



OUTSTANDING IN SOMEONE'S FIELD

If you want to see how other alumni are applying RFP principles, join us for one of the KIT days planned this summer. A KIT (Keeping In Touch) day is a field meeting of RFP alumni. The objective of a KIT Day is to help Ranching for Profit School graduates successfully implement the ecological and animal husbandry principles taught at the school. They also create networks of RFP alumni who support one another with tactical and operational issues on their properties.

KIT Days are hosted by RFP alumni on their ranches. While they are intended to help RFP graduates, anyone can attend. We encourage alumni to bring guests and the host to invite their neighbors. (It's a good opportunity for the neighbors to "look over the fence" to see if the host is as crazy as they think.)

The day's program includes discussion of:

- History – Past management practices & issues.
- Current management practices & issues. What's going well, what could be going better?
- Worry Areas. The host and participants will be asked to identify the worry areas that they would like addressed at this meeting.
- Field Tour. Two or three stops at sites of interest on the property (e.g. a cell center, a place where management has had a high level of success, a problem site, etc.)
- Focused discussion on the issues raised.

A KIT day always concludes with a brown bag lunch and a focused discussion on the issues raised during the day. There is no charge for the meeting. If you would like to attend a KIT day please RSVP to our office and we'll send you directions to the event. The summer KIT day schedule is:

July 27 – Foam Lake, SK – Paul Foley (cell design & development, pasture/range health)

July 29 – Drewsey, OR – Gary Marshall (cell grazing, range health, riparian issues)

Aug. 12 – Sun City, KS – Ted Alexander (cell grazing, range health)

Aug. 16 – Springview NE – Brian Munger (cell grazing, range health)

Aug. 18 – Hall, MT – Brad Radtke (cell grazing, irrigated pasture)

Aug. 19 – Melville, MT – Josh Donald (cell grazing)

Aug. 21 – Athabasca, AB – Tom Krawiec (pasture improvement with livestock)

**If you would rather receive this newsletter electronically,
please e-mail us at rmc@ranchmanagement.com.**

STOP DOING THAT

In the recent EL meetings, we discussed some trends we saw in the 2003 *ProfitProbe™* benchmarking results. *ProfitProbe™* creates benchmarks by calculating “key performance indicators” for the businesses with the highest Return on Assets (ROA). ROA isn’t profit, but it is a good measure of economic efficiency. We calculated benchmarks for businesses that have completed Probes for three consecutive years. The benchmark businesses in this group averaged 13% ROA (excluding land appreciation). Only one of these businesses was a “benchmark business” three years ago when they averaged a ROA of only 3.4%. Average profitability in this group improved from \$19,755 in 2001, to \$30,375 in 2002 and to \$135,302 in 2003.

What did they do that made the difference? All of the businesses made dramatic changes, but in many cases it wasn’t what they *did* that made the difference. It was what they *didn’t* do. They stopped doing the things that didn’t work. In some cases they shut down enterprises with negative gross margins or that required a lot of overheads to support. In nearly every case, people became more profitable by doing less.

Conventional wisdom says that increasing production will increase profit. But if that’s true, than why are there so many unprofitable ranchers? Our industry is more productive than ever. Therefore, we should be more profitable and more financially secure. Our properties should be healthier, our homes happier and our lives less stressful. Yet it has become harder to make a living, not easier. It takes more turnover to support a family, not less. There are fewer people making their living from agriculture, not more. Clearly, something is wrong. Sometimes when we find ourselves in a hole our tendency is to want to work harder—digging faster. Ironically, the first step in getting out of the hole may be to put down the shovel that got us there in the first place.

When I first attended the Ranching for Profit School, Stan Parsons asked us if we were “doing things right, or doing the right things.” Sometimes it is enough to stop doing the wrong things.

What Else They Had In Common

Of course, the “*stop doing stuff*” strategy only goes so far. A business has to do something to make money. Here are a few other things that these businesses had in common:

- They all had very low overheads.
- They minimized ownership of fixed assets (including livestock and land).
- None farmed. Those that had been farming either stopped completely, had all the work done on a custom basis or leased out that portion of the operation.
- All of them leased the majority of the land they used (although there were other highly profitable businesses that owned the majority of their land).
- Average price received was lower for benchmark businesses than less profitable businesses.
- None had particularly high animal performance, but all had strong gross margins.
- None of the ranches were the largest in the group or the smallest. They averaged 650-700 Standard Animal Units (450-500 cows).

And of course they all had one other thing in common, they all did *ProfitProbe™*. It showed them which parts of their businesses worked and which didn’t. It showed them how the economic and financial vital signs (*key performance indicators*) for their businesses compared to the vital signs of highly profitable businesses. Even more important, it gave them an objective way to gauge their own progress.

1000 Cows/Man

Stan Parsons used the benchmark of 1000/cows per man to gage labor efficiency. A more direct measure of labor efficiency is “Gross Product per Full Time Employee (FTE)”. Benchmark businesses averaged over \$200,000 gross product/FTE in each of the last 3 years.

WHAT WE THOUGHT WE KNEW ABOUT ROOTS MAY BE WRONG

We've all heard at one point or another that when a plant is grazed its roots die back. With less total leaf area to capture energy through photosynthesis, growth slows and carbohydrate reserves in the roots are mobilized to support new top growth. Or, at least that's what we were taught and many Ag schools still teach. The problem is, it isn't true.

It's true that growth slows after a severe grazing because photosynthesizing leaf area is reduced. But while roots are high in carbohydrates, those carbohydrates do not provide a lot of energy for regrowth.

A lot of the energy captured by the plant through photosynthesis is transported down the shoots and through the roots feeding the billions of organisms in the soil. In exchange for this energy, the microbes make nutrients in the soil available to the plant. Apparently, after a severe grazing, the plant can't afford the energy costs of feeding these organisms. In this time of energy stress, the plant reduces the energy demand by what Australian Scientist Christine Jones, calls root "pruning." This pruning puts significant quantities of organic matter into the soil following each grazing (assuming adequate rest has been given for the tops and roots to recover).

The implication is simply this: It is critical to keep graze periods short and to use appropriate recovery periods after grazing to avoid overgrazing. Overgrazing is as much a function of grazing the roots as it is the tops. Adequate rest between graze periods is essential to make sure root growth is ample and organic matter is added to the soil.

Speaking of Soil

In her paper "Building New Topsoil" Dr. Jones relates building new topsoil to building a new house. She says a good house is one which is comfortable for the occupants (roots, invertebrates, microorganisms, etc). It requires a roof, walls and airy rooms with good plumbing. Soil with poor structure cannot function effectively, even when nutrient and moisture levels are optimal.

According to Dr. Jones, the roof of a healthy soil is the groundcover of plants and plant litter, which buffers temperature, improves water infiltration and slows down evaporation so that soil remains moister, longer following rainfall. The building materials for the walls are gums and polysaccharides produced by soil microbes. These sticky substances glue soil minerals together into little lumps called "aggregates." When soil is well aggregated, the spaces (pores) between the aggregates form the rooms in the house. They allow the soil to breathe, as well as absorb moisture quickly when it rains. To read Dr. Jones complete articles on soil health visit the newsletter/articles section of our web site.

A PICTURE IS WORTH 1000 WORDS

You may have heard exciting stories about changes ranchers see from applying "rotational" grazing. Some say that they are seeing more cover, fewer weeds and desirable species grow where they've never seen them before. It could be that they see these changes because the range is actually improving. But sometimes the reason they see things they never saw before is because they never looked this closely. *If you want to know if your management is working, you must document range conditions.* Monitoring and documenting changes doesn't have to be complicated or difficult. As a minimum we suggest taking some pictures of key areas on the ranch once each year.

Keep a photo album just for these pictures. The pictures may be worth more than a thousand words when it comes to assessing the impacts of your management. They also establish a history for your property and can help show others how you've used grazing to improve range health. Some clients use their pictures as evidence of their track record of good stewardship and range improvement to land owners with whom they are negotiating leases. If you've been to the Ranching for Profit School since 2001, you'll find the procedure for establishing photopoints in the reference section of your school notes. If you attended prior to 2001 we'd be happy to send you a copy of this simple procedure. You'll also find the procedure on the newsletter/article section of our web site.

UPCOMING RANCHING FOR PROFIT EVENTS	
Seminars/Presentations	
Oklahoma Grazing Land Conference – August 13-14 Oklahoma City, OK Call: 580-327-0344 and ask for Kelly.	
Ranching for Profit Schools	
Regina, SK Nov.28-Dec4, 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	
KIT Days	
July 27 – Quill Lake, SK – Paul Foley	Aug. 18 – Hall, MT – Brad Radtke
July 29 – Drewsey, OR – Gary Marshall	Aug. 19 – Melville, MT – Josh Donald
Aug. 12 – Sun City, KS – Ted Alexander	Aug. 21 – Athabasca, AB – Tom Krawiec
Aug. 16 – Springview NE – Brian Munger	Call or e-mail for more information.
Executive Link Meetings	
High Plains, Billings, MT Oct 25-27	Alberta, Calgary, AB Nov. 15-17
Far West, Boise, ID Nov 4-6	Colorado, Colorado Springs, CO Nov. 8-10

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We are in the business of putting profit into agriculture!