

# Team effort fuels dairies' success

■ Good financial advice can save your dairy when milk prices force your operation into red ink.

by Todd Fitchette

There is no shortage of advice available to today's dairy producer: what bull to use, what equipment to purchase, what to put in your TMR that'll produce the most milk and keep your cows healthy, or what pharmaceutical to use. It takes a team of experts, from nutritionists and veterinarians to agronomists and brokers to help a producer make sound business decisions. During this period of low milk prices, no team member can have a greater positive impact on your bottom line than a financial consultant.

Qualified financial consultants not only can provide advice in these times of financial hemorrhaging, to keep the situation from becoming fatal to your dairy business. They can also help establish good business practices and preventative measures should the bleeding begin again.

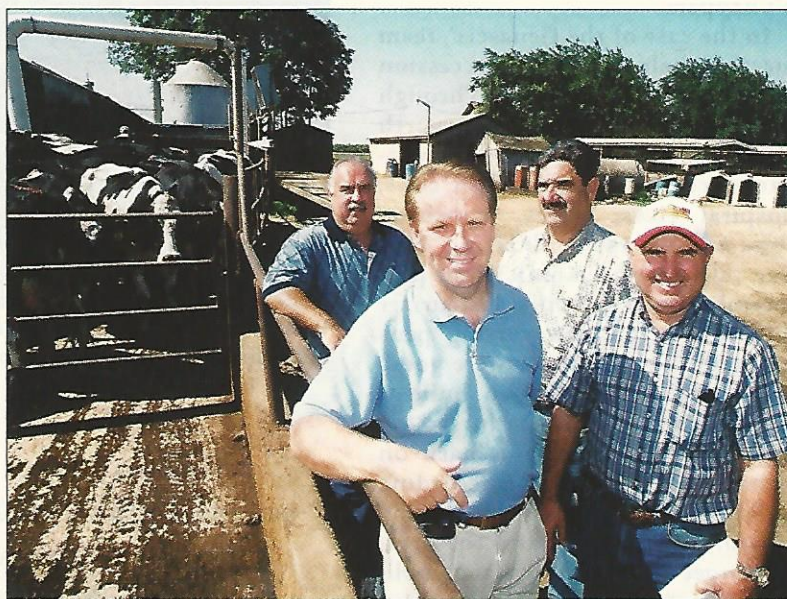
## Genasci Dairy

If ever there was a story of surviving a potentially catastrophic economic situation, it's the Genasci Dairy in Modesto, Calif. The dairy suffered an overnight loss of hundreds of cows on Good Friday in 1998, due to a case of botulism-tainted feed.

The Genascis recovered, in part, thanks to the generosity of others. Cows, heifers, genetics and money were donated from around the world to get the family business back on its feet. Part of that recovery is also credited to developing and sticking to a business plan and philosophy.

The Genasci family hired John Ellsworth, consultant with the financial and strategic consulting firm Success Strategies, five years ago to help the dairy negotiate through the maze of financial decisions. Part of that role was to assist the Genascis negotiate bank loans, since Ellsworth has a banking background.

Today, brothers Bill and Jim Genasci, along with their cousin, Edwin Genasci, milk 1,250 cows. And like most dairies in the



United States, they're bleeding financially. But unlike many, the bleeding isn't likely to be fatal. The Genasci's all agree that while times are tough right now, the family partnership will continue and they will make it.

"There are very few dairies right now that are cashflowing," said Bill Genasci. "We're not doing as well as we were, but we're not bleeding all that bad either."

"This is as bad as we've seen it for as long as we've seen it," Bill added.

"I'll put it this way," Edwin says continuing that thought, "we're current on all our bills, which not many dairies can say."

Key to the Genasci success, as is the case with other dairies in the county, is debt. How much debt they had coming out of the \$15 milk of just a couple years ago became key to surviving the recent period of \$9 milk.

"I think one of the things this dairy did very well was when they had \$15 milk they paid down their debt to almost nothing," said Ellsworth.

As a business and financial strategist, Ellsworth believes meetings with key dairy personnel are important, and it's important that everyone involved knows what the business plan is and understands what it takes to keep everything running.

Ellsworth likes to bring the nutritionist, veterinarian, herd manager, owners and other key players to the table to discuss the dairy's business operations. He stressed that

John Ellsworth, front left, initiated a team approach to dairy management with clients Edwin, Bill and Jim Genasci, pictured from right to left.

## FYI

■ John Ellsworth of Modesto, Calif., is a consultant with the financial and strategic consulting firm Success Strategies. He can be reached at 209-988-8960 or by e-mail at [je4success@earthlink.net](mailto:je4success@earthlink.net) or log on to [www.success-strategies.com](http://www.success-strategies.com).

Please turn to page 10

it is just as important that the nutritionist knows what the veterinarian is seeing as it is for the owners to know what the herd manager sees.

Too often, Ellsworth said, communication between the various team members and employees doesn't happen.

In the case of the Genascis', team meetings helped plan the succession of upgrades to the dairy. Through the team meetings, Ellsworth steered the process that saw new facilities constructed for fresh cows, hospital cows, calves, transition cows and the top milk string. New freestalls have been built in the past several years; a calf milk pasteurizer was added and new calving pens were put in while times were good. Plans were also made to build a state-of-the-art milk parlor to replace the inefficient flat barn on Genasci's dairy. However, according to Edwin, California's ever-changing environmental rules, and the moving target of environmental compliance forced the partnership to scrap those plans until a later date.

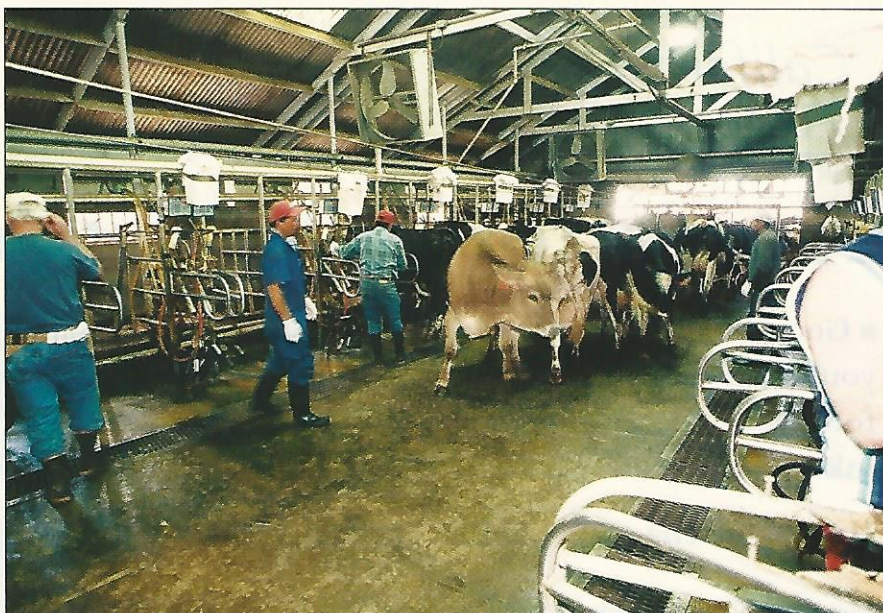
While the upgrades themselves were important, it was just as important to determine how everyone did their jobs, since they all had a financial stake in the process.

"It's always been our plan to have this dairy run efficiently," Edwin said. "John has kept us organized and moving during all these times."

### Hillcrest Dairy

Eddie Hoekstra is one of many Chino Basin transplants who left the highly urbanized region of California for a more tolerant dairy climate. Even though one could argue that Chino Basin dairymen "hit the lottery" with land prices exceeding \$200,000 per acre for dairies, Hoekstra is quick to point out that his land near the Interstate 15 and Highway 60 interchange is in a two-year escrow, so he hasn't yet received payment for the land he vacated in Southern California. Even so, Hoekstra is doing better than even he thinks, said Ellsworth.

The key to Hoekstra's current success has been a smooth transition in moving cows from Southern California to his new Hillcrest Dairy, a 4,000-cow dairy in the San Joaquin Valley. The transition was



Part of the team management approach is getting dairy producers involved in large, financial decisions, such as the replacement of a dairy parlor.

**"There's a lot to communicate on a 4,000-cow dairy, and we've already seen benefits."**

made possible because of Hoekstra's business acumen, and because of the help Ellsworth has provided along the way.

Hoekstra discovered Ellsworth through one of his columns in *Western DairyBusiness* magazine, and tracked him down through Success Strategies' web site. The two initially held conferences via telephone until Hoekstra made the move north.

"One of the first things we did was to do real detailed comparisons on whether it made sense to buy 600 cows all at once, or buy heifers over several months," Ellsworth said. "Although it penciled out that buying the cows would have been more profitable, we were never able to find all those animals at one time."

For Hoekstra, Ellsworth's ability to regularly visit the dairy and actually see how business decisions affect the bottom line is an important aspect to having a financial consultant on his team.

"We have nutritionists and vets, and they do consulting work with us, and we have accountants who do our taxes," Hoekstra said. "It only makes sense that we also hire a financial consultant to help us in

other areas."

As he approaches the full capacity of his new dairy facility, Hoekstra is well positioned to successfully demonstrate the practices that Ellsworth regularly espouses: full facility utilization, spreading fixed costs over a greater number of hundredweights, and reducing overall operating costs per unit.

Ellsworth has instituted a full management team concept at Hillcrest Dairy, and it now includes the veterinarian, nutritionist, Hoekstra and his key employees.

"There's a lot to communicate on a 4,000-cow dairy, and we've already seen benefits," said Ellsworth, who serves as the facilitator and uses his laptop computer to record minutes. "It adds some accountability when they make statements about what they're going to do, and then you go back and review the minutes to see if everything got done."

Ellsworth's financial advice helps producers look forward, negotiating a maze of business decisions that have large financial implications. He is not a certified public accountant, and doesn't provide accounting services. His services aren't meant to compete with accountants. Both are necessary to the success of a large dairy operation.

"John's out here when I need him and helps me see things I wouldn't have otherwise seen," Hoekstra said. "That doesn't mean that my accountant is any less important to the operation." ■