

RANCHING FOR PROFIT

MANAGEMENT MAKES THE DIFFERENCE

A few years ago I spoke to a group of ranchers in Paris, Texas. I asked the group to list the things that determined their profit. They made a long list that included things like low prices, high costs, production, government, environmentalists, weather, interest rates, etc. When I told them I thought they'd left the most important factor off the list, somebody shouted, "Luck." That got a good laugh, but it missed the point. The most important thing affecting your profit is management...that means the most important thing affecting your profit is you.

That's the good news. After all you can't make it rain. As an individual you can't change government policy or change commodity prices. What you can do is make decisions that position your business and steer it through the economic, political, social and biological environment we all face.

It is always rewarding to meet with our Executive Link Members. While no two businesses are the same and they each face different challenges, everyone shares one thing: the belief that they are responsible for their success.

This might seem obvious, but it is a unique mind set in our industry. Too often when ranchers meet to discuss issues, they blame hard times and business failure on the issue. We blame low prices, the government, the weather, the environmentalists, the packers, hobby ranchers, the folks or the kids. But it isn't the prices, the weather, or even the environmentalists that determine our success or failure.

Of course, all of these things influence profit. But the situation is not nearly as important as what we do about it. For example, low prices during the trough of the cattle cycle spell big trouble for some ranchers. For others it is a period of tremendous opportunity. It isn't the cattle cycle that causes ranchers to make or lose money. It is what we do about it.

Even in drought, it isn't the drought that causes ranchers to lose money as much as what they do about it. For proof, all you have to do is recognize that some ranchers survive drought in better shape than others. Why? Could it be that their grazing practices resulted in higher soil organic matter and surface residue, increasing the effectiveness of the rain that did fall? Their management may have resulted in more desirable species which tend to use water more efficiently. They probably selected enterprises that matched the drought risk of their environment, had a plan for destocking and recognized and responded early rather than later to the warning signs of drought. They probably had a plan to conserve the capital from drought-induced stock sales to buy back when the time was right. Maybe that's why when Cleve, a Ranching for Profit alumnus in East

Texas, called me a few years ago during a severe drought, his first words were, "*I'm having my best year ever.*"

If the situation were *the* critical factor determining our success or failure, everyone would make about the same profit or loss as their neighbor. I look at a lot of financial figures for ranches across North America and I know that's not the case. Management not only makes a difference, it makes *the* difference when you are Ranching for Profit.

David Pratt, of Ranch Management Consultants, teaches the Ranching for Profit School. For more information visit www.ranchmanagement.com, or contact him at 707-429-2292 or e-mail: pratt@ranchmanagement.com.