

Too Busy Ranching to Plan

By Holly Foster

Sound familiar? It's easy to put off business planning tasks when you're busy running a farm or ranch, but the consequences of not taking some time out of the daily routine to evaluate your business may be too severe to let this important task slide.

Even though the end of every year is a good time to reflect on the past year's management decisions, farm and ranch management consultant Dick Wittman says strategic planning should be something you try to focus on within your operation daily.

"Instead of focusing on developing a strategic plan that quickly becomes outdated, producers should instead be looking at their strategic planning process and how it impacts their current operating approach. It should be a dynamic, ever-on your mind thinking, analyzing, and implementing process that intertwines the operating and strategic planning process in tandem."

In other words, your system to measure and evaluate your management decisions should be as much a part of your daily routine as any chore. Wittman, who is a partner in a family-run dryland crop, range cattle and timber operation in northern Idaho and provides management consulting services, says that producers should be asking continuously:

- What are the strategic issues that are most critical to my business? While there are several categories of issues that are always important in a ranching operation, what right now, is most critical and deserves closer evaluation?
- What strategic shifts should I be examining over the next one to three years and what strategies am I following now that are working just fine? "The reality here is that we can't examine everything, every year and make too many

strategic shifts or we bring chaos to our annual operating plan," adds Wittman.

- What will be the impact of potential shifts on my operating plan? In other words, if you make a change in your labor force, decide to access more credit or sell more heifers rather than keeping them as replacements, how will that change your management?
- How will implementation affect my financial performance? Be able to use your existing accounting system to evaluate how a change such as adding a part-time employee, buying more cows or changing how you market your calf crop may affect your bottom line. Wittman's experiences in both his

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own operation and with his clients have given him a lot of practical insight into what's critical to a cattle operation's overall success. While each farm and ranch business has its own unique characteristics, Wittman says there are several overall categories that should be included in your strategic planning process:

Business transition: What are the goals and plan of action of the current and incoming generations for ownership and management of the business?

Wittman says this is often listed as a primary concern of cattle producers when asked what management areas they need more help with.

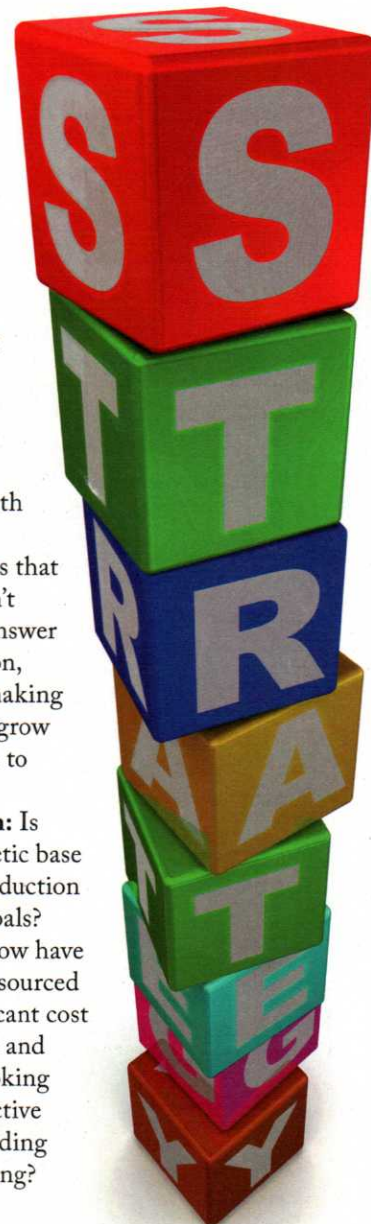
Business structure: Whether you operate a sole proprietorship or are part of a family corporation, is the current business structure optimal for management and positioning it to transfer to the next generation?

Capital improvements/replacements: Is it financially feasible to invest in infrastructure to upgrade cattle handling and ranch facilities?

Growth: To remain sustainable, what is your growth goal and long-term strategic approach to considering growth opportunities? Wittman cautions that getting bigger isn't always the best answer for every operation, and sometimes making a decision to not grow is just as strategic to success.

Breeding plan: Is your current genetic base meeting your production and marketing goals?

Feed costs: How have you traditionally sourced your most significant cost inputs in the past and should you be looking at more cost-effective approaches, including forward contracting?



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Herd health: Is your current health program cost-effective and consistent with consumer concerns?

Personnel development: Are you doing things to help bring your employees' or family members' skills up to the challenges of managing a ranch in today's increasingly challenging business environment?

Strategic alliances or joint ventures: Are there areas where you can benefit from working more collaboratively with other producers or partners in your supply chain?

Marketing strategies: Do you take the market price when your calves are ready to sell or consider other marketing strategies?

Environmental stewardship: Are you passing muster with current consumer and government environmental stewardship expectations?

Value-added and creative enterprises: Are there resources on your ranch or new strategies that can add to your bottom line?

Cost of production: Can you pinpoint your cost of production to allow for comparison to industry benchmarks or identify areas for improvement? If not, your ability to evaluate other shifts in your business will be difficult at best.

Holly Foster is a fourth-generation cattle producer and freelance writer based in California.