Developing a Meaningful Ranch Plan

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It seems that today’s buzz words include planning and business plans. We all have plans for various items involving the ranch, i.e., get all the females bred, make a profit, or any number of other things. Most of the planning that ranchers do is tactical planning, or in other words, putting out the daily fires that occurs. However, where does this planning fit in an overall view of the operation? There is an increasing need to develop an overall plan for any ranch. This plan would accomplish two things, first, an evaluation of the past performance and second, establish the expected performance for the coming year. The plan should be written down and evaluated following the coming year. Hired managers should prepare this document for their owners, while owner operators should prepare this for themselves and their employees. The purpose of this article is to outline a meaningful ranch plan.

A meaningful ranch plan should be divided into two sections. The first section needs to establish where the ranch currently is and its past year performance. Analysts call this the baseline. It is the starting point that future performance will be measured against. The second section details where the ranch is expected to be at the end of next year. In this sense, we want to “admire the past, but attack the future”.

The first section is a summary of where the ranch was at the end of the past year. The past years performance should be analyzed to provide a picture of what actually happened. This section is typically divided into four components. The first is a general statement of overall observations. This would include rainfall during the year, the overall market situation or any abnormal situations that the ranch had to face during the past year. It should set the tone for the first section.

This first section should then focus on three additional things; production, resources, and the financial situation and performance. Each of these areas affects the other. The best tool available to cow-calf operations is the Beef Cattle Standardized Performance Analysis (SPA). Anyone interested in additional information regarding SPA can contact the author. Using SPA, the ranch management can determine just what the production, resource, and financial performance of the operation was. Specific production items that should minimally be determined are the weaned calf percentage, pounds weaned per exposed female, and weaning weights. Additional information that should be included is the pregnancy percentage from the previous year, calving percentage, and calving interval. The purpose of the production component is to identify the past production level and then, more importantly, to determine where production loss is occurring.
The resources should be analyzed to determine their performance and effects on the production and financial situation. These resources are broken into four categories. The first is the natural resources such as the pastures. Items to include here would be the past stocking rate of the ranch, the amount of feed or hay that was fed the past year, and the salt and mineral program during the past year. Is a production loss occurring due to a mineral deficiency? The second category is the human resources. Are there employees and do they understand their role in moving the ranch forward towards its goals. It may not be enough to check calving heifers every two days. Production loss which influences the financial performance may be occurring due to a lapse of the employees. The third category is machinery and equipment resources. Repairs and maintenance is a major expense for many ranches. The current condition of the machinery and equipment needs to be assessed. Finally, the building and improvement resources should be outlined. The current condition of fences can be a major issue. Are the current water resources (tanks or windmills) conducive for the full utilization of the pastures?

Finally, the financial situation and performance of the operation should be evaluated. Again, SPA provides a good financial analysis of the performance of the cow-calf operation. Minimal items to include here are net income from operations, net income per breeding female, the total expenses of the operation, and total cost per breeding female. Additional items that should be considered are rate of return on the operations assets and a breakdown of the expenses. What were the largest expenses of the operation? Once the largest expenses are identified, the manager should ask if they can be explained. Then, determine whether these expenses are manageable in the short term or the long term? This is illustrated by comparing high feed costs versus high depreciation costs. A drought year can sometimes explain high feed costs. Likewise, high feed costs are manageable in the short term. High depreciation costs can be explained, but can’t necessarily be alleviated in the short term.

Once the first section is written, the second section is relatively easy to complete if everyone agrees on the overall goals of the operation. A path should be set by everyone involved in the ranch to fulfill these goals. Production goals should be set. These would include weaned calf percentage, pounds weaned per exposed female, and weaning weights. Resource goals could include reducing the stocking rate, reducing the amount of feed that is fed, or better utilizing a particular pasture by improving the water resources in that pasture. Financial goals would include a dollar amount of net income for the operation or per breeding female. A calendar of events as to the progress towards each goal should be included. The responsible party should be identified. Then, a year after the goals are set, they should be evaluated as to whether the goal was met, exceeded, or remains.

A formal ranch plan forces all team members to agree to the past performance of the operation and the future direction of the operation. Each operation will have to decide who develops the plan, whether it is the owner, the manager, or an outside party. Areas of change are identified and how they will be attacked is determined. A ranch plan will put the ranch operation on a path to fulfilling the goals of the owner.