

growth

profit

success

forward thinking

inspiration

knowledge

vision

passion

wisdom

Leveraging your Dairy Financial Team



Outline:

- Set the Stage - Trends in the Industry
- What is Leverage?
- Why the need for a Dairy Financial Team?
- What should your Dairy Financial Team provide?
- What does a high functioning Dairy Financial Team look like?
- How do you Leverage your Dairy Financial Team?

Set the Stage - Trends in the Industry

- Input and Output prices are volatile
 - Trade Agreements, Domestic Supply, Foreign Demand, Market Liquidity, Speed of Information, Logistics
- Consolidating Dairy Value Chain
 - Retail → Distribution → Processing → **Production** ← Inputs
- Transition On-Farm is in Full Swing
 - Ownership
 - Management
 - Support Infrastructure
 - Technology
 - Labor
 - Production Method Differentiation

Trends in the Industry – cont.

- Multi-Site / Multi-State Dairy Production Operations
 - Economies of Scale, Cost of Production, Management Expertise, Market Diversification, Asset Pricing
- Dairy Production/Processing Partnerships
 - Risk/Reward sharing, Supply Traceability, Product Marketing
- Multi-Country Processors
 - Market/Geopolitical/Supply Chain Diversity

What is Lev – er – age:

Common

- the power to **influence a person** or **situation** to **achieve a particular outcome**
- the use of resources to maximum advantage

Financial

- the ratio of a company's debt to its equity
- the use of borrowed capital expecting profits made to be greater than the interest payable

Why the need for a Dairy Financial Team?

- Perspective
- Specialized Expertise
- Contingency Planning and Training
- Objectivity
- Process

What should your Dairy Financial Team Provide?

- Collective guidance and counsel
- Dissenting opinions
- Non-biased feedback on the Business
- Relationships within and outside your network
- Financial decision making structure
- Improved financial performance

What does a high functioning Dairy Financial Team look like?

- Multi-generational
- Multi-gender
- Multi-disciplinary – knowledgeable in:
 - Accounting & Financial Reporting
 - Tax
 - Risk Management – Commodities and Insurance
 - Banking
 - Dairy Production
- Engaged
- Candid

How do you Leverage your Dairy Financial Team?

- **Be Intentional** - recruit and engage specific people with specific financial skillsets
- **Be Transparent** – openly share information about and encourage active discussion of the business
- **Set Targets** – have a set of common financial goals and a defined purpose from which to guide team discussions
- **Insist on Team** – set the precedent insisting on cooperation and collaboration in support of the business
- **Demand Discretion** – open debate, open discussion, and teamwork requires participation in confidence

Closing Thoughts / Challenge

- Are you as intentional about monitoring and managing your finances as you are about monitoring and managing your cows and crops?
- Think of all the improvements that you've made to operations and production over the last few decades....have you made similar progress in the financial and administration functions of your **business**?
- On a monthly basis, do you know if you're making money, how much, and in what areas?