

Do's and Don'ts for Dairy Farmers When Facing Financial Difficulty

Do's

1. Complete a production and financial management analysis of your business for 2017. Determine strengths, but most importantly, areas for improvement with an immediate response and improvement in cash flow.
2. Complete a profitability and cash flow projection, for example, partial budget of the expected impacts of any changes made to improve the business.
3. Meet with your lender and share your financial management analysis and cash flow projections. Communicate with your lender often and provide periodic updates regarding your financial situation.
4. Continually review and update cash projections and partial budgets. Cash flow management is the key to surviving difficult economic times.
5. If you have past due balances, meet with suppliers to develop payment arrangements.
6. Effectively utilize farm produced feeds, especially forages.
7. Test all farm-grown forages and feed for nutrient availability. Evaluate the most cost effective commodities to purchase when feeding balanced rations, especially to early lactation cows.
8. Treat disease outbreaks, such as mastitis, before they become worse.
9. Be an astute purchaser of inputs.
10. Examine family living to see if expenses can be reduced.
11. Maintain minimal inventory; cull unprofitable cows, buy feed as needed. If you have extra dairy replacements, consider selling them. When selling animals, remember to consult your tax preparer concerning associated tax liabilities.
12. Sell nonessential capital items, including machinery and equipment; that is not needed to operate the business. Consider selling land not essential to the business, including timber. Remember to consult your tax preparer concerning tax liabilities of a sale.
13. Examine debt for possible benefits of restructuring or alternative financing.
14. Perform tasks in a timely fashion, yet get enough rest. Sleep deprivation can interfere with task performance and judgement.
15. Consider off-farm work by all family members.
16. Communicate current financial situation often with management team/family members. Seek and welcome their suggestions and involve them in key financial decisions.
17. Adopt new technologies only after careful study.
18. Monitor the financial health of those who purchase your farm products. They may also be under severe financial pressure in this economic period.
19. Seek management advice and analysis assistance early from cooperative extension, consultants, FarmNet, and others.

20. Seek personal counseling and advice from close friends, clergy, FarmNet, medical professionals, and others.
21. Routinely test manure for nutrient content. Employ modern soil testing technology to minimize purchased crop nutrients.
22. Evaluate risk management tools such as crop insurance, livestock gross margin, and the margin protection program in order to minimize production and price risk.
23. Evaluate business arrangements with other farms that have potential to reduce costs.
24. Forward contract inputs such as feed, fuel, and other supplies if you can lock in a profit.
25. Obtain price quotes from multiple suppliers for inputs such as feed, fuel, and other necessities.

Don'ts

1. Make decisions that will cause the problem to be worse a week, month, or year down the road.
2. Continue the same practices simply because you've always done it that way.
3. Neglect needed accounting tasks because there isn't time right now.
4. Utilize farm produced feeds so rapidly that they are used up without a replacement plan.
5. Reduce purchased feed just to save money.
6. Purchase products that promise to be a cure-all, unless you have hard data and experiences of others to confirm.
7. Make capital investments to reduce tax liability or because "it is a good buy."
8. Borrow money unless the profitability of the farm is reasonably expected to increase in order to provide for repayment.
9. Neglect the details; cleaning and maintaining equipment, communicating with and managing labor, detecting heats, etc.
10. Use alcohol to excess. Alcohol and other drugs can make a tough situation even worse.
11. Assume a management strategy that worked for one farm will be effective on yours.

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