

### Data and Management Decisions

- Carrying Capacity and Grazing
- Cost of Production Data
- Production and Genetic Data
- Managerial Decisions and Analyses

### Healthy Natural Resources

- Range Conditions steady to improving
- Functioning Nutrient Cycles
- Diversity and Production



**Stocking Rate is critical to profitability**

**Match stocking rate and carrying capacity**

### Understanding Cost Dilution

- Much like a factory, cost per unit is decreased as throughput increases
- If you have a huge investment in the factory, like with ranching, you want to optimize throughput
  - Not more than factory can handle
  - But you need the factory in full production



## Measuring Pasture Use

Pasture	Class	Head Count	In Date	Out Date	Days	Hd Days	Stock Days	Avail	Diff	AUM/acre
Doyle Meadows	H2's	506	4/30	5/15	16	8,096	8,096	13,583	5,487	0.24
Big Horse	H2's	506	5/16	5/28	13	6,578	6,578	6,098	-480	0.44
Upper Calving	H2's	506	5/29	6/2	5	2,530	2,530	2,081	-449	0.37
Lower Calving	H2's	506	6/4	6/28	25	12,650	12,650	12,775	125	0.30
Bear Creek Trap	H2's	506	6/29	7/19	21	10,626	10,626	9,766	-860	0.33

## Corral Creek 2003-C

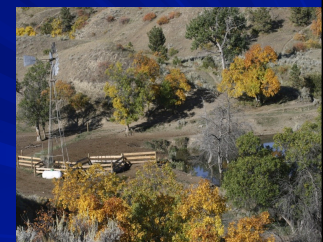


## Corral Creek 2016-C



## Water

- Water availability influences carrying capacity
- Water development can have a high ROI due to increased carrying capacity



## Natural Resource Sustainability: Good Planning

- Involves allowing pastures time to rest and different seasons of use across years
- Planned, time-controlled grazing
- Data collection and evaluation

## Economic Efficiency in Natural Resource Management

- Benefits of Good Management
  - Improved carrying capacity
  - Lower costs per unit
  - Drought tolerance
  - Improved animal performance
- Profitability is directly impacted by how well land resources are utilized

## What is the Greatest Risk?

- The largest risk may be in cost of production!
- We cannot just hope for profitability!
- **Cost management needs constant attention!**

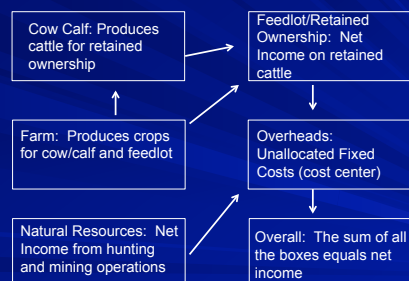
## Economic vs Financial

- Economic analyses used for planning to tell you what to expect
- Financial analyses tells you what you did or what you have to work with

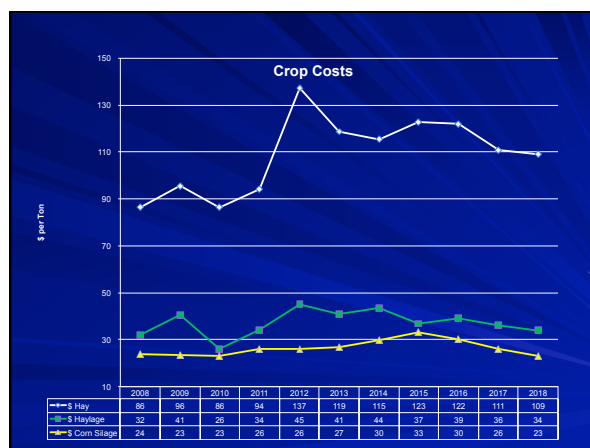
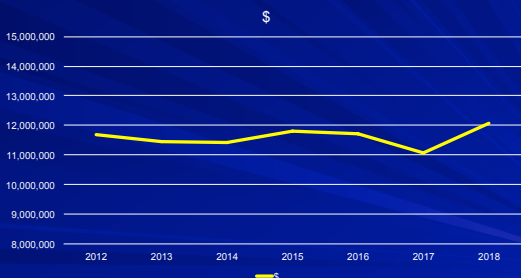
## Understanding Costs

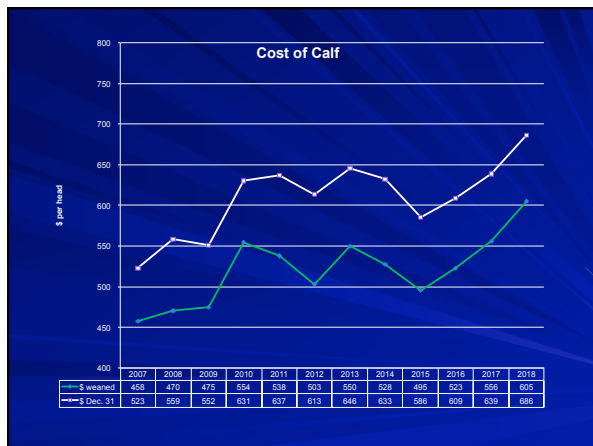
- **Accrual Enterprise System**
  - Cost-based accounting
  - Tracks by ranch unit, crop, equipment type
  - Livestock and crops booked at cost
- **Basis established on crops and livestock**
- **Depreciation is a large cost**

## Budgeting/Financials



## Total Operating Expenses





## Leverage

**Accurate Cost Tracking helps you to determine where management leverage is!**

## Planning

- **Annual Operations Plan**  
— .....and then you manage
- **Budget**
- **Accurate Forecasts**
- **Good Financials**

## Financials

- **Look at five-year rolling averages for:**
  - ROA, ROE
  - Debt to Equity
  - Net Income
- **Cost-based managerial accounting helps us track costs**
- **Financial performance critical for sustainability**

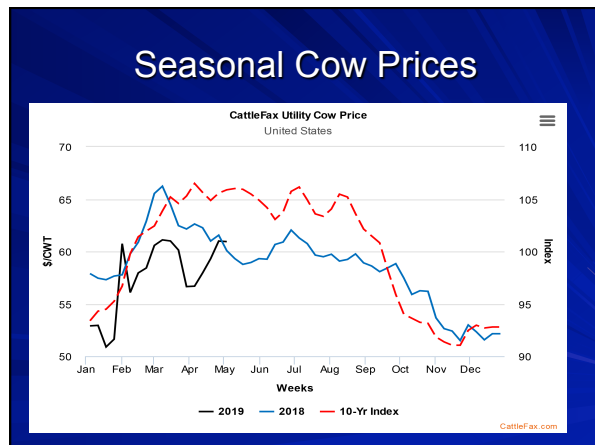
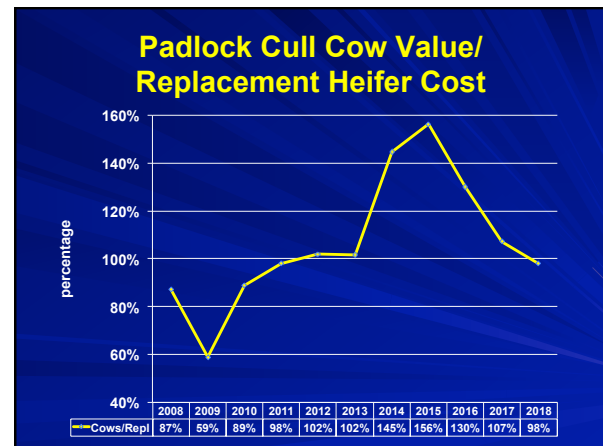
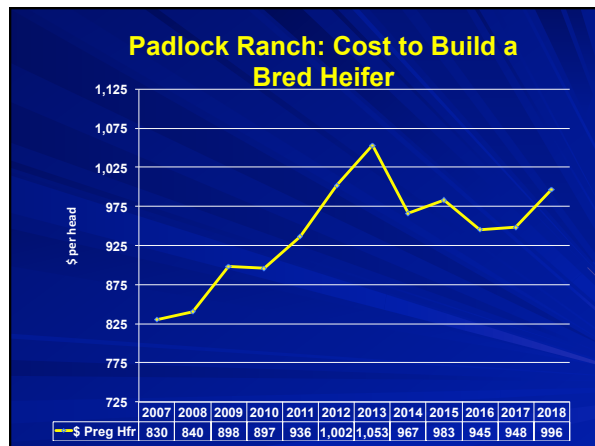
## Knowing Costs is Extremely Important to Marketing

- **What is the goal?**
  - Return/head
  - Net Income
- **Risk Management**
- **When do I pull the trigger?**



## Good Business

- **Knowing where we are allows us to manage for profit**
  - Hoping or guessing is not acceptable
- **Sustained profitability requires intentional management**

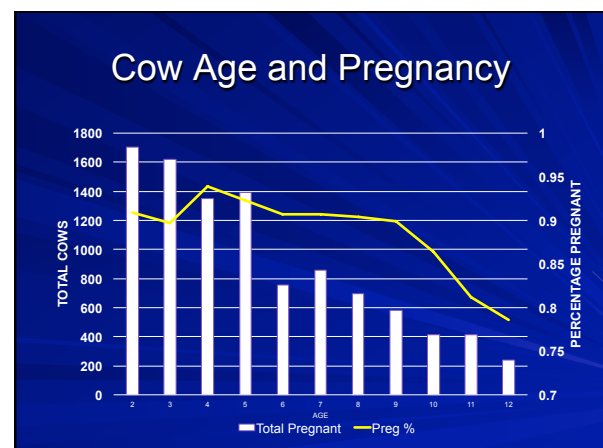


### Padlock Cow Sales 2019

- Estimated P/L on spring cows sales versus fall marketing:
  - Bred Cows: 657 head, **\$335/head profit**
  - Weigh-up Cows: 717 head, **\$93/profit**
- Feed resources are a consideration in market timing

### Production Data

- How is the system working?
- Are the genetics the right fit?
- Where is leverage?





## End Product

■ We have to be customer focused

■ What are our customers saying?

- Performance
- Carcass
- Health



## What do we do now?



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## Planning and Analyses

■ We spend a great deal of time working to model different scenarios

- Spread sheets
- Partial budgets
- Short and long-term implications

■ Example: Selling is profitable in short term; decreases returns long term unless we change the system

## Systems Question?

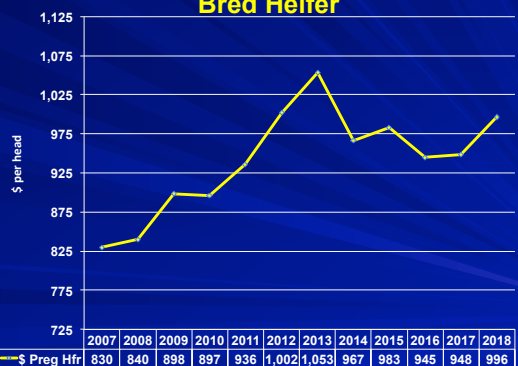
■ Can you feed through a drought?

■ It depends:

- Feed costs
- Current and expected market conditions
- Duration of drought

■ It is expensive to rebuild the cow herd!

## Padlock Ranch: Cost to Build a Bred Heifer

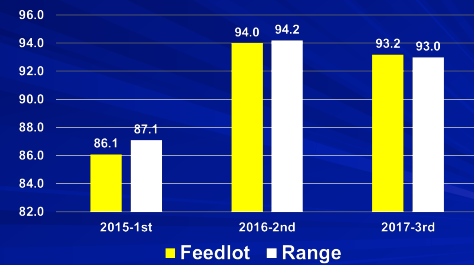


## Range Development at Padlock: 2015

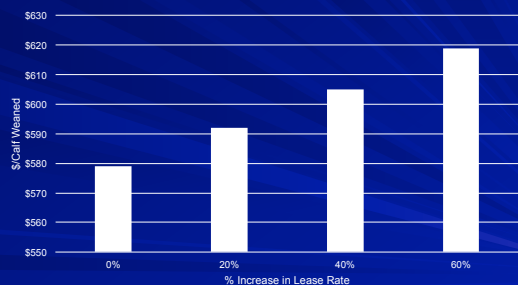
Item	Range Developed	Feedlot Developed
Number hd	1093	1026
May Wt (May 3-11), lbs	662	802
AI Wt (July 23), lbs	836	902
ADG (May-July), lbs	2.36	1.22
Pregnancy, %	86.1	87.1
Feed Cost, \$/hd/d	\$0.20	\$1.20
Range Cost, \$/hd/d	\$0.50*	
Total Cost (120 d)	\$84	\$144

\*\$5.10/acre; 0.25 AUM/acre; 1 heifer = 0.75 AUM

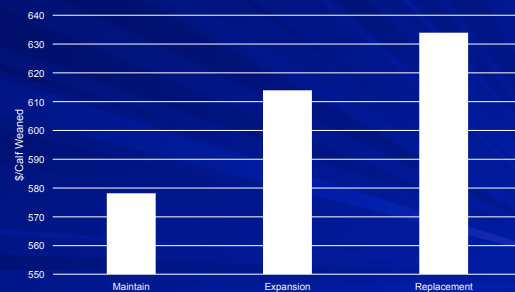
## Padlock Three-year Pregnancy Rates for Range vs Feedlot Developed Heifers



## 2016 Increasing Lease Rates on Cost/Calf



## 2016 Effect of Acquisition on Cost/Calf



## Capital Budgeting: NPV

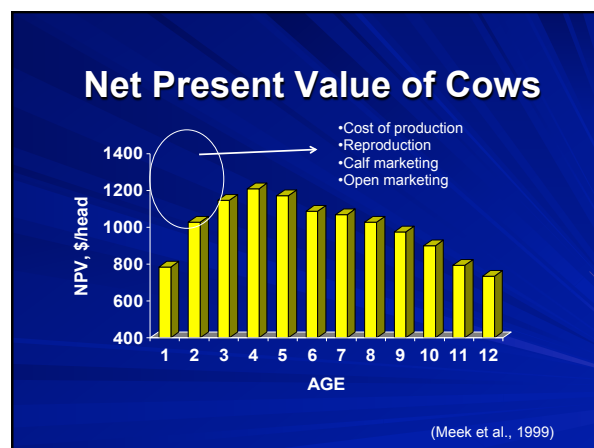
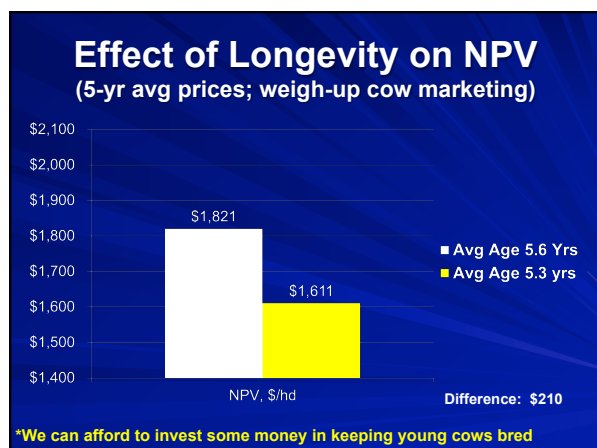
Age	# cows	Preg%	Cull%	Calf \$	Cull \$	Cost/c	\$ flow
2	100	88	1	\$174	\$75	\$550	\$31,732
3	86	88	5	\$174	\$75	\$567	\$40,085
4	71	93	5	\$174	\$75	\$584	\$29,213
5	62	93	5	\$174	\$75	\$601	\$24,371
6	54	93	5	\$174	\$75	\$619	\$20,264
7	47	93	5	\$174	\$75	\$638	\$16,785
8	41	93	5	\$174	\$75	\$657	\$13,843
9	36	93	5	\$174	\$75	\$676	\$11,360
10	31	93	5	\$174	\$75	\$697	\$10,372
11	25	90	15	\$174	\$75	\$718	\$9,258
12	19	85	50	\$174	\$75	\$740	\$13,301
13	7	80	87	\$174	\$75	\$761	\$7,014

Average Cow Age: 5.6 yrs; replacement rate 17.4%; **NPV = \$1821**

## Capital Budgeting: NPV

Age	Avg Age 5.6		Avg Age 5.3	
	# cows	Preg %	# cows	Preg %
2	100	88	100	75
3	86	88	73	75
4	71	93	51	93
5	62	93	44	93
....	....	....	....	....
12	19	85	14	85
13	7	80	5	80





## Perpetuity

**“To have truly passionate and engaged people, they need to know that management and ownership is committed to success and longevity of the business!”**

## What Signals Are You Sending?



## Systems Thinking

You must seek to understand cause and effect relationships---drivers

The areas of highest leverage may not be the most obvious

(Senge, 1990)

## Don't Get Decision Paralysis

- You can analyze too much
- At some point you have make a decision
- Collect data to inform management and stakeholders



## Conclusion

- Using data and information is critical to business success, such as:
  - Stocking appropriately and grazing
  - Understanding costs
  - Performance as influenced by genetics and management
  - Evaluating systems changes

While our instincts are to do this.....  
We need to put in the office time!



## Passion

**You have to be  
passionate to be  
excellent at  
anything.  
Passion is truly  
contagious!**

