

## *RANCHING FOR PROFIT*

### **YOU DON'T HAVE TO FARM TO RANCH**

Some where along the line we have come to believe that we have to farm in order to ranch. We work all summer putting up hay and work all winter feeding it to our cows. Many ranchers are discovering that they don't have to farm and have found that eliminating farming may help increase profit.

Farming may be a profitable part of a ranch business. But to find out we need to treat our farming operations as a separate part of the business, even if all of the products of our farming activities are fed to our livestock. Take for example a rancher who grows hay. Hay that he produces and feeds to his livestock should be "sold" to the livestock enterprises at fair market value. By deducting the direct costs (e.g. seed, fertilizer, herbicide) we can calculate the gross margin of the hay enterprise. We should then deduct all of the equipment overheads that accompany our haying operation from the hay enterprise gross margin. This result is the profit (or loss) of the hay "division."

In the June 2000 issue of Beef, I described how to calculate the gross margin for a livestock enterprise. The hay fed to our livestock should be counted as a direct cost when you calculate the gross margin. There usually aren't many equipment overheads related only to livestock. If you have some, like depreciation on a stock truck, they should be deducted from the total gross margin of the livestock division to determine its profitability.

When comparing the profitability of livestock and farming divisions some ranchers discover that they would be more profitable if they started grazing their hay ground and purchased hay from other growers. In other words, let somebody else farm so you can ranch.

But there are two issues: the cost of *growing* hay, and the cost of *feeding* hay. Our cattle are nutritionally dependent on the hay we provide because the production cycle on most ranches is out of sync with nature's forage cycle. That's not to say we don't have to feed hay to cows in some environments (although it might be wise to question the profitability of raising cows in those environments), or that hay feeding is always unprofitable. Sometimes it is a profitable practice, but sometimes it's not. The fact is, most of your neighbors have never put pencil to paper to challenge their management, so they really don't know.

Conventional wisdom says ranchers must feed hay, especially where there's snow. But there are alternatives. One alternative practice touted by many, including some universities, is swath grazing. In swath grazing forage is cut and laid down in rows. The quality of forage in the swaths under the snow can be

quite high. It is more efficient than grazing standing feed, especially when swaths are strip-grazed.

Swath grazing eliminates some of the costs of making and feeding hay. The problem with swath grazing is it doesn't eliminate *all* of those costs. We still have equipment and labor costs of cutting fields and moving the cows from swath to swath.

Stan Parsons once told me going half way on something like this is a little like learning to water ski and telling the boat driver to "go slow." We don't go the whole way because the idea of not farming to ranch is new to many of us. But to really benefit from the potential breakthrough, we need to go all the way.

Does this mean you shouldn't have any hay on hand? Even those ranchers who have eliminated hay feeding from their operation nine years out of ten, would be well advised to have a stockpile of old bales as an insurance policy for that one bad year.

Sadly, many ranchers structure their entire business in anticipation of that bad year. That strategy often burdens them with costly practices for nine years waiting for that one in which those practices are needed. That's what insurance is for.

The bottom line is that you don't have to farm to be Ranching for Profit.

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