

# SEE MONEY DIFFERENTLY

by Alex Jenkins



Money. What is it? Dirty paper; a tool to achieve goals; a rare commodity; a way to keep score; an opportunity... There are a lot of different perceptions about money. My favourite definition is that money is simply a concept backed by confidence. Where there is no confidence, money has little value. Money is essentially what people think it is. How we view money determines how we interact with it, and how we interact with it will determine whether we have it or not.



We have just endured a long, hard dry season and for me it illustrated that there are two kinds of people in this world when times are tough. There are those who cut as many costs as possible, hold on tight and wait out the bad times. And then there are those who focus on how to take advantage of opportunities, no matter what the situation. You either tighten your belt and wait it out, or you go out and make more money. Your reaction depends on how you view and deal with money.

A lot of farmers focus on input costs only. I think that a more holistic view is needed if you want to make the most of your dairy business. I think a small change of mind in some of the following areas can, in the final outcome, yield big returns for your business.

**Leverage**

Leverage is all about making more money with the same system. The key is getting more out of what you already have.

 **your cows**

Fresh cows have a better feed conversion rate than cows in late lactation. Make your days in milk work for you. Work with the best animals for your system and your milk market.

 **your asset**

You are not “just a simple dairy farmer”. Your farm business is an amazing asset which can be used to add all sorts of diverse revenue streams to your portfolio, such as value-added milk products, property portfolios and investments.

 **your land**

Grow as much as you can possibly fit onto your land. Home-grown feed will always be cheaper than purchased feed. In times of very low maize prices, keep as much of your own maize as you can and feed it to your cows. This allows you to add value to your commodity crop.

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 **your staff**

Bonuses and incentives are great ways of getting the best out of your staff.

 **yourself**

How many farmers have a business coach to help them see the wood for the trees? An external adviser, who helps you see opportunity where you see only barriers, is worth his or her weight in gold.

**Efficiencies**

Dairy farmers should continuously work at becoming more efficient managers, producing more milk and growing their businesses, and the two easiest areas of improvement are feed quality and calf rearing.

**FEED QUALITY**

Insist on an analysis with every load and get your nutritionist to update your ration formulations. Cheap, low-quality ingredients cost a little less than good-quality ones, yet yield far different results. Only buy the best ingredients and your cows will love you for it! The key here is to focus on your return on the diet rather than the actual cost of the diet.

**“ Only buy the best ingredients and your cows will love you for it!”**



**Calf rearing**

Well-reared calves are healthier and produce more milk than poorly raised heifers. Your fixed costs of heifer rearing are small when compared to the costs of keeping dairy cows. Keeping inefficient cows is the most expensive way you can farm.

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**FEED FIGURES**

Income over feed costs (IOFC) is an excellent figure to have as a quick, intermediate “health check” of your business, because it is made up of almost the entire nutritional and animal input on a farm – milk production, price and bonuses on the one side and all the feeding variables on the other.

Once you know your IOFC, you can deduct your fixed costs per cow to arrive at your final profit/loss per head per day. This is a very powerful way of thinking about your business and will allow you to pinpoint areas of excellence and areas for improvement.

**CONCLUSION**

If a shortage of money is something you battle with, try looking at things from a different angle. You might be surprised at what you discover.

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