Collaboration cuts costs

This dairy producer grows his herd fast by finding others to own assets

By Dan Looker
Business Editor

At a dairy farm outside Greeley, Colorado, Buddy Nichols milks about 950 cows by leasing roughly half of the facilities from another farmer who’s still using the other half for his own dairy herd of 700.

It’s easy to see what Nichols thinks of the state-of-the-art milking parlors and barns. The farm has two milking parlors. Nichols leases its older double-14 parlor. The other farmer’s 700 cows move through the new parlor. Those cows also rest in a free stall barn, while Nichols’ are out in the corral.

“We get all the leftovers,” he says, with a grin.

He’s not complaining. The former Dairy Herd Improvement Association national president knows state of the art. With two other dairy producers, he once invested in a brand-new dairy. It had an asset turnover ratio of about 0.5. He got out after five years.

Today, Nichols milks more than 4,000 cows, renting six facilities he has scattered between Denver and Greeley. He owns his homeplace at Cañon City, which was milking 90 cows when he bought it from his parents in 1980.

“A cow has an asset turnover ratio of about 2.5,” he says. That’s dividing the revenue from its milk by the cow’s cost and not counting the value of its calf or the cow’s cull value.

Helping others meet goals

Nichols finds opportunities by helping others. The farmer near Greeley was forced into bankruptcy by his lender. Nichols’s CFO, a former banker, set up a plan that allowed the farm to come out of bankruptcy by leasing part of its assets to Nichols. “The bank was going to take it all,” Nichols recalls.

In fact, Nichols puts people at the top of his list of resources. Every business has four key ones, he says—human, time, financial, and physical. “That’s the order I put them in, too,” he says.

Nichols makes all of his key employees partners in his enterprises. And he listens to them. His general manager, Robert Strack, convinced his skeptical partner to try dairy goats. Today the business milks 200 and is selling several types of goat cheese to Colorado’s Hispanic market.

Nichols leases several bottling plants. That has given him a chance to try direct sales to consumers through home delivery of natural milk.

But he doesn’t deliver just his own milk. His trucks also sell bread, cheese, bacon, and sausage for other producers. “This is small, country-type people coming together to get a better grasp on their marketing,” Nichols says.

He sees his other resources—time and financial—as limited. That’s why he doesn’t tie up capital in long-term investments like land.

Physical resources rank last on his resource list. One feed plant supplies most of his dairies, for example.

“Things that would tie up capital, we’ve tried to centralize them,” he says.