

RANCHING FOR PROFIT

PLANNING FOR DROUGHT

Long-range weather forecasts suggest that we are in for several drier-than normal years in sequence. Let's hope the forecasters are wrong. But right or wrong, we must realize that drought is a normal part of ranching. But it won't be the drought that determines whether you profit or lose, but rather how you position your business relative to the drought risk and the decisions you make once the drought hits. In drought, the negative effects of poor management are intensified. The positive effects of good management are also increased.

Drought affects land, livestock, money and people. Any effective drought plan has to address each of these areas.

FOR LAND

Develop and maintain a desirable, drought resistant, ecological state

Through good management we can increase cover, increase the organic matter and shift species composition to a more desirable, more drought resistant state. None of this will make it rain, but it will help you take full advantage of whatever rain does fall.

Cross fence to control where & when livestock graze and increase density

Plants grow more slowly during drought. That means paddocks need more rest. To get longer rests without increasing graze periods you'll need more paddocks per herd. Combine herds (provided you have adequate water) or subdivide paddocks. Either will increase stock density. Increasing density will generally improve the distribution of livestock and improve the uniformity of grazing.

Develop a long-term secure water supply

Fencing to control the grazing isn't much use if there's no water for livestock to drink. Adequate water storage is essential drought insurance. It helps you sleep at night and it's tax deductible. Since you are likely to combine herds in drought, adequate delivery rate from the tank to the trough is important.

FOR LIVESTOCK

Have enterprises that are compatible with drought risk

In drought, when carrying capacity (forage supply) drops, you must drop the stocking rate (forage demand) as well. Overstocking can lead to the range shifting to an undesirable ecological state, poor animal performance, red ink and depressed people.

Some classes are more easily disposed of than others (e.g. stockers vs. registered cattle). In drought prone environments, locking yourself into expensive breeding animals, which you cannot, or will not dispose of, is inviting disaster.

Have a destocking plan in writing.

Don't wait until you are down to the last blade of grass to make destocking decisions. The dust and heat of the sorting gate is no place to formulate strategic plans or think through the economic and financial consequences of your decisions. Discuss and develop the policy now, and put it in writing.

Know & act on your critical dates

I'll bet there's a date on your ranch by which, if it hasn't rained, or if there isn't significant growth, you know you are in trouble. Even if it were to rain after that date, you'll still be short of feed.

Determine your critical date. Initiate your destocking plan on that date. Let everyone know what the date is and what will happen when it comes. Being caught with cattle on hand once everyone else has started selling leads to poor prices and overstocked ranches. The sooner you react, the better the prices and the more feed you'll have left.

Some times we make the wrong call. A client in Kansas destocked 3,000 steers when the critical date passed with no rain. A week later it rained, and rained, and rained. There are two types of regret he said: regret that you did, and regret that you didn't. It was frustrating to discover he had sold too early. But he said that it was an easier mistake to live with than it would have been to keep the cattle too long into a drought.

Never, ever drought feed

Drought feeding is expensive and since you don't know how long the drought will last, you could be paying for the animals several times over. Drought feeding leads to overstocking, deteriorated pastures and bankrupt ranchers.

FOR MONEY

Put yourself in control.

Stay on top of the economic and financial numbers. Income is likely to increase early in the drought when you destock. Have a plan to manage the capital. Later in the drought income will plummet. You'll need to have a strategy for low cost production. Base the extent to which your business is leveraged on the risk of drought. Producers in drought prone areas need to operate with a higher proportion of equity.

Have Reserves

Use the good years to build equity and financial reserves. Consider diversification with off-farm investments. Make your banker a partner to your plans. Keep him informed.

Beware of "free" money

Government subsidies, supposedly intended for the good of the people on the land, are a major handicap. Subsidies to maintain stocking rates, purchase feed, and keep people going for one more year are a major disincentive for many to develop effective alternatives. These policies have encouraged overstocking and desertification, economic peril and financial disaster.

FOR PEOPLE

Develop a positive attitude about drought

Accept it. Drought is a normal part of ranching. Hauling water, feeding livestock and crying in your beer won't ensure survival. They tend to reinforce the feeling of panic and deplete your bank account. Get out of the trenches and into the command post. This is a time when you need to make critical decisions on selling stock and managing the land so it doesn't deteriorate. No one else will do it for you and it won't happen on its own. It is a critical part of Ranching For Profit.

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