



# New Economy Needs

Out-of-the-box ideas needed now more than ever, says this beef industry analyst.

by **Kindra Gordon**

**H**igher costs, volatile markets and global influences have become the new normal in today's economy. To survive and thrive, beef producers will need to find ways to adapt. That's the message Cattle-Fax economist Brett Stuart hopes producers consider as they plan their future in the industry.

"The cattle business is no longer just about cattle," Stuart says. "Higher costs of land, cattle and equipment necessitate thinking out of the box."

Stuart advises that cattlemen in all sectors ask themselves how they can maximize their resources and take a "whole operation" view. This includes analyzing goals and marketing efforts, as well as getting comfortable running numbers, producing spreadsheets, projecting financials and talking to their banker. As a result of those actions, he believes opportunities exist to turn assets such as land, cattle and individual skills into profit centers.

## Get started

To pinpoint unique opportunities that may lie ahead for an individual beef operation, Stuart suggests focusing on a series

of questions that can help guide the decision-making process in the future.

The initial, overarching question should be: *What is your ultimate strategy/goal for your operation?* Potential answers might include profitability/asset appreciation, growth, resource preservation, succession planning, or all of the above.

Once the overall direction for the operation has been determined, Stuart suggests analyzing each individual resource on the farm/ranch – forage, equipment, land base, equity (access to capital), knowledge/skills, and business relationships.

"Peak efficiency and profitability requires maximization of resources," he says. To that end, Stuart shares these "maximization strategies" to consider in each of those categories:

**Forages.** Consider all options for utilizing forage — cows, stockers, wildlife, harvest, recreation, or leasing strategies such as swapping land for more advantageous forage.

**Equipment.** Stuart emphasizes that new paint is expensive, and suggests that out-of-the-box equipment arrangements might include leasing equipment that is only needed seasonally, or sharing equipment with a



# eds New Thinking

neighbor (i.e., one buys a swather, the other buys a baler). He notes that equipment-sharing arrangements do require some extra communication and planning, but they can be workable for some situations.

Another option to consider is custom-harvesting, whether you hire out your services and equipment or hire someone for your harvest needs. Stuart says the bottom line is to consider all equipment costs (depreciation, interest, repairs and maintenance) in your calculations as you evaluate these options.

**Land base.** “Land is more than just land,” Stuart says, and he encourages landowners to think about opportunities offered through mineral rights, wind resources, water resources, hunting, recreation, or swapping land through leases or deeds.

**Equity/Access to capital.** “Think of your equity as a separate profit center,” Stuart says to producers. Along with that he wants producers to ask themselves: *How do you put your equity to work, earning a greater rate of return than your interest rate?* Stuart notes that there can be several options. One might be to leverage your land to buy an apartment complex (or other real estate) that cash flows and pays for itself.

**Knowledge/skills.** Sometimes knowledge and skills are overlooked as an asset, Stuart points out. He poses the questions: *What are you good at? Passionate about? What do you do better than most? Can you the turn those skills into a profit center as a consultant or doing*

*additional work off-season?*

Stuart emphasizes, “I’m not saying get a part-time job so you can ranch. I’m saying maximize your skills.”

**Business relationships.**

Another resource to consider is the “network” of people that you know and teaming with them to build your business opportunities.

“Expand your network beyond the cattle world,” he advises. Does your doctor need a place to hunt? Do you have a relative or friend who would like to invest in land and lease it to you? Can you custom-precondition calves for a feedyard?

Stuart notes that what fits one operation may not be right for another. But he believes that by applying new thinking to each of these resource categories, American beef producers can find viable opportunities to be sustainable — and profitable — for the future.

“The word sustainability doesn’t mean green,” Stuart concludes. “It means if it’s not profitable, it’s not sustainable.”

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**— Brett Stuart**

