

Cattle Producer's Handbook

Introduction Section

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“Whole-Ranch” Planning and Management Western Integrated Ranch Education (W.I.R.E.)

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Ranch management has never been an easy proposition, but today it is more complex than ever. Today's ranch manager is deluged with changes in federal, state, and local laws and regulations, new and “improved” production technologies, new methods of communication, and bountiful information sources. Couple these challenges with the ongoing problems associated with labor and day-to-day management and there is little time left for planning and looking toward the future.

It is this environment of constant, often rapid changes that makes whole-ranch planning more essential now than it ever was to past generations of livestock producers. The manager must have a clear vision of where the operation needs to be in 5, 10, or 15 years.

Programs such as the National Cattlemen's Beef Association's IRM, Savory's Holistic Resource Management (HRM), and the Coordinated Resource Management program (CRMP) assist today's agricultural producer to better manage resources.

While all of these programs have their place in a cattle operation, none of them fully incorporate the issue of whole-ranch planning and management. One other program available to ranch and farm managers is a way to look at whole-ranch planning. “Western Integrated Ranch/Farm Education” (W.I.R.E.) is a program in Idaho, Montana, Utah, Wyoming, and Saskatchewan, Canada.

The W.I.R.E. program teaches ranch managers a process of management that can be applied to any agricultural-based business. It will help managers achieve

goals that they set for their operation. The program also teaches ranchers how to look at their ranch operation as a whole, rather than as several separate enterprises. It provides managers with a step-by-step method of working through the massive amount of information that ag producers face daily, and gives them a way to once again gain control of their destiny.

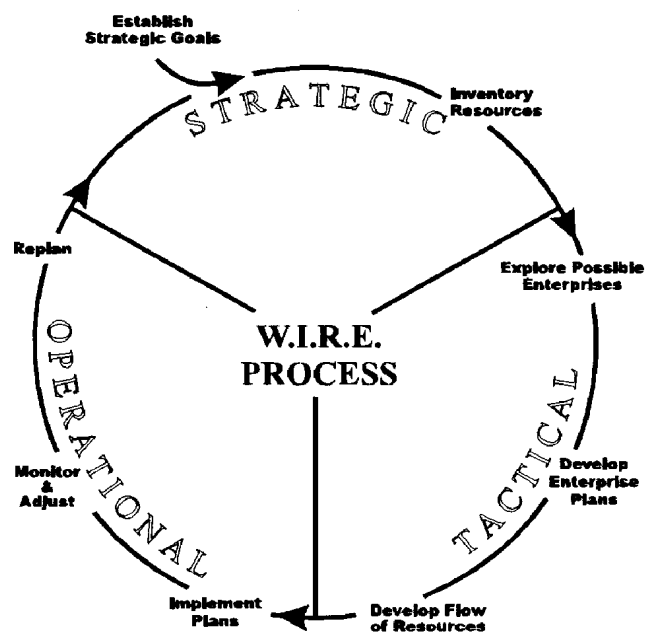


Fig. 1. The W.I.R.E. process.

The Mission Statement

Example:

The mission of the ABC Ranch is:

- To market grass through the sale of livestock and wildlife, while maintaining ranch resources in a condition better than that in which they were received.
- To manage all ranch resources in a profitable way, allowing everyone involved in the ranch to enjoy the ranching lifestyle.

Strategic Planning

Mission Statement

Whole-ranch planning begins with the establishment of a mission statement and setting meaningful strategic goals. The mission statement captures the management team's vision of what they want the ranch to be and all the things they want to do using the ranch as a vehicle.

Strategic Goals

Once the mission statement has been developed, the team moves to strategic goal setting. These goals should include both business and personal goals and should reflect personal dreams, ambitions, and desires. They should not be looked upon as something that is going to be accomplished through the course of one or two production cycles but rather goals that are long term. They are specific steps that will allow the vision set forth in the mission statement to be reached.

Discussions pursuant to establishing these goals should include the entire management team. If the entire management team has not had input into goal formation, it is difficult for them to buy into the goals and they often are less than enthusiastic about seeing the goals met.

Every ranch needs goals, since without goals management would be performed at random and little would ever be accomplished. Yet, often ranchers don't take the time to write out goals. Goals can include what the operation should be like in 10 to 20 years, or where one wants to be personally in 5 years. These types of goals statements are essential if the people involved in the business will ever reach their desired destination.

Strategic goals should be SMART to be meaningful.

- S** Specific
- M** Measurable
- A** Attainable
- R** Related
- T** Tractable

SPECIFIC—Goals must be definite, focused, and descriptive of what needs to take place.

MEASURABLE—One must be able to measure progress toward achieving the goal by some objective measurement.

ATTAINABLE—Goals must be within the reach of the operation to be meaningful.

RELATED—All goals established for the ranch must be related to each other. If they are not, conflicts will ensue when resources needed to accomplish one goal are siphoned toward another objective.

TRACTABLE—Goals must be manageable and must be able to be handled through the use of existing ranch resources.

Inventories

It is impossible to integrate ranch resources if the manager does not have an accurate inventory of the various assets available for him/her to utilize. Thus, the next step in the management process must be to inventory all the ranches' resources.

Resources can be placed into as many categories as the manager would like. The following are some suggestions of inventory categories:

- Basic Resources
- Human Resources
- Financial Resources
- Livestock Resources
- Wildlife Resources

The basic resources refers to both the natural and agronomic resources of the farm or ranch. The natural resources would include the soil, ground water, precipitation, topography, native plant populations, and other site-specific characteristics. Agronomic resources would include crops grown, available irrigation water, and "improved" plant communities.

The human resources on the ranch should not only include the number of ranch workers but should also look at those workers' skills, responsibilities, and the amount of time they can contribute to the operation.

Any rancher who borrows operating money or has a loan outstanding for capital is intimately acquainted

Strategic Goals

Example:

Generate a \$3,500 annual principal payment, allowing us to maintain ownership of the ranch, while not requiring more time or new skills on the part of management.

This goal is **specific** and **measurable**. If the ranch generates a return greater than \$3,500 it is **attainable**. This goal would be **related** to other goals that move the operation toward ownership. It might be unrelated to another goal, however, calling for expansion, if that expansion required additional outside capital.

Finally, this goal would be **tractable** if the current management could generate the needed funds to accomplish the goal, without added operations.

with the financial resources available to him/her. This is the resource that is usually most closely watched in an operation. Quite often, however, it is viewed only in terms of tax liability issues, or those items required to keep the bank current. Ideally, financial records should be designed and kept to facilitate better management first, and for tax and lender purposes second. The financial resource includes: money in the bank, the value of all ranch assets that are owned outright, and any liens against the asset base.

The livestock resource includes any domesticated livestock such as cattle, sheep, goats, horses, or exotics. The wildlife resource refers to those wild animals present on ranch-owned property, and should include both game and non-game species.

This listing of all ranch resources is critical to the success of achieving your mission statement. This step should not be taken for granted or dismissed as busy work. Include everything that can produce income. Any income over and above production costs can be applied back into achieving goals. A complete list of available resources can also give you insights into additional enterprises that could be used to generate more income for the operation.

Once complete inventories are taken the strategic phase of the planning process is over and we move onto the next planning phase, which is tactical planning.

Tactical Planning

The tactical planning phase is the portion of management where the manager begins to look at all the alternative uses for ranch resources. The inventories developed during strategic planning are now used to examine different alternatives that can move the ranch toward reaching its goals.

Enterprise Exploration

The first part of the tactical planning phase involves looking at the enterprise mix that is currently in place on the ranch, and begin to explore any new enterprises that might be able to utilize inventoried resources not currently being used. Since a detailed inventory of available resources was taken in the strategic planning process, the team will be aware of what is being used by existing enterprises. The inventory process might have also sparked some ideas for other enterprises that might be brought on board to augment current production systems.

This part of the management process allows for some internal analysis of each existing enterprise. Sometimes one enterprise may be “carrying” another enterprise. For example, a cattle producer who raises his/her own alfalfa hay may be using that hay by feeding it to cows. If it costs \$35 per ton to produce that hay, and the current market for good quality alfalfa is \$80 per ton, the cattle enterprise should “purchase” that hay from the alfalfa enterprise at fair market value rather than paying for

just production costs. By analyzing enterprises in this way, the ranch manager begins to get a clearer picture as to which enterprises truly are profitable and which could be replaced by other more profitable alternatives.

Once the current enterprises have been analyzed the team determines which enterprises are moving the ranch toward reaching the strategic goals and which could be phased out. The team can then begin exploring new enterprises. Before any decision is made to adopt a new enterprise, a detailed enterprise plan should be developed.

When generating enterprise plans, the management team should consider all resource implications that a new enterprise might have on the ranch. Is there manpower available to deal with the new enterprise? What will the costs and returns of the new enterprise be? Will the resource base support the additional enterprise? These are all important questions that should be answered to the point that the management team is comfortable with the answers given. Quite often answers to some of the questions may not be known. Assistance is available from a variety of sources.

Time put into this portion of the ranch plan will pay dividends in the end. Whether expanding, reallocating resources, or moving into a different enterprise, ranch resources will be managed more efficiently and effectively by going through this planning exercise.

Developing Resource Flows

An important part of the enterprise exploration process is determining where current resources are being allocated, and how a new enterprise might effect resource allocation. Resource flows for current enterprises enable the manager to get a clear picture of the resources remaining for use by other enterprises. Much of the resource flow development for existing enterprises can be done while taking inventory of resources. Resource flows can help management make decisions concerning plans for expansion or shifts in existing enterprises.

A resource flow plan determines how many of the various resources available to management are allocated to individual enterprises. It does not include only the resources within one resource group but is inclusive of all resources on the ranch or farm. For example, the cow/calf enterprise requires a certain number of person hours to run, with the highest number of hours being in the spring and fall during calving and weaning/shipping, respectively.

A good resource flow plan will allocate resources to an enterprise on a monthly basis. This enables the manager to see when a given resource may be limiting and allows him/her to make adjustments or plan for such limiting resources. Remember, resource flow plans should be developed for all resource categories.

Computer programs are in use throughout the United States and many parts of the world that can help analyze different scenarios given a certain set of parameters. Be

careful when using these types of programs, however, as they are only as good as the information that is put into them. Always plan on the conservative side, as painting too “rosy” a picture may lead to heartache and hard times if prices received or costs expended don’t live up to expectations.

Once all the resource flow plans are complete the planning phases of the management process are also complete.

Operational Phase

Implementation, Monitoring, and Adjustment

All of the goal setting, planning, and budgeting leads up to this third and final phase of the process—the Operational Phase. This phase is usually the most enjoyable for most producers, since this is where the plan they have worked so hard to develop is finally implemented. It is also the part of the process with which managers feel most comfortable.

Most plans must be implemented in phases, as resources will allow. Many times the financial resources of the operation are the limiting factor. As the plan moves forward, if care has been taken during the planning process, the financial resource becomes stronger and allows for continued progress toward attaining the strategic goals set forth at the beginning of the process.

Care must be taken to not overextend the operation in any resource area. As the planned changes occur, the manager must continually monitor all of the ranches’ resources to ensure that they are balanced and that none are stretched too thin. Adjustments must be made as problem areas are identified throughout the implementation phase. No plan is perfect and no manager can see every variable in the production equation. With practice, however, ranch managers can become better at identifying “hidden” pitfalls and can plan ahead to effectively alleviate their impact on the overall operation.

Replanning

Finally, as plans are implemented and the manager continues to monitor and make adjustments, some of the strategic goals begin to be achieved. When this occurs, the manager can then look at the operation again, establish new strategic goals to work toward, and begin the process again. One of the beauties of learning to effectively manage ones’ resources is that the management process is dynamic and can change as new opportunities present themselves. As original goals are reached, new goals and new dreams can be articulated and brought into the process, so that you can work to reach whatever height your mind can conjure up. In the end, we become limited only by the breadth of our own vision.

Conclusion

The W.I.R.E. program teaches ranchers how to be better managers by teaching them a simple, step-by-step process for managing their resources. It focuses on goal setting, inventorying resources, and integrating available resources to attain ranch goals. Further information on W.I.R.E. courses currently offered can be obtained by going to the W.I.R.E. website: (<http://www.uwyo.edu/ag/agecon/wirepage.htm>) or by contacting the WIRE/SARE Coordinator at the following address:

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