



Ranching For Profit

Healthy Land, Happy Families & Profitable Businesses

SCHOOL'S IN THIS SUMMER

We are holding a Ranching For Profit School in Brandon Manitoba, June 13-19. This will be the first school we've ever conducted in Manitoba, and the first summer school in several years. Is it time for a refresher or to get family members up to speed on the RFP principles? If so, we'd like to see you in school.

"DROUGHT ACTIONS" DAVES TOP 10 LIST

Most of the west is staring down both barrels of continued drought. If you don't have a drought plan, sit down now and make one. It may be too late to do some of the steps that could have drought proofed your business for the current situation (create an enterprise mix compatible with drought risk, develop long term water storage, shift to a healthier successional state, etc.). But there are still important actions to take to manage through drought. They include:

10. **Identify the critical rain date.** That's the earliest date you know it will be a poor grass year. That's the date your drought response gets implemented. Let everyone know what the date is and what will happen when it comes.
9. **Destock.** The oldest and one of the most important rules in the book: fluctuate the stocking rate (grass demand) to match the carrying capacity (grass supply). If you don't have the grass you better not have the beasts. 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.

At a recent EL meeting Bud Williams reminded us that ranchers have three things in their inventory: money, grass and livestock. He said you'll never go broke having too much money or too much grass, but you can sure have too many cattle. 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.

8. **Re-do Your Stock Flow & Cash Flow Plans.** Since destocking resulted in abnormally high sales at a time when income was not anticipated, you'll need to re-do the stock flow and cash flow. More than any other tool, these two documents put you in control of your business.

At the second Ranching for Profit School I attended I met Harold Hunt, one of Stan's early clients from northern California. Harold, a very successful grazer and businessman sat in as we began a discussion about the grazing principles. I asked Harold what he considered *the* key to cell grazing. He responded instantly, "managing cash flow." Sure he had misunderstood my question, I rephrased it only to get the same answer. I tried one more time, but his response stayed the same. It was about a year later that his response finally sunk in.

7. **Plan for Income & Capital Preservation.** You need to have a plan to create income to meet ongoing business and living expenses while preserving the capital from drought-induced livestock sales.

6. **Increase Rest Periods.** Increase the rest periods because plants grow slower in drought.
5. **Combine herds** (assuming water delivery in cells is adequate). Combining herds will increase the number of paddocks/herd. This will keep the graze period short and increase stock density. Increasing density will generally improve the distribution of livestock and improve the uniformity of grazing.
4. **Fence!** A little polywire to split paddocks will help keep graze periods short, stock density high. We all realize that the impacts of bad management are intensified in drought. But according to Australian scientist, Christine Jones, ecological communities are susceptible to both positive and negative change in drought. My experience is that the positive impacts of good management are also intensified in drought.
3. **Never, Ever Drought Feed.** One Ranching for Profit student put it perfectly when he said, *“trying to feed your way out of drought is like trying to borrow your way out of debt.”* Drought feeding leads to overstocking, deteriorated pastures and bankrupt ranchers.
2. **Beware of “free” money.** Subsidies to maintain stocking rates, purchase feed, and keep people going for one more year reward poor management. These policies have encouraged overstocking and desertification, economic peril and financial disaster.
1. **Develop a positive attitude about drought.** Drought is a normal part of ranching. In fact, there are more dry years than wet years. If the range needs rest, it may be that you need rest too.

RESTRUCTURE OUR BUSINESS & RESTRUCTURE OUR LIVES

Reviewing an old article in my files, I saw this 1994 quote from the *ECONOMIST*: *“There is, surprisingly, little or no evidence that modern doctors, pills or surgery have improved people’s overall state of health. The increase in Americans’ average life expectancy from 63 years in 1940 to 76 today has been ascribed more to increased wealth, better sanitation, nutrition and housing and the widespread introduction of the refrigerator than to modern medicine.”* That shouldn’t be surprising. Modern medicine is concerned with handling a high volume of patients and solving problems (curing disease) as opposed to creating health.

The same can be said of modern agriculture. The focus is on production under the false paradigm that increasing production will increase profit. The focus is on solving problems, not creating and maintaining health. We use fertilizers and pesticides to combat fertility and pest problems created by conventional farming and ranching practices. Bud Williams told us at the Colorado EL meeting in November that “penicillin is the worst thing that ever happened to the livestock industry” because with the ability to treat sick animals, the focus shifted from keeping them healthy.

Stress

If it feels like the world is becoming a more stressful place to live, you aren’t alone. From 1983 to 1996 the number of people who said they experienced a very high level of stress on a weekly basis increased from 55% to 75%. According to *Prevention Magazine*, 75-90% of visits to primary physicians result from stress-related disorders.

The Grass is Always Greener on the Other Side of the Freeway

People (including most people in agriculture) think of agriculture as a lifestyle business. Sure when you are at home on the range it is easy to be lulled into the feeling that the agricultural lifestyle is one of low stress. Anyone facing drought, family succession issues, BSE and the many

other risks knows otherwise. If you've been awake for any part of the past 50 years, you've seen that conventional ranching has become more and more capital and labor intensive. Ironically, as we work harder in our businesses to support the lifestyle we want, we have less and less time and money for that lifestyle.

Our Businesses are Structured to Be Stressful

There are many reasons our businesses have become so stressful. I'd like to briefly discuss two here. First, most agricultural businesses are structured to fight nature. Tom Lassater, who founded the Beefmaster breed, once said "I think Nature is smart as hell...I help as much as I can but I try to let her do most of the work." Unfortunately we've been barraged with a different message, namely that technology can make us more productive and solve our problems. Our neighbors cling to the notion that increasing productivity is the key to success. And while technology has solved many problems it also created new, bigger, more complex ones.

A classic example of pursuing greater productivity at the expense of profit is farming all summer to support winter calving. We have the technology to farm and feed very efficiently, but the capital infrastructure and land and labor overheads of this productive strategy rarely make it the most profitable strategy.

I often hear people respond "But we have too much snow, we'd have to feed hay anyway." But perhaps those environments are best suited to seasonal enterprises (e.g. pasture cattle, stockers, or trucking stock to winter feed). Working with nature means a lot less work for you.

Living The Illusion

The urban/suburban image of the ranching lifestyle is one thing that continues to draw more people onto ranchettes and trophy ranches driving land appreciation and creating demand for on-ranch experiences. The lifestyle image surrounding ranching may be one of your ranch's biggest assets. Joe & Nancy Moore from Bucklin, Kansas, are among the RFP alumni who have established enterprises that help city-folk experience their illusion. They offer ranch stays and special ranch events like brandings and cattle drives. To learn more, visit the Moore's web site: www.longhorn-cattle.com.

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<i>E</i>	<i>B</i>				
<i>S</i>	<i>I</i>				

Do You Own A Business Or A Job?

Most small business owners I've met, including most ranchers, believe they are in the B business owner quadrant because, after all, they own a business. But Kiyosaki says it is more mindset than position that determines your primary quadrant. He points out correctly that while many business owners own the business legally, emotionally they really own a job. Emotionally they are really in the S quadrant.

There's nothing immoral about the S quadrant, but in my experience the S's have to put in the most work and receive the fewest benefits (economic or personal) of all the quadrants. They tend to be the most stressed, constantly mired in WITB, running like hell and getting no where. Someone once told me that if you are self employed your boss is probably a lunatic!

I think there is a simple way to tell if you are a B or an S. Let's say someone comes up with an idea for a new enterprise in your business. If your first reaction is "How will I find the time to do

that?" you are probably an S. If your reaction is "Where can I find people to develop and implement that idea?" you are probably a B.

The S's tend to think about their ranch as a *lifestyle*. They tend to have unprofitable businesses and feel stressed about their lives. The B's think about ranching as a *business*. They tend to have healthier businesses and happier, healthier lives.

S & B and the Next Generation

An S will ask, "How can I make room in this business for the next generation?" They will hope to create enough income to cover the costs of bringing in family members. A B will ask, "How will the next generation grow this business?" The EL benchmark of \$250,000 Gross Product per Full Time Employee will be their target.

UPCOMING RANCHING FOR PROFIT EVENTS

<i>Ranching for Profit Schools</i>	
Brandon, MB June 13-19, 2004	Calgary, AB Jan 16-22, 2005
Boise, ID Dec. 5-11, 2004	Billings, MT Jan 23-29, 2005
Colorado Springs, CO Jan 9-15, 2005	
<i>Executive Link Program with Fred Provenza's BEHAVE seminar</i>	
High Plains, Bozeman, MT May 11-14	Alberta Chapter, Calgary, AB June 1-4, 2004
Far West & Colorado Chapters, Evanston, WY June 1 – 4, 2004	

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We are in the business of putting profit into agriculture!