

Dairy Expansion Pitfalls



Dairy Enterprise Services
Resources for today's dairy industry

Expansion Pitfalls

Lack of Planning

- Failure to right-size resources:
*acres, cows, support facilities,
dollars, people*
- End up with facility with poor
animal flow and handling
- Numerous details which are
not considered = **Cost
Overruns**



Expansion Pitfalls

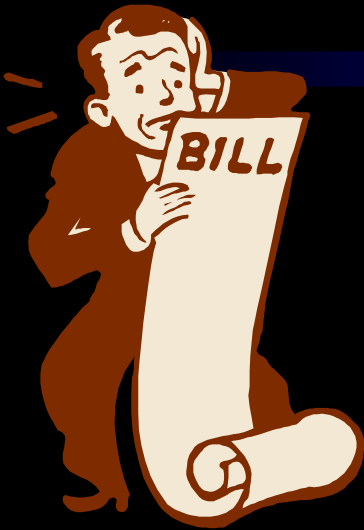
Cost Overruns

- 10-15% is not unusual; 5-10% should be planned
- Must be paid, which depletes capital reserves or planned W/C
- Most commonly include excavation, mechanical and cattle



Expansion Pitfalls

Overlooked Costs



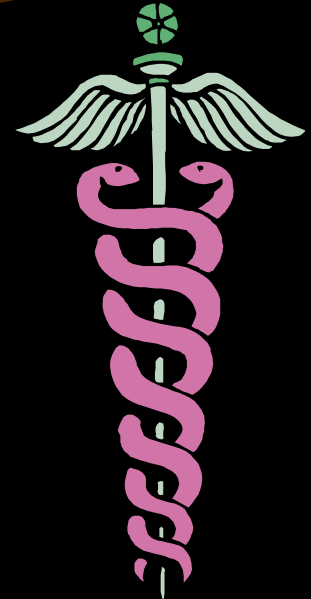
- Professional fees: *site engineering, surveys, & permits*
- Capital items: *TMR tractor, hutches*
- Information systems
- Inventories - *forage, bedding, heifers*
- Extra labor during expansion and start up
- Other expenses - *manure handling, custom hire*



Expansion Pitfalls

Cow & Heifer Quality

- Can have significant effect on expansion success or failure
- Budget higher than normal culling
- Follow recommended biosecurity procedures
- Cheap animals are more expensive in the long run



Expansion Pitfalls

Animal Inventory



- Not filling barns on schedule
- Not filling barns fast enough
- Not filling barns after cash runs out
- Not keeping barns filled once cows start drying off because cash runs out



Expansion Pitfalls

Inability To Adapt Management

- Production controls & procedures
- Ability to delegate tasks, train & develop people
- Herdsperson vs. GM vs. CEO
- Poor utilization of outside advisors
- Financial controls



Expansion Pitfalls

Inability To Adapt Management



Your radar screen will not reach out as far as it did in the old facility with the old cows and with the old staff.

Information systems will help stretch your radar!

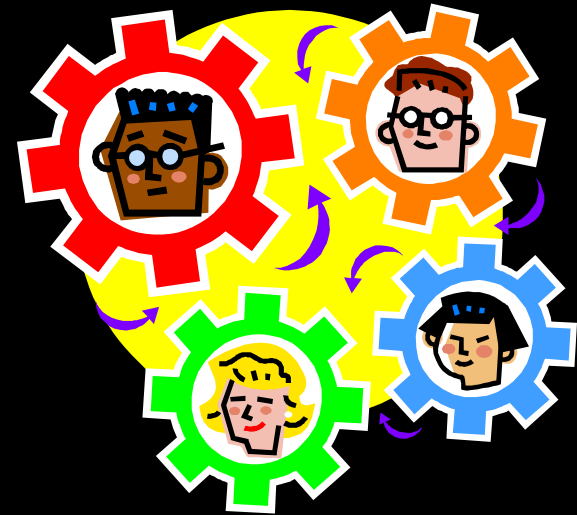


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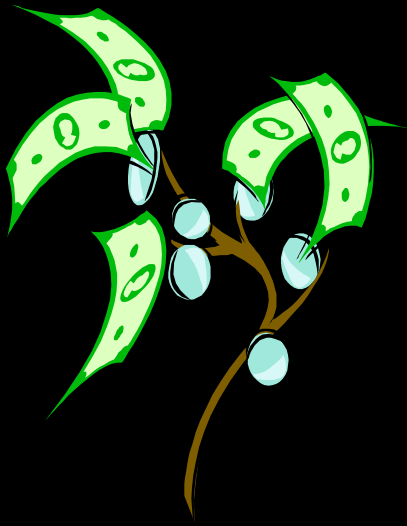
Labor Management/Cost

- Know local market and pay rates
- Develop written tools: task lists, job descriptions, procedures and protocols
- Train, train and re-train
- Be passionate about hiring and retaining quality staff members
- Beware of “Start-Up Parlor Syndrome”



Expansion Pitfalls

Inadequate Operating Capital



- Lack of reserves to deal with emergencies, weak markets, or growth
- Replacement animal funding during first two years is critical
- Excellent planning does not prevent unforeseen circumstances from occurring

Expansion Pitfalls

Stress

- Make sure all family members are involved in developing the plan
- Establish method of resolving conflict
- Expect sleepless nights
- Expansion can be the **best** and **worst** time for a family



A Final Thought . . .



Nothing in this world can take the place of persistence. Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent.

CALVIN COOLIDGE