Will a New Barn and/or Parlor Improve our Lot in Life?

More than a rhetorical question! What is the probability that your current status (interaction between management, cow numbers, current facilities and equipment and ability to turn adequate operating margin) is indeed holding you back?

This “Current Status Dairy Farm Business Assessment Tool” is designed to either score and scale (sections 1 – 3) or provide a visual picture (remaining sections) of where the weak links in your business may be. Additionally, each measured term offers a “don’t know”. You may want to turn the most critical unknowns into a reliable number.

The purpose of taking the time to do this assessment with all stakeholders involved is to look at the weak links and ask the question “will this new barn and/or parlor improve this?” If the answer is “yes” to many of the weak links your confidence to forge ahead will be high. Contrarily, if the answer is often “no”, you may want to shore up management in these areas before committing to a major building project.

This assessment tool is divided into these sections and subsections with scoring type noted to the right:

- Does Dairying Fit Your Lifestyle? Score & Scale
- Management Skills and Preferences Score & Scale
- Measuring the Business Financially Score & Scale
- Measuring and Managing the Farm’s Profitability Visual (3, 2, or 1 “weak links”)
- Business Viability Factors Visual (3, 2, or 1 “weak links”)

Measuring and Managing the Farm’s Production Capacity

- Crop Management Visual (3, 2, or 1 “weak links”)
- Facilities & Environment Visual (3, 2, or 1 “weak links”)
- Animal Productivity Visual (3, 2, or 1 “weak links”)
- Nutrition and Feeding Visual (3, 2, or 1 “weak links”)
- Milking Management Visual (3, 2, or 1 “weak links”)
- Reproductive Management and Herd Health Visual (3, 2, or 1 “weak links”)

The back section includes an article offering some sage advice on building and maintaining your own “consulting team” (also known as “Dairy Profit Teams”).

Please note that the first two sections “Does Dairying Fit Your Lifestyle?” and “Management Skills and Preferences” pertain to individuals. You might want to copy these sections off and distribute to all stakeholders in the business.

Good luck! We look forward to seeing you at one of the Dairy Modernization Workshops.
Describe your level of satisfaction with the financial rewards your farm business currently provides.

- **4** Satisfactory.
- **3** OK. But would like it to be higher.
- **2** Unsatisfactory. With changes it could become satisfactory.
- **1** Unsatisfactory. Little or no hope it can become satisfactory.

Describe your level of satisfaction with the time you have for family and personal interests.

- **4** Adequate.
- **3** OK, but more time would be better.
- **2** Do not have enough personal/family time. With changes it could be satisfactory.
- **1** Do not have enough personal/family time. Little or no hope it could be satisfactory.

Describe the level of stress you and your family experience from owning and operating a farm.

- **4** Farm-related problems do not affect personal or family life.
- **3** Problems carry over. Stress is tolerable, but could be reduced.
- **2** Problems carry over. Stress is too much, but could be reduced with changes.
- **1** Problems carry over. Stress is too much. Have little or no hope for change.

Describe your level of satisfaction with your progress toward providing for retirement or transfer of the business.

- **4** Satisfactory.
- **3** Progress OK, but could be faster, cleaner.
- **2** Unsatisfactory. With changes it could become satisfactory.
- **1** Unsatisfactory. Little or no hope it could be satisfactory.

Scoring:

- **14 or more**: You’re meeting the needs of yourself and family.
- **9 to 13**: You may benefit from working with professional family business counselors, or pull together your own analysis team.
- **8 or less**: You will likely benefit from investing time with experienced family business counselors.
Management Skills and Preferences Assessment

For each statement below circle the number closest to your level of agreement. Add up the numbers you circled. Compare your total with the scoring table below.

The big picture and the details are very clear to us. We know where we're going and how to get there.

Strongly Disagree Strongly Agree
1 2 3 4 5

We always take time to first figure out the details of a project, large or small.

Strongly Disagree Strongly Agree
1 2 3 4 5

We tend to be very creative and can easily come up with 10 ideas to solve any problem.

Strongly Disagree Strongly Agree
1 2 3 4 5

We assess regularly (daily) what is accomplished on the farm.

Strongly Disagree Strongly Agree
1 2 3 4 5

Our records keep us well informed of progress toward our goals.

Strongly Disagree Strongly Agree
1 2 3 4 5

Everyone on the farm understands the standards that have been set and strives to live up to them.

Strongly Disagree Strongly Agree
1 2 3 4 5

Everyone on the farm has very clear roles and responsibilities, which are written down.

Strongly Disagree Strongly Agree
1 2 3 4 5

People working for us are responsible and accountable for what they do.

Strongly Disagree Strongly Agree
1 2 3 4 5

We do not fear being away from the farm. If something goes wrong on the farm it is viewed as our problem and everyone pulls together to set things right.

Strongly Disagree Strongly Agree
1 2 3 4 5

Build a Consulting Team that Works

By Bruce Dehm
Dehm Associates, Geneseo, New York

“Knowing in part may make a fine tale, but wisdom comes from seeing the whole.”
-Seven Blind Mice

Anyone who has read the fine children’s book Seven Blind Mice can understand the value of correctly identifying a problem before applying a solution. In this tale, seven blind mice explore something strange they discovered at their pond. One discovers a leg and pronounces it a pillar. Another finds a tusk and claims it is a spear. A third arrives at the tail and says it is nothing but a rope. Only the seventh blind mouse takes the time to explore from top to bottom and from end to end. He correctly identifies the object as an elephant.

A dairy farm is a complex system. To operate one successfully, you must understand biology, psychology, mechanics, economics, and politics. Dairy producers depend on expert advice from the professionals they hire. Veterinarians, nutritionists, agronomists, lenders, business consultants, and accountants, among others, are hired to provide information and advice. Most professionals are specialists rather than generalists. They need to be, given the complexity of today’s environment. The drawback is that specialists are much like the first six blind mice. One may understand the leg and another the tail, but very few have the ability of the seventh mouse.

When you take advice from several consultants, you must decide which advice will provide the most benefit for your money. For example, a nutritionist recommends a new TMR mixer for improved milk response, a crop consultant recommends a major liming program to improve crop yields, a veterinarian asks you to upgrade dry cow facilities for a better pre-fresh program, a business consultant wants improved cash flow. In most cases, the “golden rule” prevails (the person with gold makes the rules), and there will be one frustrated dairy farm and four frustrated consultants. Don’t blame the banker, though, because based on his or her knowledge of the situation the decision not to fund more capital investment is perfectly correct.

There is a solution to this dilemma, and it is as simple as bringing your individual consultants together as a team at least once a year. In this meeting, you, the farm manager, must lay out the mission and goals for your farm business. Within that framework your consultants need to identify problem areas that may keep you from meeting your goals. They should propose solutions to the problems. After all the goals, problems, and possible solutions have been identified, you and your team can rank solutions according to need. The result becomes your business plan, the blueprint for meeting your goals.

The role of the business consultant in this process is threefold. First, the consultant should see to it that the financial information of the farm is of sufficient quality to both describe the current financial situation and measure the results of any significant changes on profitability, cash flow, or other measures of financial efficiency. Second, the consultant should be able to reveal strengths and weaknesses of the farm business as compared to similar farm businesses and help the team determine the best alternatives for meeting farm goals. Finally, the consultant should be able to skillfully communicate to you and the other team members the effect of implementing the new farm business plan.

An advisory or consulting team can help you make decisions to achieve what you want for your farm and family. After you summarize your assessment scores on pages 12 and 13, consider where your farm is headed and the makeup of a team that can help you reach your goals. Some suggestions for team members are inside the back cover. Set up a meeting of your team to discuss this assessment and determine what areas of the business you should work on first.
### Reproductive Management and Herd Health

<table>
<thead>
<tr>
<th>Metric</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heat Detection Rate, percent of all possible heats that are observed after voluntary waiting period</td>
<td>30 40 50 60 70 Don’t Know</td>
</tr>
<tr>
<td>Conception Rate, successful breedings as a percent of all breedings</td>
<td>30 40 50 60 70 Don’t Know</td>
</tr>
<tr>
<td>Percent First Calf Heifers in Herd</td>
<td>45 40 35 30 25 Don’t Know</td>
</tr>
<tr>
<td>Calving Risk; animals with milk fever, ketosis, D.A., or retained placenta as a percent of all calvings</td>
<td>40 30 20 15 10 Don’t Know</td>
</tr>
<tr>
<td>Teat Injuries, percent of cows with one or more injured teats per year</td>
<td>35 30 25 20 10 Don’t Know</td>
</tr>
<tr>
<td>Body Condition; average score loss from freshening to 80 days in milk</td>
<td>2 1.5 1 0.75 0.5 Don’t Know</td>
</tr>
</tbody>
</table>

### Scoring:

- **Score**: 65 or more: Excellent, well-balanced management skills.
- **Score**: 55 to 64: Growing as a manager, may be out of balance.*
- **Score**: 54 or less: Plenty of room for management growth, check balance.*

*If scores for statements 1-6 (above the line) tend to be higher than those below, you may be inclined to manage technology rather than people. Balance pays!
Measuring the Business Financially

Are the Dollars there for Family Needs Today and Tomorrow?

In the first evaluation you made a qualitative statement about your business. The second evaluation cast some light on your strengths and weaknesses as a manager. The following evaluation will disclose areas of opportunity in the financial arena.

The chart below, when filled in with numbers from the following worksheet, will indicate whether you are meeting family wants and needs, if you are current on financial obligations (interest and principal), and if you are able to invest capital back into the business or salt away some funds for retirement.

Distributing the Operating Margin

Making it now? Anchored for the Future?

Family Living*

Desired $ _________________
Actual $ _________________

Loan Interest/Principal

Desired $ _________________
Actual $ _________________

Business Growth/Personal Savings

Desired $ _________________
Actual $ _________________

*Assumes no salary taken as farm expense and the house is expensed as an asset of the farm
Facilities & Environment

Stocking Density (bedded pack guidelines do not include manure alley)

- >40% Overstock
  - (<50 ft²)
- 30-40%
  - (50-75 ft²)
- 20-30%
  - (75-100 ft²)
- 10-20%
  - (100-125 ft²)
- 0%
  - (125-150 ft²)
- Don't Know

Bunk Space

- <18'/hd.
- 18'-21'/hd.
- 21'-24'/hd.
- 24'/hd. with 1st calf in group
- 24'/hd. with 1st calf separate group
- Don't Know

Watering Space & Availability

- <1'/hd. 1 source/pen wait refill, off part day
- <1'/hd. 1 source/pen wait refill, always on
- 1.5'-2'/hd. 1 source/pen wait refill, always on
- 2'/hd. 2+ sources/pen<80-100 ft apart, fast refill
- 2'/hd. 2+ sources/pen<80-100 ft apart, fast refill
- Don't Know

Parlor Holding Time (if applicable)

- >3 hrs. last cow
- 140-180 min. last cow
- 100-140 min. last cow
- 60-100 min last cow
- <1 hr. last cow
- Don't Know

Animal Productivity

Milk Sold per Cow per Year, in pounds (Holsteins; conventional pricing and production systems)

- 16,000
- 19,000
- 22,000
- 25,000
- 28,000
- Don't Know

Average Age at First Calving in Months

- 32
- 28
- 26
- 24
- 22
- Don't Know

Percent of Individual Heifers hitting the above average or younger

- 75%
- 80%
- 85%
- 90%
- 95%
- Don't Know

Percent of First Calves Achieving 82-85% of Expected Mature Weight at Freshening

- 70%
- 75%
- 80%
- 85%
- 90%
- Don't Know

Percent of Heifers Achieving 55% of Expected Mature Weight at Breeding

- 70%
- 75%
- 80%
- 85%
- 90%
- Don't Know

Percent of Baby Calves Doubling Birth Weight by 56 Days of Life

- 70%
- 75%
- 80%
- 85%
- 90%
- Don't Know

Worksheet

Gross Income

From Schedule F + cull cow sales form 4797

Total Schedule F Expenses

Schedule F Interest

Schedule F Depreciation

Operating Margin

Distribution of Last Year’s Operating Margin

Family Living

Interest and Principal Paid on Loans

Business Growth / Personal Savings

Transfer these figures to the triangle at top

Some Common Sense

Financial management is a weak link for many dairy farm businesses. This simple evaluation does not describe which factors are limiting the potential of your business.

When assembling your own Analysis Team (see page 11), consider hiring a financial management professional who can help you prepare a more-detailed and more-revealing financial assessment.

Remember that financial measures are the only quantitative link between family needs and wants and the production enterprises.

Scoring the Financial Evaluation

Looking at your numbers in the triangle on the previous page, rate your financial performance with a 3, 2, or 1 as defined below.

3 Meeting family living goals, current on all debt, and investing dollars back into business or retirement.

2 Meeting family living goals, current on all debt, little or no reinvestment or retirement funding.

1 Not meeting family living goals.

Example

100 Cows

$300,000 gross income

$200,000 expenses

(with interest and depreciation taken out)

$100,000 operating margin

If Dispersed Equitably within the Triangle

$30,000 to Family Living

$45,000 to Loan Interest and Principal Payments

$25,000 to Business Growth / Personal Savings

Score
Measuring and Managing the Farm’s Profitability

1. Business has meetings to discuss financial progress
   - Never
   - Only at crisis
   - For lenders
   - Quarterly
   - Monthly
   - Don’t Know

2. Financial records are used for decisions
   - Never
   - Tax planning
   - Big changes
   - Yearly
   - Monthly
   - Don’t Know

3. Accounts are kept up to date
   - Never
   - High profit years
   - If checkbook has enough
   - Most of the time
   - Always
   - Don’t Know

4. Analysis of capital purchases
   - Never
   - What lender Requires
   - Only on facilities
   - Anything above $20,000
   - Always
   - Don’t Know

5. Have an employee training program
   - None
   - On first day
   - When time allows
   - Monthly
   - Continual
   - Don’t Know

6. Profitability of the business compared with other dairy farms
   - Bottom 40%
   - Bottom 20%
   - Average 40-60%
   - Top 40%
   - Top 20%
   - Don’t Know

Business Viability Factors

1. Management transition plans are in place
   - Never discussed
   - Wait for retirement
   - Wait until New Year
   - Many/most areas
   - Across the board
   - Don’t Know

2. Next generation responsible for daily decision making
   - Never
   - Limited
   - Specific areas
   - Major part of business
   - All
   - Don’t Know

3. Next generation involved in financial aspects of business
   - They’re not interested
   - Only if forced to
   - Take lead Financial analysis
   - They have checkbook
   - Responsible for all
   - Don’t Know

4. Will and Estate Plan have been completed
   - None
   - Internet will
   - Professional will never reviewed
   - Occasional review
   - Yearly review and update
   - Don’t Know

5. Family members aware of estate plan
   - Don’t share
   - Know lawyer to call
   - Know where it is filed
   - Have a copy
   - Understand and agree with plan
   - Don’t Know

Measuring and Managing the Farm’s Production Capacity

It’s tough to argue with the well-worn business maxim, “If you can’t measure it, you can’t manage it.” You know why you’re in business and what you need from it financially. You have an idea of your strengths as a business manager. You also have a reasonable measure of the farm’s financial performance. The dairy and crop production enterprises are your arenas for creating financial gain. Circle your answer to each statement below, scored 1 through 5.

Crop Management

1. Soil Test Individual Fields and Follow Fertilizer Recommendations, in years
   - Never
   - Every 10
   - Every 5
   - Every 3
   - Every 1
   - Don’t Know

2. Starting Date, Mechanically Harvested Fields Managed as Grass
   - June 10+
   - June 3
   - May 27
   - May 20
   - May 15
   - Don’t Know

3. Ending Date, Mechanically Harvested Fields Managed as Grass
   - June 20+
   - June 3
   - May 30
   - May 23
   - Don’t Know

4. Starting Date, Mechanically Harvested Fields Managed as Alfalfa
   - June 20
   - June 13
   - June 6
   - May 30
   - Don’t Know

5. Ending Date, Mechanically Harvested Fields Managed as Alfalfa
   - June 29
   - June 22
   - June 15
   - June 8
   - June 1
   - Don’t Know

6. Starting Date, Pasture System
   - May 21
   - May 15
   - May 8
   - May 1
   - April 25
   - Don’t Know

7. Frequency of Pasture Rotation in the spring
   - 4 days
   - 7 days
   - 3 days
   - 1 day
   - 12 hrs
   - Don’t Know

8. Alfalfa and/or Grass Yields as Dry Hay (haylage) in tons per acre
   - 1 (2.5)
   - 2 (5.5)
   - 3 (8.5)
   - 4 (11)
   - 5 (14)
   - Don’t Know

9. Corn Silage, as harvested tons per acre
   - 10
   - 13
   - 15
   - 17
   - 20
   - Don’t Know

Bunker Silos / Drive Over Piles, Average Density Achieved (Grass), in dry matter lbs./cu.ft.

- 8
- 10
- 12
- 14
- 16

Bunker Silos / Drive Over Piles, Average Density Achieved (Alfalfa), in dry matter lbs./cu.ft.

- 9
- 12
- 15
- 17
- 20

Bunker Silos / Drive Over Piles, Average Density Achieved (Corn Silage), in dry matter lbs./cu.ft.

- 8
- 11
- 14
- 16
- 19

Don’t Know