

# Unprecedented times: How to deal with the stress

By SHERRY BUNTING, Special for Farmshine

As the production side of the dairy industry moves into its ninth month of unprecedented low milk prices, the stress levels on dairy farms have moved to a new level as well.

“When the milk price first dropped... Certainly based on the futures markets and what those who forecast milk prices were saying—this was expected to be a steep drop—but by June or July, producers were expected to be back to breakeven,” says Mike Peachey with Acuity Advisors and CPAs, LLP. “What we saw was a lot of restructuring of debt and adding lines of credit in the March time frame. Now those additional lines of working capital have been exhausted and producers are having to go back again to the bank. If there is still room for additional restructuring, the message is—there may not be a third time.”

“Producers have moved into ‘stage two,’” agrees Gary Heckman at AgChoice Farm Credit. He observes there is a wide range of situations on Pennsylvania dairy farms. “In stage one, we saw the normal response to ‘hunker down’ like before. But with stage two comes the realization that this thing is sticking around for a while, and all the things we did before on the farm (during low milk prices), we’ve already done in stage one. Now stage two is presenting a whole new set of challenges.”

## Reality sets in

From lenders and financial consultants to suppliers and service providers, everyone is seeing—and feeling—the stressful effects of these unprecedented times in the dairy industry. And it seems the most vulnerable producers are young and beginning farmers as well as those who have recently expanded.

The varied levels of capital debt load coming into this recession have produced varying degrees of financial and emotional stress, as do other factors that contribute to the dairy’s productivity, efficiency and breakeven point in their cost of production.

“If we continue in the current milk price environment, there will be some tough decisions made this fall,” Peachey suggests. “My general read of the industry is I guess I do see a dam building, behind which there are going to be some operations that will have to decide to exit by the end of the year if this doesn’t turn around.”

## Know where you stand

Helping dairy farm families identify where they stand, financially, is a first step in taking control of the situation, which is, in turn, a first step in relieving some of the emotional stress.

“One of the things I try to do is to help my clients work through what they have control over,” Peachey explains. “Sometimes just talking through that is helpful. We’re seeing more people work through their situations to understand where the ‘stake in the road’ is for them by making certain assumptions on the cost structure and the milk price.”

While that would seem, on the surface, like adding stress to the situation, it is actually one way to help relieve stress, confirms Dennis Morris of Integrated Behavioral Resources. A former clinical psychologist and family therapist, he is today an executive coach working with companies, associations, and universities.

Farm Credit is a significant customer for Morris, who recently conducted training sessions with loan officers and portfolio managers at AgChoice Farm Credit on how to deal with their own stress and how to recognize subtle signs of extreme stress in their customers.

## Take action

Morris says the best way to manage the stress in this situation is for people to take action. “You want to be engaged in doing something to change the situation,” he says. “If we challenge ourselves to take action and do our best, we don’t end up thinking of ourselves as a victim or as powerless in the situation.”

Peachey agrees. “It’s easy to get into the negativity, but what I’ve seen is there’s a lot of fierce determination out there to get better. Times like this really force dairy producers—and any business for that matter—to really think about their own operation and figure out what can be done to make it better and more competitive.”

“There’s a sense of urgency among dairy producers to do this,” he relates. “Dairy producers have an intuitive feel for their situation. Being able to confirm what their ‘gut’ is telling them actually helps put the situation in financial terms they can understand and work with.”

Morris confirms that stress can be greatly reduced when producers take action to control what they can control and work to influence what they can influence.

Keith Walker, a loan officer with AgChoice Farm Credit, also puts a high priority on ‘controlling the controllables.’

“But even if you can’t control something, you can at least try to influence what you can’t control,” he adds. “You can have a voice to try to influence the situation.”

## Have a realistic perspective

Jeff Harding of Elanco Animal Health agrees that having a realistic perspective of the situation is important. “This is a national situation. Producers here are not alone,” he says. “This is certainly a challenging time for dairy businesses, and this stress extends to service providers. At our team meetings we’ve been brainstorming ways we can help, and we’ve focused on trying to stay as positive and upbeat as we can.”

Morris says there are several ways producers can evaluate—and alleviate—their stress. He too, points to the importance of having a “realistic perspective” of the problem, to “think with your head versus your heart,” and to have a “realistic assessment of your own capabilities—what you can and can’t do.”

## Seek encouragement, support

“There’s no doubt that dairymen are under financial stress, and we need to be encouraging them by focusing on what we, as service providers and suppliers, can do to help them—whether it’s cutting costs or improving production and management,” adds Dr. Charlie Gardner of Cargill Animal Nutrition.

On the emotional side: “It’s important for dairy farmers to get support from family, other farmers, pastors, anyone they can vent to a little,” he adds. “Get into a support group of farmers, even if you just get together for breakfast once in awhile. The camaraderie helps combat the stress.”

“Financially, there is obviously a lot of stress out there, but emotionally, dairy farm families are a pretty tough group. They go through the ups and downs of the weather and price cycles, but this financial event is causing producers to look at their equity and financing to guard

against losing everything,” observes Dennis Milhoan of Lancaster Dairy Farm Automation. “We’re all in this together. Whatever happens to the dairymen also happens to those of us serving the dairy farmers. We’re seeing agribusinesses doing their share to help good dairy managers focus on becoming even better.”

Milhoan sees firsthand how resilient farmers are, and he notes that as consultants, “We have to be tuned in to becoming even better ourselves. Everyone is focused on managing more tightly. When this finally turns around, dairies will need to continue to manage tightly to have the opportunity to make up for their losses.”

Lenders and financial advisors agree that having a support system of trusted consultants is imperative. Having another set of eyes on the situation really helps the producer hone in on weaknesses to improve cost of production or to evaluate their situation and weigh all of their options.

## Look beyond the present

On the positive side, notes Dean Weidman of Triple H Construction, “There are programs out there for tapping into resources.” From solar energy programs, NRCS and EQUIP funds to finding new ways of evaluating the farm’s future in this industry—Weidman is seeing dairy producers be actively engaged.

“People are being very conservative, but we’re actively involved in helping producers with planning and paperwork for grant programs,” he observes. “I would say the biggest thing I see is that a lot more people are interested in processing their own milk. There are hurdles to overcome, but the interest is greater than I’ve ever seen.”

## Reach out to others

Having a good support system is certainly a big factor in looking beyond the current financial situation and in managing the stress levels during a financial crisis, Morris confirms. But he adds that having a good track record for managing stress, in general throughout life, is another way dairymen can evaluate their own levels of tolerance for stress.

“People who tend to be more flexible are generally more comfortable with change, and if they believe they can influence the outcome, they will feel more positive about the situation,” Morris relates. He also observes that having high levels of empathy helps in dealing with stress by thinking of others and not just their own situation. Having balance in the family’s life activities also helps mediate the stress in their business.

This is why it is so important to remember, “You are not alone in this situation,” observes Walker. “The training with Dennis Morris was valuable to me. It goes beyond the dairy situation to being able to identify stress and having alternatives to work through that stress, whether you’re a dairy producer, a supplier or a lender.”

## Find value in learning

One of the biggest areas of positive energy, says Morris, is when producers value ongoing personal development and learning.

“This one is so critical,” he states. “If we look at this situation to see what we can learn about ourselves and how we can come out of this as a stronger person, we engage the situa-

tion—the stressor—in a more positive way.”

In other words, producers really benefit by viewing themselves as learning and growing in this stressful situation, instead of dwelling on it as a “threat” or a “loss.”

“If people see the situation as threatening, they tend to feel more anxious about it. If they see it as loss, then they feel sadness and grief,” Morris explains. “But if we gauge our emotions to see the situation as a challenge, we end up working toward improving the situation, and our relationships, and we learn something new. There is some anxiety attached to that, but also a more positive level of excitement.”

## Keep communicating

Walker also learned from Morris some ways to recognize subtle signals of extreme stress in his customers. “If they are at a point of not knowing what to do and have a hard decision to make, I want to help them talk it through and look for assistance.”

This is one of the reasons why communication is absolutely critical.

“Don’t quit communicating with your lender, suppliers, and service providers. And above all, communicate with your family and your faith group. There’s support out there,” says Walker. “Shutting down is not a solution. It’s important to talk things through.”

Peachey agrees communication is key. “Make that phone call,” he says, encouraging dairymen to be communicating with their lenders and with their vendors they may be behind in paying.

“If you are the one initiating that communication—even though it may be a difficult phone call—it puts you in control of the situation of when that call gets made instead of avoiding it and having the anxiety of thinking about that call,” he says.

## Prepare for tough decisions

Experts agree that dairy farm families—like other family businesses in this economy—will have tough decisions to evaluate in the coming months.

“Put everything on the table. Don’t rule anything out,” Walker advises. “The end result should be to preserve as much of your hard-earned equity as you can by determining at what point you decide not to allow the equity to erode any further. That can be difficult in a multi-generational family dairy farm. But talking it through is very important.”

Peachey agrees. “After the family has been able to identify where the business is at, financially, and makes certain assumptions of where the milk price is now and where it might be headed, you can determine where that ‘stake in the road’ is for your operation, time wise,” he explains.

“Knowing, now, where that point is, and helping to identify that point up front, helps the family start thinking about being mentally prepared for a decision they may have to make,” Peachey relates. “While talking this through may seem to add to the stress, it actually helps the dairy producer have greater control.”

Look for more information on this topic next month on the PDMP page in Farmshine and also an article by Dennis Morris in the upcoming fall edition of AgChoice Farm Credit’s ‘Leader.’ For a list of learning resources, feel free to contact PDMP at 877.326.5993.