

Manage with pizzazz

For a successful fit, match your business approach to your management style

Imagine, if you can, strolling out to the barn dressed in a colorful Hawaiian shirt, surfer shorts, sandals and straw hat. You can do it. But, really. That attire is hardly dairy producer work style, characterized more accurately by functional rubber boots, baseball cap and, perhaps, navy blue coveralls.

If you're uncomfortable dressed out-of-style, you aren't likely to be at ease trying to fit into a management style that isn't your own. If your business style is mild-mannered, can you change to an in-your-face style?

Style being important to success, Northeast Farm Credit looks at it as part of its annual Dairy Farm Summary. Farm Credit divides the top 25% profit group, or 127 dairies in the 1999 summary, into five management styles, shown in the table. Then the summary looks at how each of those styles performs in different areas such as milk sold per cow or percent net worth.

"There are diverse management styles in operating a farm business. And they're all successful," says Dave Stafford, Farm Credit of Western New York business management specialist who spearheaded the 1999 summary. You have to pick what works for you.

When Stafford consults with families on projects they're planning, he advises them to work within their management style. For example, if a dairy plans to expand, the type and size of expansion must fit the manager's style, he says.

What's your style? The following five styles from the summary reflect how producers combine their skills, person-

ality and lifestyle preferences with their resources, technology, labor and management to operate successfully.



1. Great with cows.

"Their key to success is that while striving for high production per cow, they keep costs in line," Stafford says.



2. Working smarter.

Superior labor management, the second highest herd average and the largest herd size made this group the most labor efficient, Stafford says.



5. Nice milk price.

The higher prices could result from closeness to markets, higher butterfat, negotiated premiums, protein or specialty markets. "If this is a farm's style, I worry whether they will be able to always maintain this advantage."



6. Tight with a buck.

"This group may be the most profitable and the best positioned to ride out low prices. But this style isn't for everyone, especially if it means arguing (about price) with everyone who comes onto the farm."



7. Good all around.

The smallest farms in the Farm Credit summary fall into this category, doing well enough to earn higher profits than 75% of the other farms in the summary. "Smaller farms may be locked out of working smarter because of labor inefficiencies and they can't always be tight with a buck. Since they won't have efficiencies and economies of scale, they can't rely on just one or two things to make it work but must do quite a few things well," Stafford says.

"The important thing with any of these management styles is the ability to balance production per cow, costs, labor and capital efficiencies, and milk prices," Stafford says. "If they're in the top 25%, they're pretty well balanced already, and they probably have one attribute that sets them apart." ♦

Management Styles & Performance

	Great with Cows	Working Smarter	Nice Milk Price	Tight With A Buck	Good All Around	Top 25
Number of farms	22	23	24	19	39	127
Ave. no. of cows	173	316	137	171	108	171
Milk sold/cow (lbs.)	24,480	21,602	19,904	20,385	19,665	21,638
Milk sold/worker (lbs.)	793,411	1,262,858	756,814	810,258	751,966	925,025
Milk price/cwt.	\$15.28	\$15.02	\$16.13	\$14.73	\$14.95	\$15.25
Net cost of production/cwt.	\$12.77	\$11.93	\$13.79	\$10.03	\$12.62	\$12.13
Net earnings/cow	\$691	\$700	\$544	\$1,016	\$590	\$726
Net earnings/cwt.	\$2.82	\$3.28	\$2.76	\$5.01	\$3.02	\$3.36
Return on assets (%)	10.8	12.8	9.6	15.6	10	12.2
Percent net worth (%)	67	68	71	66	70	68

Source: 1999 Dairy Farm Summary, Farm Credit.