As the vice of low milk prices puts the squeeze on the dairy industry across the U.S., everyone is searching for ways to be less unprofitable.

Even in good years, farm managers want to reduce excess cost and now in a really bad year there often isn’t very much left to cut. The risk a business owner runs in this situation is cutting cost so deeply that that the farm’s ability to produce is hobbled.

The current challenge is how to maintain or increase production while holding costs down. Following the obvious scrutiny of labor and feed costs, that are often a target for the chopping block, cutting various technical services used by modern dairy operations is also considered to reduce operations. These may include things like DHIA testing or the use of services for breeding or sire selection, even manure hauling or crop management services.

But you should think twice before canceling these management tools outright. They were originally brought in to supplement or support the farm operations and they still may have significant value to the bottom line if they are being used effectively. Try this short three-step test to determine their value to management before you drop them.

1. **Why did you “hire” this service in the first place?**
   Was the service brought in to replace time spent by the manager or to replace labor on the farm? If so, was this a cost-effective way to accomplish that management task or skill? And, if this service is dropped is there anyone on the farm with the time, expertise, and motivation to fill the void? An example of this would be a hiring out pesticide spraying. Perhaps the reason you originally contracted to have this done was because you did not want to be encumbered with maintaining a pesticide license or have to store chemicals on the farm.

2. **If this service were canceled, what would be the impact to the farm? What would be the impact on the cows?**
   Would the farm lose an important skill set that will impact the profitability of the farm? For example, will breeding the cows yourself instead of using a breeding service mean more days open and more services per conception and longer average days in milk? These things may have direct negative impacts on productivity and profit.

3. **Does this service provide you with an economic “edge” that can be exploited to enhance positive revenue generation and even profitability?**
   With a service like DHIA records, are you using them to their best advantage on your farm? For example, if you are using a hoof trimmer, are you collecting the data they can generate on lesions and treatments and using it as a management tool to reduce lameness? Reducing lameness, in turn should be generating more revenue for the farm. Be sure you are fully exploiting the benefits of a service before you drop it.
In the recent past the business of dairy farming has become a much more complicated and sophisticated management process. The use of specialized contractors and new technologies has helped shape the face of the modern dairy industry. It may well be difficult to remain in a position of profitability in the future without them.