Flow diagram for dairy farmers formulating their strategic direction – to expand, diversify or cease production

Findings from the “Sustainable dairy farm systems for profit” project

M5 Project Information Series - Studies on Mutdapilly Research Station and subtropical dairy farms 2001 to 2005

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Future direction
Do you want to be dairying?

Stay dairying

Cease dairying

Are your dairy KPI's meeting benchmarks?

Yes

Fix your present system - by making management changes

No

Change your system

Option choices

Diversify
Consider diversifying into other farming enterprises, these may provide a greater return than dairy expansion and not require capital investment. Hay sales, beef or heifer rearing are compatible with a dairy enterprise and require similar skills.

Rapid change or growth
Examples
Double herd size, expand size dairy, start up a silage system or purchase a mixer wagon

Gradual change or growth
Examples
Grow herd by 10 per year and overcome constraints as they arise

No change
Examples
Stay the same, but only applicable if KPI's are satisfactory

Change to simplify part of the operational system
Examples
Contract rear or buy heifers to reduce labour demands or batch calve

Changing your system before fixing the problems in the present system may multiply the effect of the problem (especially in the case of large expansions). However, simplifying the system may be a way of fixing existing problems.
LESSONS FROM THE M5 FARMING SYSTEMS PROJECT

The flow diagram on the preceding page was developed with companion farmers in the M5 farming systems project. The steps to consider when making farm changes are shown.

One obvious choice is whether the farm family wishes to stay dairying or develop a sideline to their dairy business.

Before contemplating a major change, the business should be analysed to assess if it is meeting achievable relevant benchmarks.

This analysis should include these business traits,

1. Liquidity
2. Solvency
3. Profitability
4. Efficiency

Changing the farming system before addressing underlying problems in the enterprise can multiply existing problems and be costly.

A range of strategies and choices are available for all dairy businesses, including rapid change, gradual change, no change and perhaps a simplification of the business. Examples of some of the changes that could occur are given at the bottom of the flow diagram.

FURTHER INFORMATION

Dairy industry benchmarks can be found in the annual Queensland Dairy Accounting Scheme (QDAS) report available from www.dairyinfo.biz.

More information and a number of technical notes and decision tools are available on this website to assist with business analysis.

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Whole farm management and modelling

The Sustainable Dairy Farm Systems for Profit project at Mutdapilly Research Station and on associated commercial farms investigated the potential impact of intensification of five subtropical dairy farming systems on business productivity, on the social well being of farming families and on the farm environment.

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