

How Do You Measure Success?

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Dairies are complex, variable and ever-changing dynamic biological systems. Measuring success on a dairy farm is different for different people. There are numerous aspects of the dairy business that each have their own measure of success. Among these are parlor efficiency, pregnancy rates, commodity shrink, milk production, dry matter intake, death loss, transition health, peak milk, cull rate, etc. We could go on forever listing very important benchmarking parameters that we use as measuring sticks in particular areas. However, most would agree that profitability is the ultimate measure of overall success. Knowing that, it make sense to understand the key bottom-line profit drivers on each dairy. What areas are the most important and require more focus to increase the probability of ultimate profitability? These may differ from dairy to dairy. The risk is to miss the message and focus on and emphasize the wrong areas.

There are some dairy producers who are great farmers and spend much of their time focused on producing the very best feed to help the cows be highly productive. Other dairymen are geared more towards the cows. Genetics and cow comfort might top their list. Still others may put their focus on the parlor and manage that very important aspect at a high level. The point is that most people specialize in one or two areas in which they are the most comfortable. The result might be an over-emphasis of their management capital in those areas. Oftentimes this creates a lack of management and leadership in other areas of the dairy operation that are equally important to the overall success of the dairy. How can a dairy achieve the correct balance?

Milk prices are obviously down and producers are looking for ways to improve efficiency and reduce costs. Producers should look for areas in the business that could be improved and have the largest positive impact on the bottom line. Finding and addressing these opportunities is imperative for the long term sustainability of the business. Too often we go back to the areas that we are comfortable with instead of tackling the areas that are out of our comfort zone.

Perhaps start by listing 10 key areas of the business that likely make the most impact on profitability. How many of those areas are you actively trying to improve? Are these the areas that you are most comfortable working in? Maybe there are things that could be done differently and with help from others on the team, address those less comfortable areas to make them better. People, resources, education and evaluation all lead to the recognition that things need to improve. It might be that attention to the process of looking for opportunities is the key to real improvement.

What side of the ledger gets the majority of your attention? Do you think about profitability in terms of making the income portion of the equation larger, or the expense part of the equation smaller? There is no wrong answer – a dollar has the same value on either side of the equation. But if you typically spend your time and effort on one side of that equation, don't forget about the opposite side. Even in a down

market it still makes good business sense to invest \$1 if it returns \$2. By the same token, if you can save \$2 in production cost and only lose \$1 in saleable product that is an equally good decision.

Don't lose sight of the big picture by focusing too closely on the short term aspects of the business. Decide where you need to focus your effort and prioritize the areas that will have the largest impact on the dairy's profitability. Thinking in that manner will increase margins and insure that the maximum dollars go Straight to Your Bottom Line.