure and then talk to your lender about refinance options or interest-only payments.
- Evaluate the cost effectiveness of contracting heifer raising, forage chopping, breeding programs or other segments of your business.
- Evaluate your heifer-raising costs and consider contract raising heifers if you are short of facilities, labor and/or feed.

IDEAS FOR INCREASING INCOME

- Seek income opportunities by selling assets that are not generating income, such as unproductive land, unused or underutilized equipment, and timber and scrap metal.
- To keep pace with inflation, consider options for increasing income without significant expenditures, such as selling

breeding stock, increasing herd size or increasing production by milking three times a day.

- Maximize quality premiums for both somatic cell and bacteria counts. Evaluate high-cell-count cows, and consider culling if they are preventing quality premiums. This is especially important for smaller herds, where one cow can affect bulk tank counts.
- Perform a feed inventory, plan ahead for needs in the next 7 to 8 months, and secure grain and forage sources now. Try to secure delayed payments or pay-as-you-go arrangements for feed purchases. Consider advance booking feed grains to remove price increase risks.

IDEAS FOR DECREASING COSTS

- Utilize vendors' discounts and delayed-payment plans where appropriate. Amortize unpaid operating balances rather than accumulate interest at 18 percent or greater per year.
- Evaluate feed additives in cow and heifer rations where they may not be needed or show no results. **DO NOT SHORTCHANGE THE MILKING GROUPS**, especially the dry, fresh and high-producing groups.

- Reduce phosphorus levels to save money and reduce required land base. Evaluate the profitability of rBST usage.
- Eliminate feed waste. Collect weigh-backs from production groups and feed to yearling or bred heifer groups where it matches your Johne's control program. Manage bunk silos properly.
- Develop relationships with neighboring grain farmers for feed purchases.
- Optimize the nutrient value in livestock manures to cut fertilizer costs in the cropping program.
- Wean calves earlier to save labor and feed costs on milk replacer, and retain income on saleable milk.
- Save on veterinary expense by doing some of the simple tasks yourself. Are you administering IVs yourself or training employees for some of these tasks that allow early intervention of disease and injury?
- Consider volume purchasing or a buying group for small herds to obtain discounts.
- Cull cows that are not bred back or have chronic problems or low production. Do you have low-production cows eating feed you might need next year?
- Is the sale of heifers an option in your farm business plan? Consider the long-range impact.
- Begin your tax management strategies now by discussing the current year with your tax preparer. Low-income years can still result in a tax liability.
- Control machinery and equipment purchases to optimize profits, not taxable income.
- Plan to take advantage of the MILC, EQUIP and other USDA programs.
- Scrutinize labor requirements on your farm. Is your labor force efficient? Is your parlor running as efficiently as possible? Could you make do without an employee's extra hours?
- Properly train and monitor employees to reach the above selected goals. Hold regular management and/or employee meetings to keep focused on goals.

MANAGEMENT IDEAS TO SMOOTH UPS AND DOWNS

- Consider a milk marketing program to remove some price risk from your operation.
- Evaluate and set goals for optimum milk production for your cows and facilities.

ACKNOWLEDGEMENT

This article was written by Phil Taylor and Bill Robb, MSU Extension dairy educators, in October 2006.



Growing a healthy Michigan dairy industry

MSU is an affirmative-action, equal opportunity institution.