

Straight to Your Bottom Line

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The New Season

Springtime always seems to bring the thought of renewal. We have been bemoaning the winter weather, poor milk prices, the state of all things political and the struggle to make a profit in these very trying economic times. It tends to get more and more frustrating the longer we struggle to get into the black, our attitudes deteriorate, our tempers get shorter, and life in general is just not as much fun. The fact is, especially in agriculture, business economics is cyclical and we just happen to be in the down part of that cycle. Just like coming out of a long cold winter, we can always count on the springseason to make its appearance bringing new hope for a new year. We know that at some point the dairy industry will see improved economic conditions and we need to be prepared to take advantage of that opportunity when it presents itself.

Typically, when poor economic conditions are present for an extended period of time it helps us to focus on efficiency. Operational efficiencies might start suffering in most businesses when profit margins are relatively high. But when times get tough it helps us use our creative genius to improvise, create and adapt, instead of copy, buy, and replace. No doubt that there are fundamentals in every business that need to be taken care of no matter the economics involved. But there is also no doubt that most of us will tend to get a little soft and start spending money to avoid harder work – if the money is available.

It is not very often that you can “hard work” yourself into being profitable when times are tough. Motivation to improve your operational efficiencies is not a bad thing. In fact it can certainly help ease the pain during the downturn and improve the potential for increasing margins when the market recovers. The darkness doesn’t last forever and the light at the end of the tunnel is one day closer- be prepared not only to benefit from better prices when they come – but prepare your operation to maximize the profit potential, not by stripping, cutting, selling, and settling your way to survival but by streamlining, managing, dealing, and prioritizing.

Agriculture, and more specifically animal agriculture, takes very special people to withstand the changing seasons. Knowing that no matter how hard you work, how well you manage, how high quality of a product you produce, you still have very little control of the selling price of your product. Therefore to change improve the margin of your goods the biggest impact that you have is on the cost of production side. Cheaper does not mean better. Let me repeat that - cheaper does not mean better. Getting what you pay for is as true here as in any other circumstance. It is absolutely true that oftentimes a company creates a way to make a comparable product cheaper, but too often the product is cheaper because it is not comparable, it is made of inferior material or technology and will not perform at the same level.

Get lean, get streamlined, get creative - don't just get cheap. The difference between the two will go Straight to Your Bottom Line.