



Charles Holt, an independent consultant with the Farm Consultancy Group, talks about important, but often overlooked, business issues facing dairy producers today. Here he explains why simplifying your business could reap financial – as well as personal – dividends.

Charles Holt: "Are you wearing too many hats?"

Keep it simple, stupid



Many producers should make 2014 the year they resolve to simplify their business. An increasing number of producers – eager to avoid standing still – are struggling with an expanding portfolio of diversifications to their main dairy business and seeing very little in return for their efforts.

For these producers, a review is long over due. This should serve to not only re-focus their business activity on what's profitable, but also to reduce stress levels and, in some instances, give them their life back.

Typical 'extra curricular' activities on dairy units include rearing beef calves to sell as stores, contract work, arable enterprises, free-range egg production or milk processing.

And there's nothing wrong with any of these as an additional enterprise if they're profitable and not detracting from the core business. In some instances, however, they are a drain on the producer's time and resources – and the business' bank balance.

Too much

There's a lot to juggle when managing a dairy unit – it's an enormous job in itself and there are plenty of 'balls' to keep up in the air. If adding a contracting business, for example, means that some of those dairy 'balls' are being dropped a little too often then it begs the question of whether you're trying to do too much. If you're not sure if your business is overly complicated then get an outside view. Call in a consultant or an existing adviser – it does not have to be expensive. And be honest about how much time you're spending on different areas of your business and how much of a return you're seeing.

Most producers will have an inkling that something's not right – or a family member will have flagged it up – typically because there's little profit to

be seen for an awful lot of input. If your business is over complicated, there are solutions. The first – and most obvious – is to cut out the non-profitable enterprise. That's not as simple as it sounds because it can be something that you enjoy doing. If that's the case then admit it and accept that it is a hobby and must not be a distraction from the core, profit-generating business. You should limit the time and capital you allocate to the 'hobby'.

If there is extra profit to be made, but you're run ragged, then the key word is 'delegate'. Could you hand over responsibility for that part of the business to a son or daughter? If it's profitable, is it worth taking on staff to manage the enterprise?

Delegating is never as easy as it sounds. I still visit families where the 80-year-old father has a firm hand on the cheque book and his middle-aged son has little responsibility. So if you say you're going to delegate then please do delegate!

Using a contractor for some jobs can also ease the work burden, but again the emphasis has to be on the figures. Make sure you're not paying someone to spread slurry so you can waste time on a non-profit-making enterprise.

If you still can't let go of your 'struggling' additional enterprise, spend some time with your consultant looking at how much more profitable your business could be if you re-focused on dairying or looked at a more viable alternative.

In some cases, the biggest benefit of simplification is to the family's life. Time off can be difficult to find, but it is crucial to your sanity – and often to your marriage. Make sure you build in some down time.

It's important that any dairy business keeps moving forward. It's not good to stand still. But it's also important that producers don't do something just because they've always done it.