



DIBS

Dairy Issue Briefs



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Plummeting prices in the dairy industry are creating critical cash-flow and long-term survivability issues on Ohio's 3,328 dairy farms. Cost-cutting decisions must be made with full awareness of both short and long-term production and economic consequences. OSU Extension's Dairy Working Group, a collaboration of OSU Extension Educators and Specialists discuss:

Reducing costs to improve short term cash flow

How do I answer big financial questions?

In "normal" times, big financial questions are: where are we, where do we want to go, how can we get there?

Big financial questions today are:

- Is there enough cash to make it through these poor markets?
- If not, where will it come from?
- If I borrow more money, can my cows pay it back?
- Is my hard-earned equity safe?
- Can I afford to keep milking cows?

Important questions are rarely easily or quickly answered. From a farm business perspective, the FINPACK[®] financial planning and analysis software package is a top-notch tool to help farm businesses analyze and answer these questions. Farms select which components to use depending on the questions they are trying to answer.

Where are we?

Using FINAN with enterprise analysis, a farm business can analyze their previous business year and identify which crop and livestock enterprises were profitable and which were not. It also analyzes the profitability of the total farm business. Profitability measures for the farm are graphically compared to Farm Financial Standards Council guidelines.

Additional debt, cow payback and equity protection

The FINLRB software program allows a farm business to look at the "what ifs?" On paper, the farm can look at multiple ways of changing the business, such as taking on additional debt, expanding, changing enterprises, bringing in a family member, buying out a partner, making a major capital investment, etc. FINLRB allows you to look at changes, evaluate profitability and compare them to the way things currently are *before* money is borrowed, invested or ground is broken.



Bottom Line: FINPACK is a powerful tool to help farm businesses analyze historical performance and project future profitability (or lack of profitability) of the existing business and potential business changes. 30 Extension educators, specialists and FBPA instructors are trained to use these tools with Ohio's farms.

Contact your County Extension Office for assistance, or check for an educator near you at: <http://ohioagmanager.osu.edu/news/archive/2008/11-08.php#3>

More information about the FINPACK programs is available at <http://www.cfm.umn.edu/>

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More DIBS are posted on-line at <http://dairy.osu.edu>.

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