



# THE BUSINESS OF DAIRYING

## Who We Are

*Greg Squires manages DairyES and has consulted in business and financial planning for hundreds of dairy operations in over 30 states. Through this work and a strong background in production management consulting, Greg has cultivated significant relationships with dairy producers and other industry influencers across the U.S.*

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## Resources for Today's Dairy Industry

*If you believe in managing change and are considering steps to improve the productivity and efficiency of your business, DairyES can help you meet your goals. To learn more about DairyES and how we can help lead your business through the process of managing change, please contact us.*

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## Successful dairy farms: What do the have in common?

Several readers of my last article emailed me with a question that I have repeatedly heard from customers and audiences for many years: Are there traits or characteristics which are common to successful dairy farms? If you were to ask 100 different industry professionals and dairy producers, you would undoubtedly see 100 different lists of attributes most closely linked to success. As Dairy Enterprise Services continues its work on dairy operations across the U.S., the following are among the most common characteristics I observe:

### **Intense reproductive management**

Many successful dairy producers place a high priority on breeding cows to maintain relatively short calving intervals. This focus is not only rationalized by higher milk production but greater internal herd growth.

### **Set expectations**

Regardless of herd size, every dairy owner relies on other sets of hands to complete the work that is necessary to operate a dairy business. One of the most common disconnects between a manager and subordinate is a basic lack of understanding of what is expected of the job, role, or task. While this trait is clearly not universal among successful farms, many of the best operators have developed a discipline of setting clear

and measurable expectations of not only those people who are on their payrolls but their advisors as well.

### **Manage risk**

This trait may be one of the more arguable points on my list but almost by definition, a successful business must survive any risks that could potentially bring about its collapse. The counterpoint to this observation is that many very successful dairy producers are also among the most significant and calculated risk-takers. Risk comes in many forms including market (milk/feed/land prices), safety (liability), financial (leverage, interest rates), production (milk, disease, reproduction), and counter party (contracts). Mitigation of these risks must constantly be matched against the business' ability to survive a worst-case scenario in one or more of these areas. While risk management is never perfect and always comes at a price, many good managers are vigilant in looking for cost-effective tools to mitigate sources of risk.

### **Possess an attitude of excellence**

While this is one of the least quantifiable qualities on my list, it certainly is one of the more pervasive. What I'm describing is a never-ending attitude of doing the right things and doing things right. I once had a customer

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who, when working through a SWAT analysis replied that one of the strengths of their business was “we sweat excellence.” He offered the comment not as a boast or an arrogant jibe but was simply trying to state that they treated all of their selected processes as being important. If something was important to them, they strived to do it right every time, all the time.

**Take care of people** Successful dairy operations are in a position of success largely because they have surrounded themselves with good people, and people who they want to retain. They are also surrounded by good neighbors to whom they in turn want to be good neighbors. Therefore, many successful dairy owners and managers are careful to be considerate and respectful of members of their staff, their communities and their industry.

**Focus on milk quality and udder health** This is probably one of the more universal traits found in successful operations. Managing for improved SCC and udder health is an obvious economic driver considering their combined impact on milk production, milk premiums, and operating costs. Many of these excellent operators have instilled the notion among their staffs that they are in the business of producing food for people and it is sometimes amazing how impactful this concept can be, particularly with milking crews.

**Passionate about information** As an industry, we still do a pretty poor job of utilizing information (financial reports, production summaries, scorecards, etc.) to make informed management decisions. However I am confident that I commonly see these tools being utilized in well managed businesses. An old saying goes something like: “You can’t manage what you don’t measure.” Actually it was Peter Drucker who said “If you can’t measure it, you can’t manage it.” Our missed opportunity more often isn’t that we can’t measure it...more commonly we simply don’t measure it.

**Aggressively manage costs** When compared to its ability to determine milk price, a dairy operation has

much greater influence on its costs of production; many successful dairy operators manage costs very closely. There are two common standards of measuring costs in a dairy operation: cost per hundredweight of milk produced and cost per cow, per year. Obviously cost per hundredweight can be influenced by both raw costs as well as the volume of milk produced and I am referring to the management of raw costs. Many of these operators could be described as “tight with a buck.”

**Understand the importance of growth** There are two reasons why I believe this is a common factor in successful operations. First, our industry has been consolidating for decades. With consolidation, efficiency targets evolve and scale becomes an increasingly significant dynamic (not a sole determiner of success, just one factor). Second and more importantly, growth can become an important factor in a business’ ability to sustain its mission of providing a desired standard of living for its owners. As succeeding generations come into the business, there will be “more mouths to feed,” so to speak. Also, time and inflation have a way of eroding the ability of each cow to generate sufficient net income to meet its owner’s standard of living.

I certainly don’t intend this list to be either inclusive or exclusive. I realize there are additional attributes which may be associated with successful operations and I believe that a dairy that may not possess one or more of these characteristics can still be successful. I do however associate each of these skills and priorities of management with many successful dairy operations. Of course we all must be mindful of our own unique idea of what defines a “successful” dairy operation. As a business owner, it is your right and prerogative (if not obligation) to determine what success means to you and your fellow owners. Of one thing I am certain: it is of the rarest of circumstances that success is realized purely by accident. As Confucius once said, “Success depends upon previous preparation, and without such preparation there is sure to be failure.” 