



Bud Williams Marketing Method

Ann Barnhardt conducted the continuing education program at three of our Executive Link meetings this winter and will conduct the program for the fourth chapter this fall. Ann teaches the Bud Williams Marketing method. In addition to her skill as a teacher and her obvious passion for the topic, Ann's experience as a commodity broker and market analyst gives her a valuable perspective. Ann challenged everyone's thinking about marketing. I strongly recommend all of our alumni attend one of her schools. To wet your appetite, here's a summary of some of the principles she presented:

It is not okay to lose money.

Ever! Ann emphatically made the case that if it is okay to lose even one dollar, then it's okay to lose 10. If \$10 is okay, then \$100's not so bad. If you lost 100...it is a slippery slope.

Losing money is not part of the cattle business.

I can't tell you how many times I've heard people say, "Isn't Ranching for Profit an oxymoron?" But there are many EL businesses that make a profit EVERY year. If they can do it, you can too.

Your inventory consists of money, feed and/or livestock.

You won't lose money by having too much feed or too much money. We can lose a lot of money by having too many cattle and not enough feed and not enough money.

Love your grass and hate your Cows.

Without grass you have nothing to sell (you have no capacity for carrying livestock). Livestock are merely the vehicle of converting grass to cash. Cattle eat up your grass. We should be eager to sell cattle at a profit to conserve grass inventory and maintain our marketing options.

Every day we either buy or sell.

If you are unwilling to sell your animals at today's price you just bought them. Furthermore, if you decide not to sell your cattle today, you did decide to sell your grass (to your cattle) and your money (by keeping it tied up in your livestock inventory).

There Are Always Over-valued & Under-valued Animals In The Market

Ann asked participants if she were to buy all of their animals at today's market price, and then offered to sell every animal back at the exact same price, with no commission fee, if they would buy back every animal at that price. Most people agreed there were at least some animals they wouldn't buy back because they were over-valued. Ann suggested that participants capture the profit from those over-valued animals and buy back undervalued animals. She pointed out that those over-valued animals are tying up capital and using up feed that could be used by more profitable animals. (Ann teaches a method to recognize

which animals are over-valued and which are under-valued at the Bud Williams Marketing Course.)

We tend to buy when we want to and sell when we have to.

Ann pointed out that we tend to buy when we want and sell when we have to. She said you'd never hear a car dealer saying "This is too (fill in the blank) to sell." There is nothing too new, too good, too valuable to sell. You must be willing to sell.

If cattle are overpriced (demand for cattle is high) we do people a favor by selling to people who want to buy. We give them what they want. If cattle are under priced (demand for cattle is low) we do people a favor by buying from people who want to sell. We take away what they don't want.

Love your customer.

We've been taught to hate the people who buy from us. Because we don't have marketing skills we are afraid we are going to get the short end of the stick. We should be rooting for our customer's success. It is a lot easier to keep a satisfied customer than to develop a new one.

The number one unfair advantage in the cattle business is knowing how to market.

Marketing is a continuous process of liquidating (selling) and replenishment (buying). Liquidation (selling) creates cash flow. Replenishment determines profit. That means that profit is created when we buy. This fact is a cornerstone principle of the Bud Williams Marketing method.

Ann said that selling and then replacing must be done in the same market in time, not necessarily location. In other words, you don't have to buy animals back in the same physical location in which you sold them, but you should replace your livestock inventory with under-valued animals within a week of your sale.

Be willing to take small profits frequently.

Ann showed how taking a small profit frequently earned a much bigger return than infrequent trading. She suggested 4 sell-buy trades a year could have a dramatic impact on most ranches.

Be Flexible

Too often we are locked into selling based on a calendar date or a target weight. In many cases it might be more profitable to sell a 400 pound calf in September and conserve grass for winter grazing than selling a 550 pound calf in November. Don't sell on a weight target or calendar date.

Be flexible in your location. Don't be locked into one location. The cattle you buy or sell don't have to be on your place, in your county, state or even your country.

Be flexible with the type of animal classes you'll buy. Be willing to buy any class of animal, provided you have the skill to handle them. There are some especially good opportunities to buy cattle that you can move up in quality through husbandry or sorting. (Bud's low stress handling methods are critical techniques to take full advantage of undervalued classes of stock others may have difficulty handling).

Some people might argue that the Bud Williams Marketing Method doesn't apply to cow-calf producers, and when it comes to the rapid turn over of animals they have a point, although perhaps a portion of every ranch ought to be stocked with "disposable" animals for a drought buffer. But all of the principles she discussed, including the ones I've listed in the preceding paragraphs, can be applied to any enterprise.

Ann did a fantastic job of introducing EL members to these and dozens of other principles. She goes into much more detail at the Bud Williams Marketing Schools. To learn more visit: <http://www.budwilliamsmarketing.com>.

The Cost Of Increasing Profit

At another EL meeting our guest speaker, a noted professor of ranch management, dismissed the need to charge what he called opportunity costs in an enterprise. Several members questioned the point because it was a direct contradiction to what we teach at the Ranching For Profit School. The example he gave of an opportunity cost was to "sell" hay from your hay enterprise to your livestock enterprises at the cost of production rather than the market value of the hay. In other words if someone could produce hay for \$20/ton, he said that's what the cows should pay for it even if the market value of that hay was \$60/ton.

Changing the internal price for hay won't change the business's bottom line, but it will sure change conclusions about which part of the business is driving profit. Charging \$20 per ton to the cows will make the cows look great. We might even think we should get more of them, but what if we had to buy hay from an outside source in order to support the increase in animal numbers? Suddenly the economics change. If the hay cost \$20 to produce and I can sell it for \$60, let's give the hay enterprise the credit it deserves and look for ways to expand it. Alternatively, if the hay cost \$70 to produce (\$10 more than I could have bought it from someone else), let's not penalize the cows. Penalize the hay. By charging the cows the market price for hay you will see which part of the business is creating profit.

Summer Executive Link Meeting in Big Sky

All four Executive Link Chapters will gather for our summer meeting in Big Sky, Montana July 17-20. The program will include a tour of the Flying "D" with Mark Kossler. Mark is a former member of the High Plains Executive Link Chapter and is the manager of the Flying "D," one of Ted Turner's ranches stocked with bison. I've been to the Flying D twice before and as spectacular as the scenery is, the real story here is Mark's innovative and profit driven management. The continuing education program will be "Crucial Conversations." Crucial Conversations is a book offering practical suggestions to help people discuss nearly anything with the people you care about. I was so impressed with the book I bought it for all of our Executive Link members last year. (New members will be getting their copies soon.) Their feed back has been so positive, we've invited the "crucial conversation" trainers to join us to conduct a training just prior to our board meetings. Unlike most of our chapter meetings, non-EL member alumni can not attend...but...and this is a BIG BUT...

Thirty six new businesses joined the Executive Link this year at our winter meetings. (We usually only accept new members at our winter meeting.) There are now more Ranching For Profit alumni businesses in the Executive Link than ever before, but we do have openings on a couple of boards in two of our chapters. We will be accepting a few new members at our summer meeting. If you've been thinking about the EL this may be the time to dive in. Call or E-mail us to discuss the possibilities.

<u>UPCOMING RANCHING FOR PROFIT EVENTS</u>	
<i>Ranching For Profit Schools</i> <i>It is still only \$100 US (\$200 CAN) to repeat the school.</i>	
Winnipeg, MB, April 30-May 1, 2006	Saskatoon, SK, Dec. 10 - 16, 2006
Gallup, NM, May 14-19, 2006 Navajo Ag. Dept.	Boise, ID, Jan. 7 - 13, 2007
Tulsa, OK, July 23-29, 2006	Edmonton, AB, Jan.14 - 20, 2007
Colorado Springs, CO, Dec 3-9, 2006	Billings, MT, Jan. 28. - Feb. 3, 2007
<i>Executive Link Meetings</i>	
Big Sky, MT (near Bozeman), July 17-20, 2006	
<i>Continuing Education Program: Crucial Conversations & Flying "D" Field Tour</i>	

East Coast Here We Come

Last year we held a 2-day Ranching For Profit Economic Short Course in Charlottesville, Virginia. Some of the participants have been asking when we are going to start an EL chapter for them. The answer is NOW!..actually the answer is October 26-28. That will be the first meeting of a new chapter in Roanoke, Virginia. Prior to that I'll hold at least one more Short Course on the East Coast. We have one tentatively scheduled for Roanoke, September 8-9. We are eager to get the word out, so if you have friends, relatives and colleagues who may be interested in attending or would like to help spread the word, we'd like to talk to them. I am especially interested in setting up some ½ day workshops this summer with NRCS, Extension folks, banks, accounting firms and cattlemen's organizations. If you have some ideas to help us please call or e-mail me.

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