

So You're in the Cattle Business: Do You Know Where You're Going?

Imagine that you wake up tomorrow to find yourself on an airplane that has just taken off. What would you think if this announcement came over the intercom?

"Ladies and gentlemen, this is your captain speaking. The jet stream is with us today, and we'll soon be traveling at more than 600 miles per hour. If all goes well, in an hour or so we should be able to look down and see land below. When we do, we'll look for a city with an airport. When we find one that we think looks safe, we'll try to land. We hope you have an enjoyable flying experience with us. Thank you for flying Random Air today."

Would you choose to ride on an airplane with an uncertain destination? Would you wonder why you were traveling at 600 miles per hour with no one on board sure where you were going? How does this relate to the average cattleman you know?

If you have not identified your ranch management goals or do not know how you are going to achieve them, you are not alone. Too many cattlemen—just along for the ride—are only hoping for a better future. The more successful, however, establish ranch management goals describing the future they want, determine how they can achieve their goals, and then manage for goal achievement. It can be done. But it takes a plan.

Ranch Management Goals

A goal is simply a statement of what an individual or business wants to achieve in the future. Each individual or business unit should identify and *commit to writing* its goals for the future. You are more likely to achieve the things you want if you identify what you want, specify the means (people, resources, potential conflicts, ways to resolve potential conflicts, etc.) for carrying out actions, and determine a target date for completing these efforts.

The *first step* is to commit your goal(s) to writing. Begin with goals that are specific and measurable. Begin by making a list of the things you want to accomplish with your farm/ranch operation. Below is a short list of possibilities others are using:

- To make a living from the ranch operation (\$xx,xxx/year)
- To provide supplemental income (\$x,xxx/year)
- To expand, maintain, or reduce the ranch operation

- To improve pasture forages and forage use
- To improve land (or labor) use in the ranch operation
- To improve the natural resources of the land
- To enjoy the rural life
- To hold land for appreciation or other investment purposes
- To provide or develop recreational activities (fishing, hunting, etc.)

These are only a few of the possible goals you may want to consider. Be sure to list as many as you can think of to help you determine what is important to your operation. Then go over the list and rank them from most to least important. Be sure to involve anyone, spouse and/or business associate, who has an interest in your farm or ranch operation.

The *second step* is to categorize the management goals you have listed. An easy way to get started is to categorize your goals into personal and business categories (Figure 1). Personal goals are statements about what

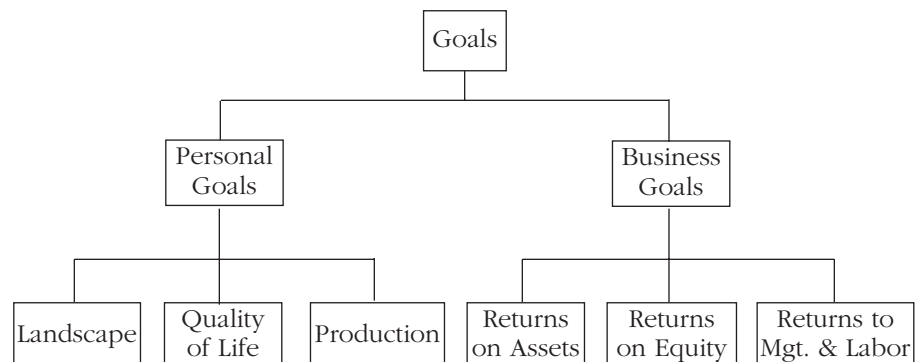


Figure 1. Types of ranch management goals

you as an individual want to do in the future. These are the goals that give you personal satisfaction. Business goals, on the other hand, are statements about what you want the business to do in the future. Business goals are often, but not always, expressed in financial terms.

Personal Goals

Personal goals may deal with the landscape or appearance of your farm or ranch, such as the appearance of fences, pastures, roads, and barns and working facilities, or the conservation or improvement of your natural resources. The quality of life on a farm or ranch is very often a personal goal that many people express. Such things as achieving a more comfortable standard of living, enjoying a less hectic life, being your own boss, the opportunity to make decisions, enjoying the freedom to take chances, being outdoors breathing the fresh air, and being surrounded by the natural environment all express the quality of life possible on a farm or ranch. Production goals, which may involve achieving certain levels of production (acres, bushels, head, tons, etc.) or raising a champion animal or producing a record crop yield, are also personal goals which some people desire.

Business Goals

Business goals are often more easily identified and measured. Business goals are commonly expressed as a certain level of returns on assets, returns on equity, and returns to management and labor, or *income* in all three instances. Business goals may also include goals relating to farm/ranch growth, business organization, family transfer of assets, retirement, etc. It is necessary that you develop accurate financial statements (balance sheet, cash flow, and

income statements) and monitor them closely to achieve most business goals. Often, the difficulty with business goals is in determining how much is enough without restricting or eliminating alternatives and in balancing returns with farm stability and flexibility.

You are no doubt aware that some personal and business goals overlap and are quite related. That is, some personal and business goals complement each other, while others may be conflicting. For example, a personal production goal to attain a high average weaning weight may conflict with a business goal to attain a given level of returns to management and labor when attaining the high weaning weight is unprofitable (physical maximum vs. financial optimum). In the event that your goals conflict, you must decide which you want the most, or revise your goals, or settle on some compromise which would allow you to have a measure of both.

The *third step* is to identify short-term goals that will allow you to reach your long-term goal. Consider the example provided by Figure 2. The business goal identified for "Returns to Management and Labor" is to make a profit ten years out of

ten. This is a long-term business goal with the time period definitely noted. The short-term goals that will contribute to reaching the long-term business goal include: to achieve 500 pounds of calf production per breeding cow; to attain calf market prices that are 5 percent above average; and to keep unit cost of production (cost per hundredweight, or \$/cwt.) at less than 50 percent of the maximum cattle cycle calf price. These short-term goals provide the cow-calf producer with a road map of how to attain his or her long-term goal.

The *fourth step* involves the written details and plans of action for achieving these goals. Figure 3 provides a format for committing your long- and short-term goals to writing. Use a separate worksheet for each long-term goal. List the short-term goals that you believe will contribute toward reaching your long-term goal. In addition, note possible conflicts, ways to resolve possible conflicts, resources needed, assigned person or persons, and time allowed to achieve each short-term goal. By giving some serious thought to what you want to achieve with your farm/ranch operation and

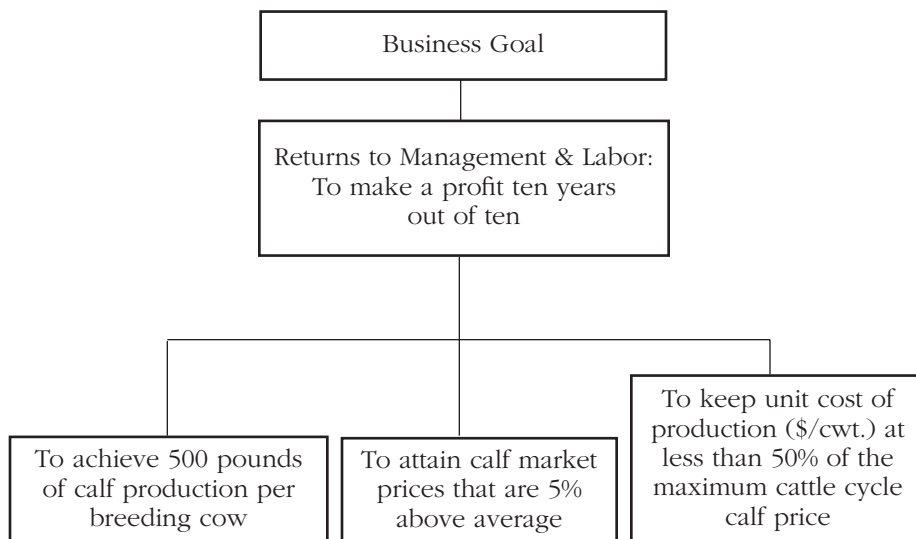


Figure 2. Example ranch management business goal, Seldom Rest Ranch, Inc.

Figure 3. Ranch management goal worksheet, Seldom Rest Ranch, Inc.

Long-Term Goal: To make a profit ten years out of ten

Write an important long-term goal in the space above that you have for your farm/ranch operation for the next five to ten years. Use a separate worksheet for each Ranch Management Goal. Next, list the short-term goals that will allow you to attain your long-term goal in the space provided below. In addition, denote the possible conflicts, ways to resolve conflicts, resources needed, assigned person, and time allocated to attain each short-term goal.

Short-Term Goals	Possible Conflicts or Restrictions	Identify Ways to Resolve Conflicts	Resources Needed	Assigned Person	Time Allocated
1. To achieve 500 pounds of calf production per breeding cow	Insufficient herd records Low conception rate Inadequate genetics	Adopt herd record program BCS 5 or 6 @ breeding Use EPD's for bull selection	Herd record program and training Adequate nutrition Seedstock sources	Carol P. Johnny P. Johnny P.	12 months 12 months April
2. To attain calf market prices that are 5% above local average prices	Uncertain market prices One traditional market	Identify cyclical and seasonal price trends Identify factors affecting value Evaluate marketing alternatives	Cash and futures price information Information on cattle descriptions and price and market alternatives	Carol P. Johnny P.	12 months 12 months
3. To keep unit cost of production (\$/cwt.) at less than 50% of the maximum calf price during the current cattle cycle	Incomplete financial records High input costs Debt	Revise financial chart of accounts Evaluate alternative input costs Scrutinize capital purchases	Financial record program and training Phone, calculator, time Financial records to determine repayment capacity	Carol P. Johnny P. Carol P.	12 months 12 months 12 months
4.					
5.					

committing these thoughts to writing, you will be able to manage for goal achievement more effectively.

For instance, the short-term goal of “to achieve 500 pounds of calf production per breeding cow” will not happen without understanding what needs to be done to accomplish this goal. Once you have identified that insufficient herd records, low conception rate, and inadequate genetics are potential conflicts for attaining your short-term goal, you can begin to examine ways to resolve these conflicts, identify the resources needed, assign a person responsible for taking the appropriate action and allow sufficient time to achieve the short-term goal. By successfully identifying and achieving these short-term goals, you will soon have your long-term goal in sight.

Again, you want to be aware that some short-term goals complement each other, while others will conflict or compete for the same resources. When some goals conflict or compete for the same resources, you will want to reassess these goals or settle on some compromise that will allow you to achieve each of them.

The *final step* is putting your plan into action. Without taking action, it is only by chance that you will achieve your goals.

The Beef Cattle Business

Ranch management goals change over time due to numerous considerations—births, deaths, marriage, divorce, age, health, economics, government policies/regulations, etc. Therefore, developing and achieving management goals is not an event, but a process that must be reviewed and adjusted as it is applied over time. The beef cattle business is complicated and must always be viewed in its entirety.

Figure 4 describes the three basic phases of any business. These include the start-up, operating, and transfer phases.

These three phases are linked by arrows on the top and bottom of the figure. These arrows suggest that information, decisions, and goals established in the start-up phase will have a strong influence on the operating and transfer phases. Likewise, the information, decisions, and goals that you have for the transfer phase will strongly influence the start-up and operating phases of your operation. Therefore, it is important to review and discuss the contents of the three phases as you develop the long- and short-term goals of your beef cattle business.

We are not saying that identifying and achieving your management goals is easy. It requires much time and effort for everyone, and above all, it requires being honest about what is important to you in the future. You may begin by answering the question, “Are you just along for the ride or do you have goals you want to achieve?” Remember, the worst person to fool in

life is yourself. So be careful how you answer this question.

Like the pilot who needs to know where the flight is going, what route to travel, and when it is to arrive at its desired destination, beef cattle producers should know where they are going, what plan will get them there, and when they can expect to be there.

This publication provides the basic information for setting farm and ranch management goals. Only the individual owner or producer, however, can identify the goals that describe where he or she would like to be at a certain future time, choose the plan of action that will lead to those goals, and get into action.

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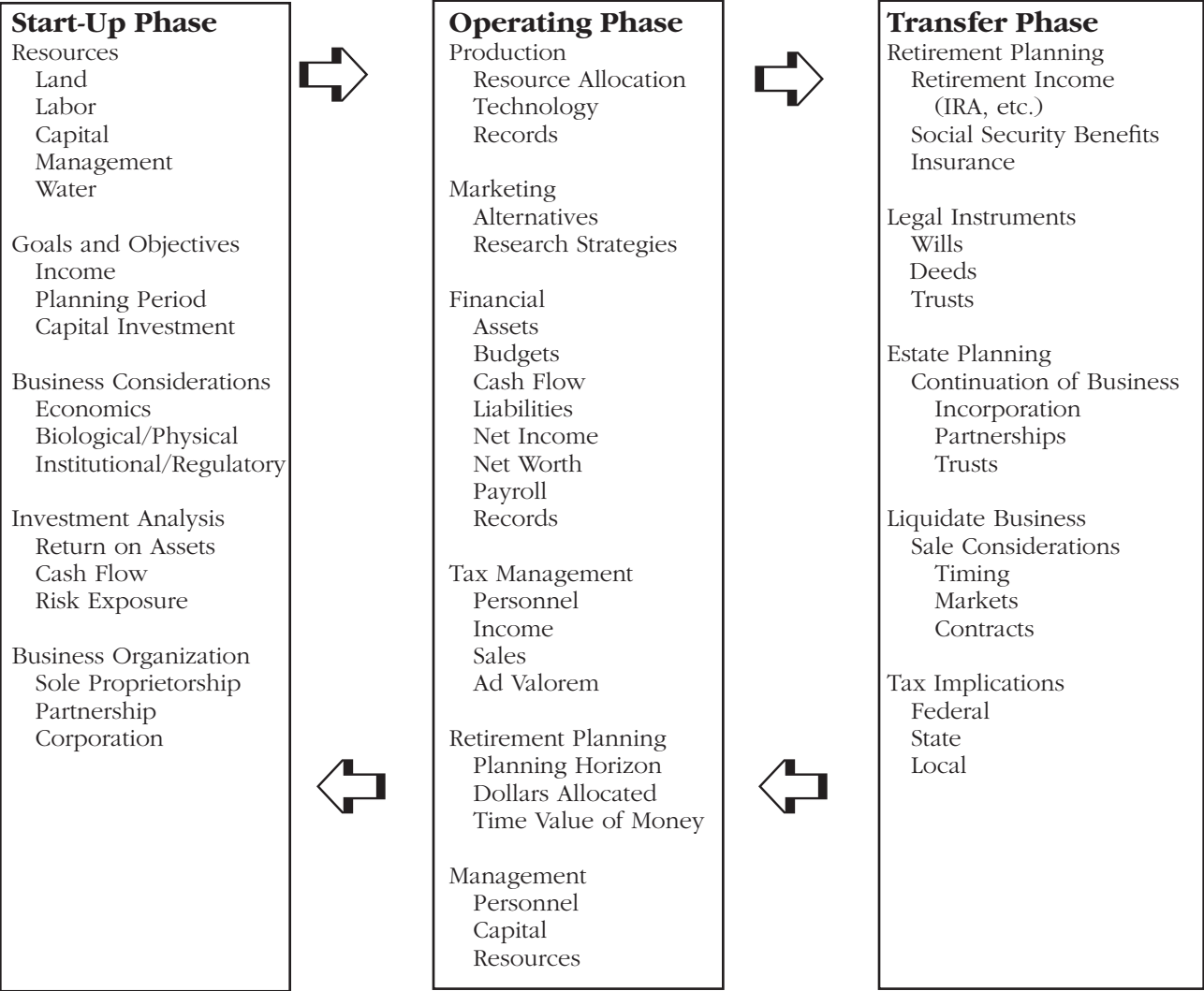
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Figure 4. The three phases of the beef cattle business





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