



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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Where I start planning with a dairy family on Day 1

Dairy producers are always asking me to describe what I do. I am often contacted after a peer or trusted advisor has referred them. More times than not, one of the first topics they want to discuss is: "tell me what you do." And also more times than not, my first reply will be: "I help people answer the question: What next?"

I truly enjoy helping people answer that question and have been blessed to have had so many ask for my help. Several clients however, have gotten a little frustrated when they discover how much time I ask them to invest with me to discuss what they're doing now before we actually begin answering questions about what they should do next.

Here is a situation I had with a client several years ago. A husband/wife team approached me about helping them develop a business plan for a significant expansion of their dairy operation. They both are excellent managers, very involved in the operation and most definitely type-A personalities. After first meeting them by phone, we set an appointment for our first face-to-face meeting and work session. Before we met however, I asked them to provide a listing of all their present term and operating notes as well as the following information for each of the previous five fiscal years:

- Accountant-prepared income statements and market-based balance sheets
- Some type of herd production summary reports
- Herd inventories including young stock
- Annual shipment summaries from their milk processor or co-op

While setting up the initial appointment, I also asked them to set aside five hours on the first day to discuss their present business and personal goals, how they managed cows, how they managed people, how they used information systems to manage the business, and a somewhat short list of other topics regarding their present business model. After asking for the five-hour time commitment, there was what seemed like a stunned silence on the other end of the phone, but they accommodated my request and we prepared for our first meeting.

We met and as planned, spent the first afternoon (5½ hours) talking about them and their present operation. After the first 45 minutes, it was easy to read their body language which seemed to be screaming, "Oh my gosh, when are we going to finally get to talk about the new dairy and all the fun stuff we get to buy?" Again however, they hung in

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with me throughout that rough first day and it was smooth sailing from that point forward.

After many weeks and months of planning the project and securing financing, the project was completed quite successfully several months later. About a year after the new dairy was completed, I had the following conversation with the same couple during a follow-up discussion:

COUPLE: Greg, your projections were spot-on. It really helped that the numbers were all laid out and the assumptions were explained and rationalized... our banks couldn't tear holes in any of the numbers.

ME: Thanks. It seems to me that the two of you put a great deal of time and energy into the planning which is what really made it all come together.

COUPLE: Yes, well we also have a confession to make.

ME: What's that?

COUPLE: Do you remember that first day we met? Well, we were this close (the wife raised her hand showing a thin space between her thumb and forefinger) to asking you to leave after the second hour of questions. We couldn't understand why that stuff was so important. But now that we have the dairy built and operating in it for the past year and reflect on how we revised the plan along the way and with feedback from the first couple sets of projections, we now understand what a mistake that would have been. The answers to all those questions are what made the plan more relevant.

I have always felt the words "relevant" and "rational" were both fundamental and foundational in sound business planning. This approach requires greater detail but results in a plan that has a greater probability of accurately predicting outcomes. Following is why this background information is so meaningful:

Financial History This category is probably the easiest to understand from a relevance perspective but the information is needed so I can gain detailed insight to the results of management over recent years. Within the context of existing facilities, site, etc., what has management been able to accomplish? An income statement provides insight to present cost centers, especially when broken down to a per-unit basis (cost/cow/year and cost/cwt.) and used to measure future financial efficiencies

created from changes in physical facilities and management practices. A balance sheet sheds light not only on borrowing capacity but also demonstrates the owner's discipline toward managing debt and debt service as well as probably being the best single measuring stick for long term profitability.

Priorities of Management It is absolutely essential for any advisor to understand their client's management styles and preferences. I take seriously the responsibility of challenging a client toward new methods to improve efficiency, however my recommendations must still generally conform to his or her styles – we all understand what happens when one tries to put a square peg in a round hole.

People Management Since this area is on almost everyone's list of "Management Elements I Hate the Most," it's pretty essential for me to know and understand my client's abilities, strengths and weaknesses. Regardless of how well or poorly equipped my client is to manage people, a successful business plan must ensure that this management area is properly planned and appropriately resourced.

Purpose, Vision, Mission and Goals You may recall from prior articles or presentations the importance I place on these management elements. My clients expect me to help them develop a road map for the next steps of the evolution of their business. There are therefore two absolutely necessary points of information that must be identified to generate an accurate map complete with turn-by-turn directions: 1) the point from which we begin the trip (where we are now) and 2) our destination (where we want to go). Purpose, vision, mission and goals are analogous to your destination and without them, the car (business) will just be driving around in circles without any idea of what direction it should travel or where the trip will end.

If I am charged with the expectation of helping someone develop a road map for their business, it's a given that I must have a comprehensive understanding of where they've been, where they are now and where they want to go. While it may be more fun to jump right into the project of the moment, you may likely be better served to remember that the answers to all those questions are what make the plan more relevant. 



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