PHOTO BY STEPHANIE VELDMAN

7 Lessons From Grazing Gurus

If you're seeking ranch management expertise, consider these ideas from seasoned industry leaders.

by ***Kindra Gordon***

Wondering what more you can do to boost ranch profits? Producers and grazing specialists pondered that question at a summer conference hosted by Brush Creek Ranch near Atkinson, Neb., in cooperation with the Center for Grassland Studies at the University of Nebraska-Lincoln (UNL). On hand for the event were some of the industry's most innovative thinkers, who shared the following ideas for putting performance, stewardship and profit into pratice.

1. Run the numbers

Why are some ranchers profitable when others are not? "Because successful operators expect to make a profit and manage accordingly," says Kit Pharo, who raises several breeds, including Angus, in eastern Colorado. Pharo has been in the cattle business for 20 years and says he's tried to seek out profitable producers and emulate what they do.

He adds, "I'm amazed when I visit with someone who is thrilled to break even." Instead, Pharo says producers need to set their minds toward profitability and implementing the kind of cattle and ranching system that will achieve that goal.

"The key word is manage. Profitable producers may not build the straightest fence, but they know how to manage and drive a desk," Pharo says.

South Dakota State University (SDSU) range livestock production specialist Barry Dunn has also found that the ability to manage and plan is a common characteristic among successful producers. Dunn recently analyzed Standardized Performance Analysis (SPA) data from cow-calf operations in the Northern Plains.

From that information, he says common characteristics of low-cost producers include: keeping capital investments low, not going overboard on production, minimizing cow costs and doing a great job on marketing — especially with cull cows.

Pharo adds, "Unfortunately, most ranches are production-driven, but some decisions that increase production can decrease profit." He gives the example of weaning big calves.

"Big calves are not always the most profitable," he says. "It all depends on your cost of production. Producers must realize that production and profit are not the same thing."

Dunn encourages ranchers to analyze annual expenses, business structure, and production and marketing goals regularly. To be successful, he says, "Producers need to have a ranch plan in place."

2. Rethink land investments

Owning your ranch outright may not be the best strategy for generating livestock enterprise profitability, according to Allan Nation, publisher of a monthly periodical, *The Stockman Grassfarmer*, and author of several books about grazing.

Nation explains that U.S. land values have evolved from their ties to production to today's inflated system based on the urban economy and "viewscape." As he puts it, "A ranch today is often worth more for the view than the grass it produces."

Because of this, Nation says private land ownership has been competitively profitable as an investment, but it is seldom feasible for a business wanting to produce after-tax income. "The fact is that the current average return of deeded ranches in the U.S. is 3%. In contrast, many ranches on leased land show double-digit returns of as much as 20% to 30%," Nation reports.

Why the difference? Rent is determined by production value of the land and constrained by enterprise profitability, whereas land prices are priced as investments that are only loosely tied to enterprise profitability, Nation says.

Also, land is valued as an investment and has no depreciation tax. In contrast, rent and lease payments are tax-deductible and can be paid out of pretax cash flow, which makes a big difference in return. "The whole idea of wanting to have a ranch fully paid for is foreign to the U.S. tax system. Tax-wise, it is better to be a landlord renting land to others," Nation says.

Parasite-minded profit tips

Colorado rancher Kit Pharo says another profitable management strategy is to cull any animal that is prone to parasites throughout the year. "It doesn't matter if its flies, lice or worms. I've found those problems tend to be genetic, so you're best to cull animals that are susceptible to parasites," he says.

By doing so, your herd should become more immune to parasites. In turn, rather than treating the whole herd, you'll save money by only having to occasionally treat a few afflicted head, Pharo says.

Pat Richardson, with the University of Texas (UT) Integrative Biology Department, agrees. "With good management you should not need to worm your whole herd, just the ones that appear sick," she says.

Richardson adds that treating an entire herd with worming boluses can in fact be ecologically detrimental because in addition to killing worms it will kill beneficial dung beetles that help break down manure and return valuable nutrients to the soil.

If worming is necessary, Richardson advocates using a 30-day pour-on or injection rather than a six-month bolus. "The six-month bolus will remain in the animal's manure for that entire period and continually poison dung beetles," she says. The 30-day treatment will only be in the manure one month and not poison as many beetles, which will allow their populations to rebound."

Tom Dearmont, a Rose, Neb., cattleman, agrees with these factors. He points out that the trend toward investing in real estate isn't new. "Since the late 1880s most large-scale ranches were put together and financed with Eastern investors. Many operations fail today because there is too much pride in ownership of real estate. As a cattleman you want to invest in cattle."

He adds, "What you need to be first and foremost is a cattleman; don't worry about owning the land. Let investors buy the high-priced real estate. You can buy the cattle — that is your focus, and that's what will make you money."

Over the years, Dearmont says investors have rented their land to him for the production value. He says, "I consider those people my best partners. I've found I'm a lot better off to lease from them, rather than compete."

Nation clarifies that farm and ranchland can be an excellent investment. But, he points out, "The primary value of an investment is to maintain the purchasing power of excess after-tax cash. An investment is not designed to produce the after-tax dollars required for its purchase. In most cases, only businesses can do this. This means you must first build a business before you start to invest."

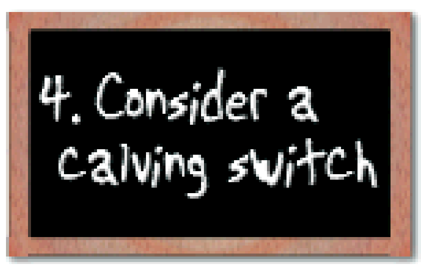
Thus, Nation suggests that ranchers wishing to buy land should start with leased ranches. "If their ranch management skills are such that they can produce excessive after-tax income, they can start to incrementally purchase land as a long-term, wealth-preserving investment if they so desire," he says.

All ranchers recognize that grass production can vary greatly from year to year — largely depending on precipitation. To be able to fluctuate with the highs and lows of available forage, many grazing specialists suggest utilizing different types of livestock.

"If you're locked into nothing but cow-calf pairs, you are a lot less efficient at using the grass," says Jim Gerrish, a grazing consultant based in Idaho and former grazing specialist with the University of Missouri (MU). Gerrish suggests that in abundant years, producers should consider contract grazing steers, replacement heifers, dry fall cows, sheep or goats to utilize excess forage.

Dearmont likes to run both pairs and stockers because of the flexibility it allows as well. "It helps prevent you from getting in a trap if it is a dry year," he says. For instance, he can easily alter the number of stockers he purchases each spring or sell them early if forage becomes scarce.

Texas range consultant Bob Steger also likes to utilize sheep and goats, especially on ranches with lots of brush, such as cedar, sumac and leafy spurge. "Some see brush as a problem, but I look at it as an opportunity that has a dollar value," Steger says.



While spring calving remains most popular among cattlemen, alternative calving that matches available forage resources to the cow herd's needs still has merit.

"Time of calving is not a fad. It is for real. It will lower your cost, and it will lower your risk," says Dunn, who advocates matching a cow's increased nutrition requirements, due to lactation, with early summer peaks in forage production.

He reports that recent research at both SDSU and UNL have shown late spring or early summer calving to be very competitive from an economic perspective with March calving. Interestingly, he also reports that a 1975 SDSU study of 485 Northern Plains ranches indicated that the average calving date at that time was April 27. From Dunn's recent analysis of SPA data, March 1 is the average calving date of 200-plus ranches within the same region today. Dunn says moving the calving date into early spring and winter increases feed costs and, in turn, all costs.

Pharo agrees and advises producers to "calve in synch with nature." He says, "Bison and deer have their babies in May and June; there's a reason nature planned it that way. It matches the production cycle to the available forages."

Gerrish says that a common mistake producers make is letting their livestock graze pastures too short. Bare ground and the "mowed lawn" look are indicators that pastures are being overgrazed, he says. This in turn can affect root growth, next year's forage production and nutrient cycling in the soil.

Pharo emphasizes that an important part of ranch management is implementing a controlled rotational grazing system that allows plants to rest and grow back. "Some folks say, 'I graze in the summer and rest pastures in winter', but that's not enough. Rest during the dormant season is not going to do a lot of good for that plant."

Gerrish suggests that producers monitor both the animal's and the pasture's needs and move them to new pasture accordingly.

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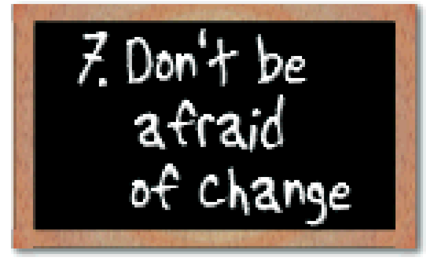
It's been said before, but these folks are adamant — profitable cows are those who are matched to their environment and can survive with minimal inputs.

"To me, feeding hay is a bad habit," Gerrish says. He reports that the average beef producer, whether he lives in Minnesota, Missouri or Mississippi, feeds hay for an average of 130 days every year. "We've developed soft cows by doing that. Cows have to make a living," he says.

Pharo is also a proponent of requiring cows to live within their means. He looks for moderate-framed, easy-fleshing cows for his arid range. He points out that bigger cows eat more than smaller cows, and higher-milking and higher-producing cows have higher maintenance requirements year-round.

"Because the industry has become so production driven, very few ranches have cows that can survive on what the ranch produces," he says. "Producers need to get rid of the animals that don't fit their environments."



Pharo says that another commonality among profitable ranchers is that they embrace change. "If something needs to be changed to make their ranches profitable, they'll do it," he says.