

Increasing Your Profitability– Food for Thought

by Donna M. Amaral-Phillips

During the beginning of July, the National meetings of the American Dairy Science Association were held in Minneapolis. During these meetings, the latest research results as well as symposiums on various topics were presented. One of the symposia at this year's meeting was on "The Profitability of Dairy Farming in a Global Economy". This symposium had 5 speakers with some being accountants that worked directly with the finances of numerous farms across the US. Their comments were intended to stimulate the audience and you, the dairy farmer, to think about how the dairy industry and your dairy business can remain competitive in today's marketplace. Summarized are some of their comments.

- Feeding high-quality forages to dairy cows is more important now than 50 years ago. (Miller)
- Several speakers emphasized that to remain competitive, you have to "think out of the box".
- As a dairy farmer, first and foremost, you need to wear a business hat. (Rogers)
- It is a given fact that profitability goes up and down and that you need to learn how to manage your business with this unpredictability in mind. (Rogers)
- There are various ways farmers can remain competitive. These include but not limited to (1) get bigger, (2) be innovative and focused on farm management, (3) develop niche opportunities (One needs to recognize that you need to market your product in addition to managing the farm.), or (4) find new ways to "live off the depreciation" of the business. (Miller)
- The "big four" factors which affect dairy income and costs are feed, labor, interest, and milk price. In the Western US, Matlick predicted that in 2006-07, feed costs would increase 50 cents/cwt, labor would increase 20 cents/cwt, interest would increase 30 cents/cwt and milk price would be down \$2-3/cwt. (Matlick)
- A ready supply of dependable, trainable labor is very important. Quality of labor is more important than the price paid for labor. (Miller)
- The local public infrastructure needs to help the dairy industry remain competitive and free of unnecessary barriers. The local community needs to recognize that the dairy industry is important for the local economy. (Miller)