



# Outside the Box

► by **Tom Field**, director of producer education, National Cattlemen's Beef Association

## So you want to be a rancher?

*"What should I know before I buy a ranch?"*

*The question was honest, as I knew that his family was serious about the investment and the opportunity to leave their urban lifestyle and return to their roots in agriculture. But the question was not easily answered. In fact, my rambling response elicited recognition that there are a multitude of factors to be considered — some of which were not top of mind.*

### Suggestions

So, for the sake of argument, here's my list of suggestions:

1. Know your own tolerance for risk and ability to deal with the uncertainty surrounding weather, markets, water tanks that dry up, cattle that don't respect fences, overenthusiastic regulators, and the neighbor's dogs. The old adage that "not all that glitters is gold" applies to new landowners as well as those who are expanding their ranch enterprises. Each property has its own challenges in terms of risk.
2. Quantify the cost of production for the enterprises currently in place — cow-calf, stockers, hay, hunting or crops. The volatility of input costs is at historic levels, and, as such, a clear knowledge of the cost structure is imperative. While cost of production alone is not the sole basis for making an investment decision, analysis of the unit cost of production provides a benchmark around which short- and intermediate-term decisions can be made.
3. Do your homework and learn as much as you can about the history of the property and the management that has been applied. Find previous owners and/or managers and gain their trust so you can access their knowledge and perspective. What happens to the ranch in times of drought, blizzards, mild weather, and following an early frost or a late thaw? Ascertain the historic forage production, stocking rates, wildlife populations, and availability of stock water. Once buyers know whether a ranch has been under good stewardship or hard use, they can determine expected productivity levels and more accurately assess resource health.
4. Hiring and retaining good people is a significant challenge. If the ranch is already staffed, an important step is to effectively evaluate the skill sets, attitudes, and commitment of the existing staff and to retain those employees who are a good fit with both the ranch's capabilities and the goals/objectives of the new owner. Regardless of the situation, it is important to assess those factors that may be important to potential employees in the future, such as proximity to good schools, medical care, retail centers and other services. Determining the need for and availability of housing will also affect the ability to attract and retain good people.
5. Access to ranch-related services is also worthy of consideration. Availability of professional veterinary services, seedstock producers, cell phone coverage, Internet access, mechanics, farm supply outlets, equipment and parts dealers, and feed dealers affect the day-to-day operation of a cattle enterprise. The distance to markets for cattle also influences the cost and convenience of ranching.
6. The regulatory environment is also an important factor. Knowledge of regulations (national, state and local) can help a buyer be aware if purchasing properties that may require costly mitigation to gain compliance with the law. Buyers should seek information relative to any potential threatened and endangered species, noxious weed infestations, or issues relative to water and air quality.
7. "Good fences make for good neighbors" is a philosophy that has helped to maintain friendships and community harmony. Knowing the neighborhood and understanding the culture of a community is vitally important before making an investment. Good neighbors are the glue of ranching communities and can make all the difference when equipment breaks down, the vaccine runs short at branding, or the irrigation water starts to get short. However, poor relationships with the

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neighbors can put significant stress on a ranch enterprise.

The future of ranching depends on the ability of existing ranches to grow so that new members of the family can be brought into the business and the ability of the industry to attract entrepreneurs who enter the business for the first time. In either case, choosing the right environment is the basis for success. The need for increasing food production on a global scale most certainly assures that agriculture will provide opportunities for both expansion and attraction of new resources. But, successful ranching is more than just production capacity. Success requires alignment with markets, ecosystems, communities, and the realities of doing business in a climate filled with risk.

Whether we are evaluating the options for growing an existing ranch or starting from scratch, it is important to begin thinking about a disciplined approach to making those decisions. Opportunity is sure to knock; we have to make sure we open the right door.

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