



## Strategies for Dealing With A Tough Dairy Economy

Economic stimulus plans, bailouts, and bolstering our faltering economy are the hot topics of the day, but what do they mean to the struggling dairy economy? While 2008 held favorable milk prices to offset huge input increases, 2009 is off to a much different start, with no real relief in sight.

J.W. Schroeder, Dairy Specialist with NDSU Extension Service offers these strategies that have proven useful during previous periods of economic uncertainty and may help dairy producers through the current economic crisis:

- Step up your recordkeeping. Granted, records are not fun to look at, but if your recordkeeping habits are a bit sloppy, now is the time to bring all your records up to date. If you are a meticulous recordkeeper, then keep up the habit. Having a clear sense of how costs are changing relative to sales is key to making good-quality management decisions. Have your accountant run some sensitivity analyses on your dairy and other enterprises to predict how they will fare in a variety of scenarios. This may seem like a doom-and-gloom exercise, but knowing where you are the most vulnerable will help relieve the stress of feeling as if you have no control.
- Communicate with your creditors. If you are having cash-flow problems, let your lenders know before you start missing payments. Despite all the news about unscrupulous bankers, most lenders are caring, decent people who want to help you succeed. Ask for help and be prepared to take action. You also may want to visit with your attorney, insurance agent, accountant and any other consultants on your management team.
- Keep your employees in the loop. Turbulent times and rumors cause most people to withhold bad news to protect others. During periods of uncertainty, being even more transparent in your communications is critical. Start with your employees. Tell them the truth about how the business is doing and what your benchmarks are going to be for decision making. You do not want to be in the position of having your key employees panic and start looking for new positions just when you need their creativity and skills the most.
- Do not underestimate the power of appreciation. Thank your customers for their loyalty. Let them know that you appreciate their continued support. If customers have to reduce an order or change their purchasing habits, let them know that you understand. On the other hand, if customers are falling behind in their payments, contact them right away and request a written payment plan to get them current. Unless you can afford to finance their debt, be empathetic but firm.
- Take care of yourself. When things are not going well, many business owners have a tendency to work harder. Working more hours, combined with increasing stress levels, is a recipe for health problems. Force yourself to stick to your normal routines: Eat properly, get plenty of rest, exercise regularly and spend time with family and friends. All of these activities will help you keep business problems in perspective and keep you from obsessing over things you cannot control.
- Reach out to others. Networking is important during good times. In bad times, it becomes a necessity. Share tips and strategies with other business owners on what is working for you and where you need help. Surviving a global economic crisis will be a challenge for business owners regardless of their size and industry. Fortunately, most small-scale farmers have skills and creativity that will serve them well, even without a bail-out program. Attend an educational program to seek strategies to manage your business during an economic downturn.
- Locally, the observation is that futures contracts for the first half of 2009 are dismal at best. This is due partly to the increase in the cowherd, partly to export competition and, most importantly, to the weakening economy. The increase in the cowherd will correct itself rather quickly at these prices. Who knows about exports? However, the weak economy is the biggest factor, and when that turns around is unknown.
- The bottom line: The first half of 2009 looks like serious losses, and the losses may continue into the second half. As a result, everyone in the dairy business and its support industries will be forced to bear down, reduce expenses where they can, put off any unnecessary capital expenditures and be the best production managers possible.

**TABLE 15. DRY MATTER INTAKE GUIDELINES**

<b>Milk<sup>a</sup></b>	<b>900</b>	<b>1100</b>	<b>1200</b>	<b>1300</b>	<b>1500</b>
lb/day	% of body weight <sup>b</sup>				
20	2.6	2.3	2.2	2.1	2.0
30	3.0	2.7	2.6	2.5	2.3
40	3.4	3.1	2.9	2.8	2.5
50	3.8	3.4	3.2	3.1	2.8
60	4.1	3.7	3.5	3.4	3.1
70	4.6	4.0	3.8	3.6	3.3
80	5.1	4.3	4.1	3.8	3.5
90		4.7	4.4	4.1	3.7
100		5.0	4.7	4.4	3.9

<sup>a</sup> Fat corrected milk = (milk lb x .4) + (fat lb x 15).

<sup>b</sup> Intakes may be up to 18% less for cows in early lactation.