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BRANDAIDS

Opportunities for Survival and Success in Ranching

A special publication by the SOCIETY FOR RANGE MANAGEMENT

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The Trail Boss ®

The Society for Range Management is a professional organization composed of individuals with a common interest in the study, management, and rational use of rangelands and related ecosystems. Members are ranchers, research scientists, government agency administrators, technical assistance personnel, educators, students, and people associated with business and industry.

Opportunities for Survival and Success in Ranching

Almost every day there is a newspaper article, radio program or television story about a ranch or farm foreclosure or the losses that agriculture is taking in the market place. There are other stories that are not publicized of ranchers who are continuing to make a profit. What are these individuals doing differently? Do they have a hidden advantage? Are they better business managers? Do they know ways to decrease costs per animal or to increase receipts? Are there opportunities on your ranch to increase profits?

Most of you are already working to increase revenues and decrease costs. The purpose of this publication is to provide a checklist of opportunities to help you do even better. The methods are not covered in detail; much has been written other places on each method. In addition, the people to whom you go for information can provide details.

Historically, economic pressures have drastically affected ranch businesses. Making money or "staying in business" can be accomplished in a variety of ways. This publication is intended to help you think about your total ranch business and to give you ideas.

Economic Climate

Range livestock producers have seen and are seeing increasing costs of production and low livestock prices. During the period of 1962 to 1981, costs of inputs increased 233%, while prices received increased only 171%. Energy costs increased by more than 3 1/2 times since 1970. This has had a direct impact on transportation, use of equipment, irrigation and fertilizer. Feed grain and replacement livestock costs increased 164% and 190%, respectively during the 1962-81 period. These two agricultural inputs did not increase as rapidly as other factors of production. Labor costs have also increased over the last several decades.

One of the most obvious cost changes of recent times has been the cost of money. Non-real estate loan rates have doubled in the last decade and are also highly variable. Interest rates of 17–19% were common in 1982. Livestock producers are hard pressed to make a profit or break even if they used 18% money to purchase livestock. In addition, the cash flow problems encountered can lead to reducing other inputs that may decrease efficiency. Any thought of expansion through debt financing is reduced or delayed because of the increasing cost of the debt load.

Land values have increased over the last three decades. Until recently, this has enabled expansion and financing through loans on the appreciated land values. As long as profit margins remained high, producers were in good shape, but as production costs increased at a rate greater than livestock prices, cash flow problems developed.

Government policies also have impacted the lamb and beef business. Policies toward exports and imports have many interrelated effects on lamb and beef markets and production costs. Decisions with respect to riparian areas and non-point source pollution have immediate costs. Land management agencies are shifting the responsibility of maintenance to the rancher. Agricultural programs such as payment in kind impact the livestock industry and provide opportunities.

To complicate the changes in production costs, demand for range livestock products have changed. Diet substitutes (pork and poultry) have decreased in price relative to beef and lamb prices because of cost efficiencies achieved in those industries. Consumer preferences towards short-fed beef and towards lighter diets have reduced beef demand. Thus many factors have occurred that have put pressure on the range livestock business and have made producers more aware of the business environment in which they live.

Ranch Business

Managing your ranch as an agricultural business may provide alternatives for increasing profit. The ranch is not just a cow/calf operation, a yearling operation or a sheep ranch but is a total agricultural business. In evaluating an operation, there may be many alternatives that will allow manipulation of individual portions of the business to increase the profits and cash flow within the business itself. Thus, in viewing this business, the individual components are viewed as individual enterprises; then, the cash flow can be monitored on an individual enterprise basis.

Evaluating the profit margin for each alternative will lead to a profitable business. For example, in a typical cow/calf operation, hay should be analyzed as a separate enterprise

from livestock. The enterprise approach also should be used to analyze the feasibility of running yearling steers or replacement heifers. Only if each enterprise is evaluated on its cash flow and profit basis is it possible to know which management practices should be changed to increase your profit margin.

Planning and Record Keeping

Livestock producers must be good business managers. Making the right decisions at the right time determines survival and success. Good decision making is not all luck. One of the foremost requirements of good business management and good decisions is planning and record keeping. Jack Maddux from Nebraska quotes John Gardner as saying, "Planning is attending to the goals we ought to be thinking about and never do, the facts we do not like to face and the questions we lack courage to ask."

Planning is an ongoing process that requires your commitment. It involves determining your long-term goals, determining the status and characteristics of the operation, determining opportunities that will achieve the goals, estimating which of those opportunities will best accomplish the goals, deciding and implementing those opportunities, and keeping track of the outcome.

Planning involves record keeping and analysis. The process of keeping records for livestock production planning gives insights to both mistakes and new opportunities. Because records of range and forage production, livestock production and performance, marketing, financial affairs, and taxes are needed, a single form is not adequate.

Records on range and forage production include forage production, range condition and trend, stocking rates, season of use and improvements. In addition, crops and forages are produced in most livestock operations for additional feed sources. Production records and costs of fertilizer, seeding, tilling, etc., are needed to locate inefficient components of the operation.

Livestock performance records are vital to efficient production and profit. Animals may be individually identified so that individual cow or ewe performance can be determined if needed. Such records could include age, weight, calving or lambing dates and weights, weaning weights, weight of offspring produced per breeding female, any problems encountered with each breeding animal, and health records. Bull or buck performance and supplemental feeding also should be recorded. Such records enable you to identify animals to cull and opportunities to increase production.

Marketing records give the manager information on his performance relative to past marketing strategies. It also provides a start for the next year's marketing plan. By combining costs of production and animal performance records, you can estimate what break-even prices are required for different marketing dates. Using best guess

Planning

livestock prices, you can calculate expected profits or losses for different marketing strategies.

Predicting prices is never easy, but part of being successful is looking into the future. By doing so, not only are the best opportunities identified, but problems can be anticipated. Help in forecasting prices is available from the financial community, extension service, livestock organizations and other sources.

Financial records are vital to give the current status and health of the operation and to provide information for acquiring loans and credit. An income statement provides a valuable short-term record of your ranch. It is the profit and loss statement of your business and gives the performance record over a period of time, normally one year. Cash flow records monitor the liquidity of the ranch. The balance of funds available and expected revenues and outlays enables the manager to foresee problems in cash flow, and investment or purchase opportunities. The balance sheet or financial statement shows the status of the ranch at a point in time. It compares the liabilities and assets from which estimates of net worth, debt load and other measures of ranch health can be made.

Different record keeping systems are available. You may visit accountants, county agents, other ranchers and range management consultants for recommendations on a suitable record keeping system. You may be advised to use an

automated record keeping system. If you purchase a home computer or lease computer services, it may be easier to keep production records and to assess current market developments in relation to seasonal and historical trends.

Cash Flow: Increase Income

There is a variety of alternative actions you can take to increase income in the short term. Caution should be exercised in adopting these practices for they may have associated long-term costs.

Borrowing

Borrowing additional cash is an example that, in the short term, increases the cash flow position but has a long-term responsibility associated with it. Studies of farm and ranch operations indicate that there is little correlation between financial position and the time required to repay a loan. On the other hand, long-term repayment reduces the size of the individual payments and thereby improves cash flow. Of course, you face the debt service for a longer period.

Shop for loans. Matching the right lender and the right opportunity may take some time and effort. Confide in the lender about plans and custom fit borrowing to your operation through planning and record keeping. A leverage goal can be helpful in both planning and acquiring a loan. By negotiating a "line of credit" and then borrowing money only as needed, your interest expenses can be reduced. Life insurance companies often allow borrowing against the value of policies at relatively reasonable rates.

Consolidation of several loans into a single loan and perhaps extending the time over which the loan is repaid can improve the cash flow position by reducing monthly expenses. Refinancing existing loans can take advantage of increased property values or extend the duration of a current loan. In both cases additional cash can be made available.

Selling of Current and New Products

Land—Selected portions of the operation's land base can be sold to gain operating capital. For example, a corner lot could be sold for housing or commercial development, subject to local regulations. Some rangeland could be converted to cropland. This opportunity may be feasible if a neighbor has farm equipment and is willing to do the farming on a share basis. In some situations part or all of the operation could be sold with the operator managing the property. This last alternative is drastic but may be attractive if the original owner carries a lien on the property.

Increased Forage Harvest—If a range has not been overused, a short-term (perhaps 1-year) increase in the numbers and kinds of animals grazed or the length of the grazing season can increase the forage harvest. This may reduce the use of complementary forages, allowing some of the hay to be sold. There may be some long-term benefits from intensifying grazing for short periods such as more uniform use of the range. Operators on public lands will need concurrence of the appropriate public agency to exercise this option.

Livestock—Herd reduction and shortening the time that animals are kept can increase cash flow in the short run. Opportunities range from selling replacement heifers to selling some of the other breeding stock. Adjust the operation to increase economic efficiency, but remember that buying back is not as easy as selling.

Recreation—Hunting leases can be sold either to individuals or to organizations. In some parts of the country, income from hunting rivals or exceeds that from agricultural practices. The opportunities for fishing, camping, hiking and other kinds of recreation depend both on the location and features of the ranch as well as your willingness to work closely with recreationists.

Game ranching implies management of natural populations for hunting and fishing or the introduction of additional native or exotic animals for recreational taking. For short-term opportunities, you would have to use upland game birds and/or fish. In the longer term, however, both native and exotic big game can be cultivated in a game ranch operation. Game ranching programs must fit with state regulations that may limit opportunities.

Dude ranching requires the availability of housing for "dudes" and a willingness on your part to tolerate the presence of "greenhorns." Many individuals and families are willing to pay for the opportunity to spend a week on a ranch.

Vacation ranching implies that the "dudes" brought to the ranch pay for the opportunity to work for the rancher. This has the benefit of providing cash income as well as labor. However, you must recognize that the quality of that labor may be marginal.

Success with any of these recreational activities requires communication with potential customers, which generally involves advertising. If a group of ranchers works together on the advertising, costs per operator could be substantially reduced.

Services—Many ranchers work part-time off the property. This outside income from husband, wife or children helps the cash flow, but attention to the business cannot lag.

Custom work on nearby properties may be a good way to sell your services and continue to do the preferred kind of work. As the number of nonresident owners increases, opportunities for custom work may increase. Shared grazing in which neighbors run similar or different types of livestock together may have benefits. By sharing grazing, the time required of one of the operators can be freed to allow time for custom work, labor outside the ranch or other activities.

Higher intensity grazing with a given class of livestock may reduce less desirable species, particularly if done for short periods. The greatest gain may come from mixing classes of livestock, e.g., running sheep and cattle or goats

and cattle, together. In this instance the grazing resource may benefit by spreading utilization over a greater part of the plant community while simultaneously freeing the time of the other operator.

Lease Your Own Equipment—Farmers and ranchers in an area may own much more equipment than is necessary to work their own acreage. If neighbors would lease equipment from one another, capital outlay by the lessee would be reduced and the cash flow for the lessor would increase. Seldom used equipment can be made available for lease to others but might be sold if comparable equipment can be leased economically.

Lease Grazing—You may be able to lease grazing to others if you have excess forage, or you could reduce your herd and lease the forage resources. There also may be opportunities to manage others' animals, and earn income on the basis of weight gained or on a share basis.

Earn Interest on Cash—With interest rates as high as they are, cash that is not earning interest deserves attention. The 10% earned on a cash reserve may be the easiest money a rancher makes. If extra cash appears, use it well by diversifying investments.

Cash Flow: Decreased Buying

Equipment

You can decrease outlay by leasing equipment as opposed to purchasing it, by purchasing used equipment if available, by sharing equipment with neighbors, and by increasing equipment maintenance applied to current equipment to make it last longer. Each of these options provides both short-term and long-term benefits, though they may be viewed as a change for the operator.

Shop for best buys. Major expenditures may require careful study to determine whether it is the best use of the money and that the product selected is the best available for the amount you can spend. Co-op purchases (through RCD's and with neighbors) can improve bargaining power.

At every opportunity delay or reduce purchases or improvements. Patch, renovate, rebuild and repair when possible. Even if the cost of repair exceeds the increased value of a resource, the operation may be better off because of the improved cash flow position. Of course there comes a point when equipment has to be replaced, but the longer that decision can be delayed the better the cash flow position of the operation is likely to be.

Energy Consumption

The price of energy makes opportunities to reduce consumption attractive. Identify major energy expenditures and seek opportunities to reduce or eliminate those where the expenditure is high. As examples, irrigation often can be reduced by one application without markedly affecting yields, particularly if careful attention is paid to irrigation timing. In some areas there are discounts for energy use during nonprime times. Feeding livestock less frequently and/or at the best time can reduce costs and increase efficiency. By becoming sensitized to energy expenditures, operators reach the point of asking if they need each energy expenditure and, if not, do without.

Labor Intensive Activities

Expand the use of permanent labor to its capacity as opposed to expending money for labor saving devices. This includes the maintenance and repair activities described above, but also suggests the return to some of the older farming and ranching practices that involve more labor and less machinery.

Consider alternative sources of labor. Vacation ranching, students and neighbors are three labor sources that are less expensive than traditional farm and ranch laborers. Student volunteers may be willing to work for room and board in return for the experience gained. Neighbors provide a high quality, experienced and inexpensive labor source.

Bartering

Trading livestock for a welding job or a custom haying operation for some hay are examples of getting what you need without depleting cash reserves. Shop around for good opportunities, barter for price and set firm agreements.

Marketing Opportunities

Good marketing begins with good production decisions. Rather than operating by habit and tradition, determine the product or products best suited to your operation and for

which there is a relatively stable market. A seasonal grazing program may be more profitable than a year-long operation with heavy winter costs. You can run two yearlings and sell every pound of gain (about 600 pounds per year) in the place of a cow that will sell 400 pounds of calf, while each year she gains and loses 200 pounds that is not sold.

As an exception to the general rule of broad demand, can you buy other people's mistakes or what others don't want at enough of a discount to show more profit? An example is

Working with Neighbors

buying the right kind of number 2 "Okies" that will upgrade to number-ones with some flesh while good number-ones will not upgrade.

In any event, you must look within your own fences to match operations to resources, and look beyond the front gate to produce what others want and will pay more to get.

Production Costs and Break-Even Price

Marketing decisions can be made only by considering production alternatives. One of the first things to do is find out what your production costs really are. When a rancher says that it costs nothing to keep cows, some important costs items are being overlooked.

Ranching costs usually are separated into fixed costs and variable costs. Fixed costs are those related to the fixed factors of production and include family labor and land. Fixed costs do not change with output, nor can you avoid paying these costs in the short run. Variable costs are those related to variable factors of production such as purchased feed, repairs, fuel, hired labor and veterinary costs. Variable costs do increase with increases in output and can be thought of as costs that can be avoided by closing down the operation. Rather than lumping your variable costs into one group, they should be separated by enterprise. For example, the variable costs of your livestock, haying and grain enterprise should all be analyzed separately.

By knowing the production costs of each enterprise, you will be able to logically approach management decisions. Break-even prices or the sale price of a ranch product that is needed to cover the variable costs of producing that specific product should be calculated. You can stay in the beef or lamb business in the short run if you cover the cash costs. Paper costs, such as depreciation and interest on investment of equity capital may be ignored in the short run if the long-term prospects are bright enough to put the business on a profitable basis later on.

Although break-even prices are a useful tool, economically efficient production is where marginal cost equals marginal revenue. Marginal cost is the additional cost of producing one more unit of output, while marginal revenue is the additional revenue from selling one more unit of output. This suggests that net return per herd unit may not necessarily increase simply by increasing the pounds of calf weaned per cow. Instead, production should be increased only if marginal revenue is greater than marginal cost. Production should be reduced when marginal cost exceeds marginal revenue. For example, you may be able to sell stockers on either August 1, when the break-even price is $62/cwt, or on October 1 when the break-even price is $61/cwt. But if the price needed per cwt of gain during August and September is greater than $62, then the animals should have been sold on August 1.

Marginal break-even prices also are useful when evaluating alternative dates for selling products or purchasing inputs. These alternative dates are influenced by cash flow. For example, an early market date (or a late purchase) may make cash available for other investment opportunities.

Flexibility

The ability to remain flexible is an important marketing procedure. Without flexibility you cannot take advantage of opportunities when they arise. This flexibility applies to short-term marketing decisions and to longer term adjustments in your ranch operation. Marketing decisions are closely linked to other aspects of livestock production; thus, a rancher armed with information on livestock prices and operational costs can consider selling and buying options in the initial yearly planning and at appropriate times throughout the year.

Very likely the traditional selling time, such as October 1, may not be best for profitability. A good example has been demonstrated by innovative stocker operators in the Flint Hills. Although they buy in April, as do the traditional stocker operators, they stock at a rate 2 to 3 times as heavy and sell in mid-July rather than at the end of September. Because they are only grazing when forage quality is high, their animals have a high rate of gain resulting in increased profit per acre.

Multiple selling dates can be considered. However, criteria for selling or retaining a specific product should be specified during the planning period. To increase the opportunity for success, these criteria should be the basis for subsequent decisions.

Retaining calves for sale as yearlings is another possibility. Because this strategy requires adequate forage resources to meet the additional requirements, it is more feasible on lightly or moderately stocked ranches. Calculations can be

made comparing the profit (or loss) of selling the calves versus the additional profit (or loss) of holding the animals over. In some cases, a loss may be encountered from the sale at weaning but a greater loss may occur if the calves were held and sold as yearlings.

You also might have the flexibility to produce for a special market. However, these makets should be protected by a firm agreement. Such options include bull calves, spayed heifers and customized replacement heifers. Selling replacement heifers early and buying others later should be investigated. Putting extra flesh on dry cows also might be an option.

The decision concerning how to market the animals is also important. Auction markets will continue to be important in the beef industry. A few producers are marketing directly to consumers with the cooperation of local processing facilities. This will provide some operators near urban populations opportunity to increase revenues.

Production Opportunities

Productivity Per Breed Animal

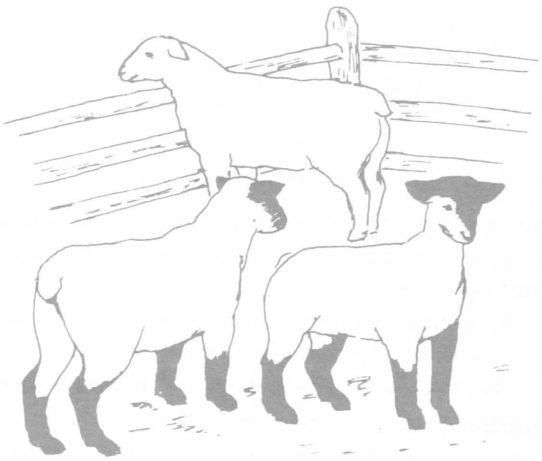
The pounds of meat weaned per breed animal depends on conception rates, death loss and average daily gain to weaning. An important factor in increasing profit per female is the birth rate. Birth rate is measured as the number of live offspring born in relationship to the number of females exposed.

A primary factor controlling the percent offspring produced is the nutritional management of the herd. In order to get live calves or lambs on the ground, the female must be cycling. An adequate plane of nutrition 60 days previous to calving and for 90–120 days following calving is needed to assure a live calf on the ground, adequate lactation, recovery from calving, and breed back within about 80 days. As a general rule, a cow's weight should be stable for the 60 days prior to calving and increase following calving. With proper nutrition and good herd management, 90 percent conception rates could be expected with a 45- to 60-day breeding season.

The most effective way to reach this plane of nutrition is to match calving (or lambing) with the green forage period. Nutritionally, the best calving season is about 6–8 weeks before green forage is available on rangelands. Sometimes this is impossible because of other management considerations.

Herd management following weaning can have a pronounced effect on wintering costs. Three difficult questions concerning supplemental feeding of livestock in winter are (1) when to start feeding, (2) what to feed in terms of supplemental hay and/or protein and energy, and (3) when to stop feeding in the spring. Range forage is highly variable in nutritive content among years, and there is no simple way to accurately predict the point at which forage no longer meets the nutritive requirements for the animal. However, some general rules apply. The fleshier the animals are coming into the late fall and winter season, the later might be the date to begin supplemental feeding. Two- and three-year-old cows and old cows always should be considered separate from the remainder of the herd. One way to reduce costs is to sort animals into age groups because the amount of supplement fed varies according to age and condition.

Lamb crop is almost as important for sheep ranchers as calf crop is with cattle operators, and the principles apply in the same way. With good management, sheep operators should be able to put 150 percent lamb crop on the ground. Because ewes are bred in the fall, a period of flushing usually results in increased conception rates. Sheep and goat producers also consider the impact of management such as breeding on wool and mohair.



Stillborn and pre-birth losses reduce birth rate. Diseases such as leptospirosis, brucellosis and vibriosis cause stillbirths and pre-birth losses. These diseases can be easily controlled with vaccination. In some instances, nutritional stress can cause stillborn animals or pre-birth losses. Calf losses also are due to scours or pneumonia, and losses can be reduced through proper management.

An important herd management program for increasing profits is a combination of pregnancy testing and culling. Seldom is it economical to carry an open cow through another year. Low producing and old cows should be culled. Records are essential to rank cow production in relation to the herd average. For example, two cows produced 11 calves over their lifetime. However, one cow produced 50 pounds more calf per year on the average. The cow that produced a light calf is making less for the operation. Cows having calving problems will breed back late thereby producing a calf late in the spring and are good candidates for culling.

If properly grown out, breeding heifers to calve at two could produce 300 pounds or more calf per cow over her lifetime as compared to breeding heifers to calve at three years old. Additionally, breeding heifers to calve 30 days

earlier than the rest of the cow herd is a good practice unless it moves you into a period of bad weather. Early calving gives the heifer more time to recover and breed back. Heifer calving difficulties can be reduced by selecting bulls that sire smaller calves.

There is a relationship between weaning weight and the age of the offspring at sale time, i.e., early born calves usually are heavier. Animals born late in the season have a much shorter period of high nutrition available than animals born earlier. It is not uncommon for calves born 20 days (one cycle) later to weigh 35 to 45 pounds less, and those born 40 days later (two cycles) may weigh 60 or more pounds less than early born calves. At 70 cents per pound, that could amount to a $28 to $42 loss in revenue at weaning. The light, younger calves may result in higher profits if kept on the ranch.

In sheep and goat operations getting animals on the ground is not as big a problem as in cattle operations. However, the post-birth death loss tends to be higher. Much of the death loss in sheep and goat operations is related to predation. There is some indication that increased surveillance will decrease predation loss. Innovative programs for predator control, such as guard dogs and fencing, may reduce losses. Other causes of post-birth death loss in sheep and goats is weak lamb or weak kid syndrome as well as incidence of scours and pneumonia. These diseases are frequently related to nutritional stress and proper management of females prior to and after lambing or kidding will greatly decrease losses.

Weaning weights may be increased through selective breeding. Cow size, type and production level should be proportional to available nutrients. Cross-breeding can be used to increase weaning weight; however, caution should be exercised in cross-breeding programs to ensure hybrid vigor. Care should be exercised in selecting replacement animals in a cross-breeding program to ensure that the animals fit the rangeland condition.

An alternative practice that may be profitable is to cross a terminal sire on the breeding cows. This produces a growthy calf that gains better than straight-bred calves, provided that forage quality is adequate to allow maximum milk production. Cross-bred animals must have adequate feed to express their genetic potential.

These calves may be too heavy for a rancher to keep and probably should be sold to a feeder. It may be beneficial to the operator to buy lighter-weight heifer calves to carry over as stocker yearlings. Very often these light heifer calves can be purchased for $8 to $10 per hundred weight less than the heavy steer calves, but when sold as yearlings, heifers are within $3–$5 per hundred weight of the price of yearling steers.

Spaying heifers may be an alternative management program provided they are implanted and/or the feeder is willing to pay a premium price. Spaying assures a heifer will be open when she goes to the feedlot.

Implants may be a good investment. One can expect 5 percent or more increase in gains of implanted versus non-implanted animals. Implants often return 5–15 times their cost.

Animal Classes

Kind of livestock should be matched with forage quantity and quality available in the area. Quite often, combinations of kinds of livestock can increase profits. Specifically, it is not uncommon in many areas to be able to run sheep with cattle while increasing the carrying capacity up to 50 percent without showing a negative response in the vegetation. Frequently, this is a good investment and shows much greater profits per unit of management and dollar input than cattle alone.

Hay and Complementary Forages

Many western ranchers put up hay for feeding. The quality and quantity of hay can be balanced by manipulating the harvest date. In many cases, the nutrient content of alfalfa exceeds the requirements of mature, dry gestating cows. You may be able to sell that hay for a market value higher than the purchase price of lower quality hay that can be used for feeding. Ranchers also harvest grass hay. In grass hay, there is a declining trend in quality as the harvested quantity increases. You can balance the quantity versus the quality

that is required for your livestock during a given period of their production cycle.

Complementary forages or crop residues may be used to decrease the cost of production. Frequently, both can fit into a livestock production operation to satisfy the nutritional needs of growing animals or to provide a low cost forage for mature animals. These options might decrease the cost of production per unit of weight and increase profits.

Range Improvements

Range improvements may be structural or nonstructural and have both long- and short-term cash flow implications. Many times stocking rate can be increased through use of low-cost cross fencing or water development. Investing in areas critical to management also may add returns to the total operation. For example, clearing brush or reseeding of holding pastures or fertilization of introduced species in order to allow animals to complete a breeding season on the area rather than under more extensive conditions can benefit livestock and complement rangeland. Most range improvements are long-term investments and require maintenance. Sometimes cost saving can be realized by not using problem areas such as areas of low production or with poisonous plants.

Risk Management

Several opportunities to reduce the risk of income loss might be considered. Reducing risk helps in bad years and may reduce profits in good years, but risk reduction results in a more stable income. Diversification among business enterprises and marketing several times during the year are options for decreasing risk. The possibilities of forward contracting should also be investigated. This method reduces risk by determining revenues early.

Another option is the use of the futures market for not only beef cattle, but also to lock in feed and interest costs. Hedging through futures is not a method to increase beef prices, but is a means to mitigate risk due to uncertain price fluctuations. Futures contracts should be used only after careful consideration of number and classes of cattle being sold, current prices, expected prices and the costs of using the futures market. Like any other opportunity, prior planning and estimating costs and benefits leads to better decisions.

Many operators should not limit themselves to beef cattle futures; many also have a cropping enterprise. Various grain contracts also are traded in the futures market and provide another risk insurance opportunity.

Tax Management

Each production and marketing decision may have tax implications, because only after-tax income is available to support the family, repay debts, and make capital purchases.

You should consider tax implications when deciding whether to repair or replace equipment and improvements. Repairs can be written off as an annual expense unless useful life is substantially increased. Replacement considerations include improved investment credit benefits and accelerated depreciation that may reduce effective cost.

Unproductive or less productive livestock, equipment and even land may be sold or exchanged to reduce inventory, interest, property taxes and operating costs with the resulting income or difference applied more profitably. Nontaxable exchanges of like property is a useful tool in tax reduction. Remember that forced sales due to drought or condemnation are subject to special tax treatments.

There are opportunities to convert ordinary income into capital gains by holding for the necessary time limit. An example is keeping all desirable heifers for replacements, which allows more rapid herd improvement, and selling off cows that may be worth more per unit and are subject to capital gains treatment.

Timing of purchases and sales, especially near the end of the tax year can defer taxes and increase available cash. Prepayment for feed, leases and cattle, and carryover of sales into the next tax year can reduce current tax burden, but demand careful planning to avoid adverse future consequences. Because of the variations in weather, carrying capacity, costs and prices, the income averaging provision of the tax code may help ranchers reduce the peaks and valleys of taxable income.

All of these tax provisions and considerations provide the knowledgeable and alert rancher with management tools to increase after-tax income. The tax code and its interpretations are complicated, and sound tax counsel is a good investment.

Organizational Efforts

Numerous organizations provide information that can be helpful in marketing and other aspects of livestock business. Cattle-Fax, a program of the National Cattlemen's Association, provides current marketing information on beef cattle. The U.S. Department of Agriculture provides information on livestock sales. Specific "how to" publications are distributed by state extension services that show how to calculate break-evens, hedging costs and other aspects of the business.

Many ranchers are members of local, state and national livestock, agricultural and professional organizations. They are members primarily in order to help their business and help the industry. These memberships involve investments of money and time, and the active members carry the load for the industry. While it takes some time and money being active in one or more organizations, it is important and has a high payoff.

Organizations identify industry problems and propose solutions including research, political action and product promotion. All segments of the production chain contribute to the sale of food and fiber. Most consumers are not sure

Organizations

what they want; they are sold. Political action leading to legislation helps promote international trade in food and fiber and has helped on tax legislation that is easing burdens on producers.

Information from these and other sources must be critically analyzed and adjusted to your particular operation. Thus, any innovation being considered should be done so in light of the whole operation, and analysis should be made concerning expected costs and benefits before implementation. Remember, stay flexible, but keep your long-term program in mind.

Public Lands

The opportunities discussed so far are appropriate for ranchers regardless of land tenure. Many ranchers also graze public lands, and have additional problems and opportunities. Frequently, variable cost per animal-unit month of grazing on public lands is below that of alternative land leased from the private sector.

To take advantage of this lower cost per animal-unit grazing, you need to be able to use that land to increase gains or to decrease costs. This can be accomplished best when you, in concert with the public land manager, develop a plan that allows the public land to fit into your overall management plan. It is very important that understanding, coordination and communication continue through the years so that each party is aware of the management program and problems can be resolved as they develop.

Alternatively, the use of public lands can increase the cost of livestock operations. This can occur frequently if the use of that public land does not increase the production of the operation in relationship to its cost. This can occur when a rancher, because of some management program on either side of the fence, may be forced to take non-use, a cutback in use, or face high costs associated with the use of that land. Those costs may be in the form of increased maintenance costs for fences, watering facilities, tanks or other improvements, and reduced animal gains as well as costs of managing the livestock on that land. Management costs include moving the animals back and forth to the land base by trailing or trucking, and the overall day-to-day management costs using public lands.

Conversely, there are instances where increases in permits may occur. Any increase should be incorporated with the total ranching operation. You should examine how increased forage resources in one season or several seasons may impact requirements during other seasons. Agencies are shifting more of the range maintenance responsibilities to ranchers. Ranchers should carefully examine opportunities offered by this new freedom.

Information Sources

There are numerous sources of information on the opportunities discussed in this publication, including extension personnel, private companies, lenders, organizations, agency personnel and publications. Decide first what you want and need, and determine what source is most likely to have the information. Often the best information is from local sources, whether it is your neighbor, local banker, feed dealer, agency personnel or county extension agent. Ideas that are available locally have probably been applied locally, and you can determine the degree of success or failure that a particular practice has had. Did it result in a more efficient operation and consequently more profit?

The extension service is responsibile for getting ideas to the industry. Your local extension service representatives are a good source of information, and if they do not know the answer to your question, they can get the answer or tell you who might know. There also are state or area extension specialists and other agency specialists in range management, livestock production and agricultural economics. These individuals distribute publications and put on workshops and demonstrations.

You also can explore opportunities that you are considering with your banker, lender, feed supplier, veterinarian and/or tax advisor. But, you make the final decision on how an idea fits your total operation.

Organizational inputs were discussed earlier. They provide forums to exchange information, to gain new information, and to discuss problems and provide publications about issues of particular concern to their memberships. An example is the proceedings of the National Beef Profit Conference, "A Roadmap to Profitability." This book is particularly appropriate for ideas for survival and success in the livestock business.

Other publications are available often at little or no cost. Table 1 provides a cross reference to publications that contain more information on the subjects covered in previous sections of this booklet. The publications are identified by a letter code in Table 1 and in the list of references. This list is

by no means inclusive but identifies the type of publications available. Most are published by state extension services or state agricultural experiment stations. Even though a particular publication was done in another state, it is very possible that your state has published similar material. You can check with individuals in your area or state on what might be available.

Summary

Ranchers are using different ways of increasing income and decreasing costs to stay in business. Evidence of this is easy to see in these tough times, but ways of improving business efficiency are valid in good times also. This publication contains a checklist of ideas that may be helpful. The opportunities that are identified may not apply to all operations and all geographic regions. Thus, while they are identified here as ideas, operators should examine these possibilities in light of their total ranch business.

The list includes ideas for record keeping, planning, increasing cash flow, increasing production efficiencies, marketing, managing taxes, and organizational efforts. Detailed information is available from other sources on the different opportunities. A discussion of these information sources is provided with a list of references. This list is not complete but identifies the types of references available and where they may be obtained.

There will be new opportunities developed, and some current ones that have been overlooked. Some opportunities, that are inappropriate for a business now, may be appropriate later. The economic environment is constantly changing, and the business manager who remains flexible and adjusts to change has a better chance of surviving and succeeding.

Table 1. Outline of References on Opportunities

Opportunities	References*
General References	A,B,C,D,E,BB
Economic Climate	F
Ranch Business	G
Planning and Record Keeping	L,M,DD,JJ,RR
Increase Income	BB
Borrowing	
Sale of Current and New Products	EE
Decrease Buying	H
Marketing Opportunities	I,J,K,OO,PP
Production Opportunities	M,Q,R,S,T,Y,AA
Productivity per Brood Animal	U,V,W,CC,HH,II,LL MM,NN,QQ,TT,UU WW
Animal Classes	
Hay Production and Complementary Forages	X,GG,KK,SS,TT,VV
Range Improvements	Z,FF
Risk Management	C,N,O
Tax Management Opportunities	G,P
Organizational Efforts	
Public Lands	

*Letter codes refer to specific references listed in the references section.

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