

BUSINESS REINVESTMENT

PRO-DAIRY

By Jason Karszes and Julie Berry

Re-investing in the business and its future is a process

This month's *Manager* focuses on the process associated with re-investing in a farm business. Because many Northeast dairy farms are multi-generational, change often takes place as the next generation returns to the farm and different opportunities arise. For the business to continue to meet the goals and desires of the family members over time, change must continually occur.

Why re-invest? This is a question that should be asked continuously as there is no universal

answer. Every year in every business is different and each year there are different investment opportunities to consider. However, with the continually changing business environment, it is important that re-investment continually occur in at least some aspect of the business.

If no re-investment occurs for a length of time, does the business end up in a position that it can't meet the family member's goals and desires? And, more importantly, is it in a position that it may not present sufficient opportunities to change to meet the goals and desires of the family? By re-investing into the business, the business remains viable, continues to meet the goals and desires of the family, stays positioned to take advantage of opportunities that arise, and stays positioned to take advantage of future opportunities.

What to re-invest in? Many different areas of reinvestment can be made on a dairy farm. Traditionally, machinery, equipment, buildings,

and land are focused on when thinking of reinvestment. These are important to consider, and as technology evolves at a faster pace, will be even more critical. However, this isn't the only area of investment. How well employees use the equipment, machinery, buildings and land, is as important to the success of the investment as the asset itself. Continual investment into employees on the farm provides the opportunity to do a better job of capturing the value of the capital assets being utilized by the business.

A second area of investment is in the people who will own and lead the farm. These owners and managers will make decisions on what to invest in and will manage all of the resources associated with the business. Development of these people is a process that takes place over many years, starting as children, and continuing well beyond the point of taking control of the business. If this is thought about formally, then there is a better chance that the people and the business will be successful.

Making Decisions? With many different areas of potential focus, how do you make decisions on what to do when? Multiple projects can be worked on simultaneously, but if efforts are prioritized, more consistent progress can be made. Advisory teams are one approach successfully used to consider alternatives and choose the next area of investment.

This issue of *The Manager* features technical articles and farm profiles authored by leaders from PRO-DAIRY, Cornell University and Penn State University. Their articles cover different areas of the re-investment process and form a collection that is a useful resource to continually refer back to as the business changes. By focusing on the process associated with making reinvestments in the business, along with building the necessary skills in the employees and management of the farm, the business can be more successful in meeting the goals and desires of the family and employees.

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The Manger from PRO-DAIRY focuses on business planning.

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The Manager, a special section prepared by PRO-DAIRY specialists appears in DairyBusiness East four times a year. In keeping with the PRO-DAIRY mission, The Manager helps strengthen the management skills of dairy producers and increase the profitability of the dairy industry. PRO-DAIRY, an educational program begun in 1988, is a joint venture of the New York State Department of Agriculture and Markets, Cornell University's College of Agriculture and Life Sciences, and Northeast agriservice organizations. For reprints of PRO-DAIRY's The Manager, contact David LaCombe, DairyBusiness Communications, 6437 Collamer Rd, East Syracuse NY 13057. P: 800.334.1904 or 315.703.7979 ext. 235. Email: dllacombe@dairybusiness.com.