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A voluntary partnership with private landowners

# GLCI News

Grazing Lands Conservation Initiative

## IN THIS ISSUE



**Cover Photo:**
Effective ranch managers must listen to the land.
*Cover photo and photos on pages 2 and 3 courtesy of NRCS.*

# 7 Lessons From Grazing Gurus

***If you're seeking ranch management expertise, consider these ideas from veteran industry leaders.***

*By Kindra Gordon*

Wondering what more you can do to boost ranch profits? Some of the industry's most innovative thinkers share the following ideas for putting performance, stewardship and profit into practice.

**1. Run The Numbers.** Why are some ranchers profitable when others are not? "Because successful operators *expect* to make a profit and manage accordingly," says Kit Pharo, who ranches in eastern Colorado. Pharo has been in the cattle business for 20 years and says he's tried to seek out profitable producers and emulate what they do.

"The key word is manage. Profitable producers may not build the straightest fence, but they know how to manage and drive a desk," says Pharo.

Former South Dakota State University range livestock production specialist Barry Dunn has also found that the ability to manage and plan is a common characteristic among successful producers.

Based on Standardized Performance Analysis (SPA) data from cow-calf operations in the Northern Great Plains, Dunn says common characteristics of low cost producers include: keeping capital investments low, not going overboard on production, minimizing cow costs, and doing a great job on marketing – especially with cull cows.

Pharo adds, "Unfortunately, most ranches are production driven, but some decisions that increase production can decrease profit." He gives the example of weaning big calves, and says, "Big calves are not always the most profitable. It all depends on your cost of production. Producers must realize that production and profit are not the same thing."

**2. Rethink Land Investments.** Owning your ranch outright may not be the best strategy for generating livestock enterprise profitability, according to Allan Nation, publisher of *The Stockman Grass Farmer* publication and author of several books about grazing.

Nation explains that U.S. land values have evolved from being tied to production to today's inflated system of being based on the urban economy and "viewscape." As he puts it, "A ranch today is often worth more for the view than the grass it produces."

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## 7 Lessons from Grazing Gurus

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Because of this, Nation says private land ownership has been competitively profitable as an investment, but it is seldom feasible for a business wanting to produce after-tax income. "The fact is that the current average return of deeded ranches in the US is 3%. In contrast, many ranches on leased land show double digit returns of as much as 20 to 30%," reports Nation.

Why the difference? Rents are determined by production value of the land and constrained by enterprise profitability, whereas land prices are priced as investments that are only loosely tied to enterprise profitability, according to Nation.

Another difference: Land is valued as an investment and has no depreciation tax. In contrast, rent and lease payments are tax deductible and so can be paid out of pre-tax cash flow – which makes a big difference in return. "The whole idea of wanting to have a ranch fully paid for is foreign to the US tax system. Tax wise it is better to be a landlord renting land to others," says Nation.

Tom Dearmont, a Rose, NE, cattleman agrees with these factors. He points out that the trend toward investing in real estate isn't new. "Since the late 1880s most large-scale ranches were put together and financed with Eastern investors. Many operations fail today because there is too much pride in ownership of real estate. As a cattleman you want to invest in cattle."

He adds, "What you need to be first and foremost is a cattleman; don't worry about owning the land. Let investors buy the high priced real estate. You can buy the cattle, that is your focus and that's what will make you money."

Over the years, Dearmont says investors have rented their land to him for the production value. He says, "I consider those people my best partners. I've found I'm a lot better off to lease from them, rather than compete."

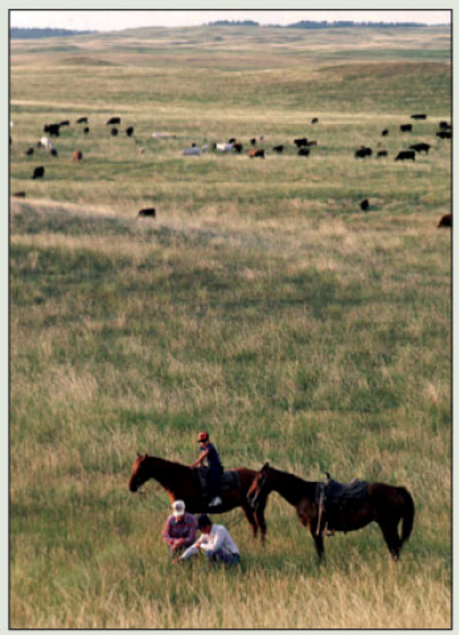
Nation clarifies that farm and ranch land can be an excellent investment. But, he points out, "The primary value of an investment is to maintain the purchasing power of excess after-tax cash. An investment is not designed to produce the after-tax dollars required for its purchase. In most cases, only businesses can do this. This means you must first build a business before you start to invest."

Thus, Nation suggests that ranchers wishing to buy land should start with leased ranches. "If their ranch management skills are such that they can produce excessive after-tax income, they can start to incrementally purchase land as a long-term, wealth preserving investment if they so desire," he says.

***"Because the industry has become so production driven, very few ranches have cows that can survive on what the ranch produces. Producers need to get rid of the animals that don't fit their environment."***

**Wyoming Rancher, Kit Pharo**

**3. Diversify Your Livestock.** All ranchers recognize that grass production can vary greatly from year to year – largely depending on precipitation. To be able to fluctuate with those highs and lows of available forage, many of these grazing specialists suggest utilizing different types of livestock.



"If you're locked into nothing but cow-calf pairs, you are a lot less efficient at using the grass," says Jim Gerrish, a grazing land consultant based in Idaho and formerly a grazing specialist with the University of Missouri. Gerrish suggests that in abundant years, producers consider contract grazing steers, replacement heifers, dry fall cows, sheep or goats to utilize excess forage.

Dearmont likes to run both pairs and stockers because of the flexibility it allows as well. "It helps prevent you from getting in a trap if it is a dry year," he says. For instance, he can easily alter the number of stockers he purchases each spring or sell them early if forage gets scarce.

**4. Consider A Calving Switch.** While spring calving remains most popular among cattlemen, alternative calving that matches available forage resources to the cowherd's needs still has merits.

"Time of calving is not a fad. It is for real. It will lower your cost and it will lower your risk," says Dunn, who advocates matching a cow's increased nutrition requirements due to lactation with early summer peaks in forage production.

He reports that recent research at both SDSU and the University of Nebraska-Lincoln has shown late spring or early summer calving to be very competitive from an economic perspective to March calving. Interestingly, he also reports that a 1975 SDSU study of 485 Northern Plains ranches indicated that the average calving date at that time was April 27. From Dunn's recent analysis of SPA data, March 1 was the average calving date of 200-plus ranches within the same region today. Dunn says moving the calving date up into early spring and winter increases feed costs and, in turn, all costs.

Pharo agrees and offers the advice to "calve in synch with nature." He says, "Bison and deer have their babies in May and June, there's a reason nature planned it that way. It matches the production cycle to the available forages."

**5. Don't Graze Too Long.** Gerrish says that a common mistake he sees producers make is letting their livestock graze pastures too short. Bare ground and the "mowed lawn" look are indicators that pastures are being overgrazed, he says. This in turn can affect root growth, next year's forage production and nutrient cycling in the soil.

Pharo emphasizes that an important part of ranch management is implementing a controlled rotation grazing system that allows plants to rest and grow back. "Some folks say, 'I graze in the summer and rest pastures in winter.' But that's not enough. Rest during the dormant season is not going to do a lot of good for that plant."

Gerrish suggests that producers monitor both the animals' and the pastures' needs and move them to new pasture accordingly.

**6. Avoid Raising Sissy Cows.** It's been said before – but these folks are adamant – that profitable cows are those who are matched to their environment and can survive with minimal inputs.

"To me, feeding hay is a bad habit," says Gerrish. He reports that the average beef producer, whether he lives in Minnesota, Missouri or Mississippi, feeds hay for an average of 130 days every year. "We've developed soft cows by doing that. Cows have to make a living," he says.

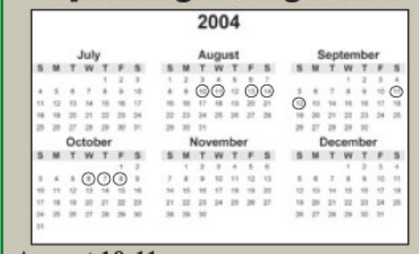
Pharo is also a huge proponent of requiring cows to live within their means and looks for moderate framed, easy fleshing cows for his arid range. He points out that bigger cows eat more than smaller cows and higher milk and higher production cows have higher maintenance requirements year round.

He says, "Because the industry has become so production driven, very few ranches have cows that can survive on what the ranch produces. Producers need to get rid of the animals that don't fit their environment."

**7. Don't Be Afraid Of Change.** Pharo says that another commonality among profitable ranchers he's known is that they embrace change. "If something needs to be changed to make their ranch profitable, they'll do it," he says.

*Editor's Note: These comments were presented at a June 2003 conference hosted by Brush Creek Ranch near Atkinson, NE, in cooperation with the Center for Grassland Studies at the University of Nebraska.*

## Upcoming Grazing Events




**August 10-11**
Nebraska Grazing Conference, Kearney. For more information call 402-472-4101.

**August 13-14**
Grazing Lands Dollar$ and Cent$, Oklahoma City. To register go to www.okgrazinglands.org.

**Sept. 11-12**
Alabama Grazefest, Montgomery. For more information call 256-845-3009.

**Oct. 6-8**
Joint meeting of SD and WY GLCI and Society for Ranch Management, Hot Springs, SD. For more information e-mail Stanley.boltz@usda.gov

For details about these and other grazing events visit:
www.glci.org and click on Upcoming Events

## New School For Ranch Managers

A new ranch management program will make its debut this fall at Texas A&M University-Kingsville. The King Ranch Institute for Ranch Management is a master's degree program designed to train students in all areas of ranch management – from range and wildlife sectors to finance.

Barry Dunn, formerly a range livestock production specialist at South Dakota State University, is the program's endowed chair and executive director.

The master's program will be a two-year intensive study and will include two internships in which students will complete case studies on the most well managed ranches in the U.S., and possibly international ranches. Two students will be accepted into the school this fall. In fall 2005, four additional students will be added.

# THE CHAIR'S CORNER

Bob Drake

With summer in full swing, I have continued to travel on behalf of GLCI and have had the opportunity to visit with many of GLCI's parent organizations and affiliates. Most recently I attended the American Forage and Grassland Council's annual meeting and convention June 12-16 in Roanoke, Virginia.

In other business, the National GLCI Coordinator position has been posted and GLCI is looking forward to this important position being filled. Also, the proceedings from the successful Second National Conference on Grazing Lands held last December in Nashville are now available. The proceedings are on a CD-Rom and include an interactive search function that makes them very user-friendly. To order your proceedings contact Ann Harris at the Society for Range Management at 303-986-3309.

Lastly, as we move toward fall, Texas is preparing to host the National GLCI Steering Committee during its annual business meeting September 9-11, 2004. The event will headquarter in Fort Worth at the Fort Worth Plaza Hotel and will include:

- A multi-state GLCI meeting on September 9 to discuss grazing land resource management issues and GLCI progress and activities. State GLCI coalition members from Texas, Oklahoma, Louisiana, and Arkansas will share their experiences.
- A reception at the National Cowgirl Museum and Hall of Fame, where Gretchen Sammis, rancher from Cimarron, New Mexico and member of the National GLCI Steering Committee, is an honoree. The National Cowgirl Museum and Hall of Fame is the only museum in the world dedicated to honoring women of the American West who have displayed spirit, courage, leadership, and vision.
- On Friday, September 10 a daylong tour will include visits to Winscott Ranch owned by Ed Bass, the Cattle Raisers Museum at Texas and Southwestern Cattle Raisers Association headquarters, and the JA Ranch owned and operated by James "Rooter" Brite, Jr. who also serves on the National GLCI Steering Committee.
- The event will conclude with the National GLCI Steering Committee annual business meeting on Saturday, September 11.

GLCI supporters are encouraged to participate in this three-day event. I'll see you there.

Bob Drake, Chairman
***National GLCI Steering Committee***

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***Visit the GLCI homepage at http://www.glci.org***