

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 2019. Determine strengths, but most importantly, areas for improvement that result in an immediate response and improvement in cash flow.
2. Complete a profitability and cash flow projection.
 - A. Partial budget of the expected impacts of any changes made to improve the business.
 - B. Whole farm budgets of expected cash inflows and outflows along with profitability.
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. Focus on the goal of minimizing loss, not minimizing cost.
8. Treat disease outbreaks, such as mastitis, before they become worse.
9. Be an astute purchaser of inputs. Check more than once source for prices.
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 and your lender for any restrictions associated with selling collateral.
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 and team/family members. Seek and welcome their suggestions and involve them in key financial decisions.
17. Forward contract inputs such as feed, fuel, and other supplies if you can lock in a profit.

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, dairy margin coverage, and dairy revenue protection insurance in order to minimize production and price risk.
23. Evaluate business arrangements with other farms that have potential to reduce costs.
24. Adopt new technologies, such as variable rate seeding, only after careful study for impact on costs and returns.
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 in 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 cash income to 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.

Prepared by:

*Wayne A. Knoblauch, Professor
Dyson School of Applied Economics and Management
SC Johnson College of Business
College of Agriculture and Life Sciences
Cornell University*

*Jason Karszes, Senior Extension Associate
PRO-DAIRY
Department of Animal Science
College of Agriculture and Life Sciences
Cornell University*

Revised April 2020

