

Beef Cattle Management Consultation

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Veterinarians can become effective beef cattle management consultants by combining the knowledge they have with an organized, methodical approach to solving ranch production and financial problems. Many veterinarians provide consultative services to producers on a daily basis, but because they have not formalized their methods into a systematic protocol that addresses both the production and financial factors limiting profitability on beef cattle ranches, they have been incapable of establishing a consultative service. By using the methods outlined in this paper, the veterinarian can establish a service which benefits themselves and their clients. It starts with the objectives for management consultation, describes the protocols for assessing the production and financial status of a ranch, describes the means for identifying the factors limiting productivity and profitability, considers the Business Plan, provides the techniques for assessing the financial progress, and offers alternative methods for structuring consultation fees.

Objectives

A consultant, described as one who gives professional advice or services regarding matters in the field of his special knowledge or training¹, must have a clear definition of his/her objectives if a ranching operation is to benefit from consultative services. Is it to provide expert advice? If so, where did you acquire this special knowledge or who provided you with this credibility? Is it because you want to expand the services of your practice? Are you tired of practicing and would like to venture into a different profession? Do you want to work less, although you still enjoy the quality of lifestyle that you've grown accustomed to, but still need the income? Do you want the notoriety bestowed upon a "consultant"? Or, do you sincerely desire to utilize the knowledge you've gained over "all the years" to assist producers in achieving his/her goals of profitability? To be successful, the consultant's objectives must conform with the ranch's goals and objectives.

A consultant must determine the ranch's goals. Is it the desire to own and control land? The desire to be called a rancher? Notoriety and influence in a breed organization? Is the ranch used as a tax shelter? Or, is it profitability, the way most businesses in the United States operate? Unfortunately, many ranching operations do not have well-defined goals. Without them, the ranch's performance under the consultant's guidance will be handicapped.

Successful beef cattle management consultants realize that if the goals and objectives of the ranch are met, their goals will be fulfilled. To accomplish these goals, a methodical approach must be used.

Methodology

The first step is to assemble a data base of information; the ranch's current levels of

production, management practices utilized on the ranch, and the financial status. This information must be concise and complete because the consultant will use it to identify areas for improvement. The management information can be collected by using the Ranch Management Questionnaire (RMQ).² This questionnaire address all areas of a ranching operation, and it will allow the consultant to learn more about the current management practices employed on the ranch. He/she can determine if management changes will improve the ranch's productivity. A written questionnaire must be used, otherwise, many valuable questions which identify areas of improvement may be missed.

The ranch's production information may be collected by using either the RMQ or worksheets provided in the newly-released National Cattleman's Association's (NCA) Integrated Resource Management-Standardized Performance Analysis-Production (IRM-SPAP)³ program. The financial information may be collected by using worksheets that are provided in either the Financial Summary (FINSUM)⁴ or the NCA's Integrated Resource Management-Standardized Performance Analysis-Economics (IRM-SPAE) program.⁵

The ranch's financial statements (balance sheet, and income and cash flow statements) are the instruments which the consultant will use to assess his/her impact upon the ranch's financial condition. These statements will provide the information that is necessary when the SPAE is completed. Lenders have used the financial ratios to assess a firm's liquidity, solvency, profitability, and leverage position and the consultant will find them useful in their evaluations.

If accrual-adjusted income statements are not available, the consultant must have them prepared. This statement will allow for accurate assessment of the ranch's profits.⁶ Cash-accounting methods, which are used by many agricultural producers, can distort the net income of a ranch because income or expenses may be recognized in different years than they occur, and a lag of several years can result before losses are recognized.⁶ These losses may show up as increases or decreases in inventories, changes in accounts payable or receivable balances, adjustments for prepaid expenses, adjustments to growing crops, or adjustments to depreciation. If these items have significant value, material distortions of profitability may arise among years if accrual accounting methods are not used. Expenses derived from the income statement must also be divided into direct (variable) and indirect (overhead) expenses. This allows the investigator to determine whether the direct or indirect expenses are the cause of reduced profits. The consultant can then determine where modifications can be made. For example, if the direct expenses are high, the consultant can offer recommendations how to reduce maintenance costs each year. If the indirect expenses are excessively high, the ranch may not be achieving the economies of scale and must either reduce overhead or increase the number of livestock.

The cash-flow statement is the most useful financial statement that a producer can use on a regular basis. Both the producer and consultant can use it to monitor the cash transactions that have occurred over a period of time. The historical cash flow statement is used for development of the ranch's monthly budget.

Once the production and management information has been collected and financial statements are in order, the consultant should input the ranch's information into the SPAP and SPAE programs. These programs have been developed and endorsed by the NCA and by using them, the consultant will be able to make comparisons between ranching operations and to industry standards, which are currently being developed.

The RMQ, SPAP, and SPAE furnish all the information that is necessary to identify the factors limiting profits on a ranch. A formalized plan to correct these deficiencies must now be developed. Examples of the deficiencies which the consultant may identify from using these tools are: diseases, poor sire selections, or nutritional deficiencies during the winter (all production deficiencies); low return on assets, high operating leverage, high interest expense or high interest expense/breeding cow unit (BCU), excessive labor expense/BCU, or excessive debt/BCU (financial deficiencies); failure to develop or follow marketing strategies (marketing deficiency); inadequate numbers of checks during the calving period which result in dystocia losses or failure to have a controlled calving season (management deficiencies). Each production and financial ratio, as presented in the SPA's, should be addressed when formulating the list of items that need improvement. The consultant's recommendations must be based upon sound advice, so he/she must use a multi-disciplinary approach when offering recommendations to improve production and profits.

Business Plan

The Business Plan formalizes the planning process of the ranch over a three-to-five year planning period. It includes the ranch's mission statement, narrative summary, annual goals, forage production forecast, stock flow forecast, and annual financial projections. The mission statement should depict the goals that the ranch wishes to achieve over the specified period. The narrative summary details the projected production and financial performance over the same forecast period. Each annual goal should describe how the ranch will manage each of the following categories in order to achieve their long-term goals:

- Each livestock enterprise
- Forage, feed, and supplements
- Vehicles and equipment
- Facilities and improvements
- Finance and administration

The operational plan for each year consists of the monthly objectives, monthly forage production plans, monthly stock flow plans, monthly budgets, and a calendar of major events. Each year's functional plan supports the activities of the ranch. It consists of the annual projections for livestock purchases and sales (marketing strategies), feeding plans (including the feeding requirements for each category of livestock, the harvesting and/or acquisition of feed), pasture care plan (chemical and fertilizer application, and preparation and seeding requirements), rotational grazing plan (spring, summer, and fall), health plan (prevention, control, and treatments for each class of livestock), and the facilities and equipment maintenance plans. Table 1 is an example of the outline of a ranch's Business Plan.

It is imperative that a Business Plan be developed because this document provides direction and objectives for accomplishing the short and long-term goals of the ranch. It outlines in detail, management of the ranch's resources (land, labor, livestock, equipment, and capital), objectives for each resource, provides a guide for monthly and yearly activities, and methods to assess goal achievement. The consultant's annual production and financial projections must be incorporated into the plan in order to measure the goal's accomplishment. The methodology that is used for accomplishing these goals is what the consultant "has to offer".

Table 1

SAMPLE RANCH NAME

Table of Contents

<p>I. 1992-1994 Business Plan</p> <p>A. Mission Statement</p> <p>B. Narrative Summary</p> <p>C. Annual Goals</p> <p> 1. 1992</p> <p> 2. 1993</p> <p> 3. 1994</p> <p>D. 1992-1994 Forage Production Forecast</p> <p>E. Stock Flow Forecast</p> <p>F. Financial Projections</p>	<p>II. 1992 Operating Plan</p> <p>A. Monthly Objectives</p> <p>B. Monthly Forage Production Plan</p> <p>C. Monthly Stock Flow Plan</p> <p>D. Monthly Budgets</p> <p>E. Calendar of Major Events</p>	<p>III. 1992-1994 Functional Plans</p> <p>A. 1992 Livestock Purchase and Sales Plan</p> <p>B. 1992-1993 Feeding Plan</p> <p>C. 1992 Pasture Care Plan</p> <p>D. 1992 Rotational Grazing Plan</p> <p>E. 1992-1993 Orchard Plan</p> <p>F. 1992 Health Plan</p>
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Monthly Surveys

Monthly surveys of the ranch are necessary for monitoring how well the ranch is implementing the consultant's management recommendations. At these monthly surveys the consultants should review: the objectives for the month; the general operation of the ranch; management decisions that have been made since the last survey; the appearance and function of the ranch; marketings that have occurred; progress on accomplishing last months' schedules and recommendations; nutritional management of each livestock group (forage, supplemental feed, mineral) with recommendations for each group; collect body condition scores (BCS) on each group of cattle; and, discuss topics that management needs to address. All parties involved must realize that adherence to a strict monitoring schedule is vital to the success of the program. Table 2 is an example of the monthly survey form used by the author on his monthly visits.

Table 2 Monthly Survey

MONTHLY SURVEY

RANCH NAME

Division: EXAMPLE

Manager: Charlie Smith

Consultant: Robert Toombs

_____, 1992

A. MANAGEMENT

1. General operation of the ranch.
2. Review managerial decisions that have been made since last visit.
3. Appearance and function of the ranch.
4. Progress on accomplishing last month's schedules and recommendations.
5. Discuss marketing plans.

Livestock Enterprise Monthly Evaluation

Livestock Group _____

Pasture Name _____

Age _____

Predominant Type of Grass _____

Number of Head _____

BCS Score	BCS Score	BCS Score	BCS Score
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

This Month's BCS		
Score	Number	Percent
2's	_____	_____
3's	_____	_____
4's	_____	_____
5's	_____	_____
6's	_____	_____
7's	_____	_____
8's	_____	_____
Total	_____	_____
Average	_____	_____

Last Month Score	Prev. Month Percent	Percent
2's	_____	_____
3's	_____	_____
4's	_____	_____
5's	_____	_____
6's	_____	_____
7's	_____	_____
8's	_____	_____
Avg.	_____	_____

Herd Information:

Observations/Plans _____

Livestock disease/conditions/losses/treatments since last visit _____

Nutrition:

Forage (Pasture) Available: Quality & Quantity _____

Supplementation [Type #'s/hd/day, Other Feed(#'s)] _____

Mineral (Intake, condition, etc.) _____

Recommendations:

Forage Pastures

Pasture Name or I.D. _____

Predominant Forage _____

Winter/Spring/Summer _____

Current Stocking Rate _____

Stage of Maturity _____

Type of Soil _____
(Sandy, Clay, etc.)

Improvements currently being made to improve the stocking rate. _____

Brush control measures planned.

Brush control measures currently underway.

Recommendations to Management

B. SUMMARY AND RECOMMENDATIONS

1. Summary of the Ranch's Operation
2. Areas to be Researched
3. Topics that Management Needs to Address
4. Nutritional Summary/Recommendations
5. Other Suggested Recommendations

Body condition scoring each livestock group provides an objective way to determine if the cattle are meeting their energy needs.⁷ By monitoring each livestock group's BCS, the consultant can easily determine whether additional energy supplementation is warranted. For instance, if the BCS's deteriorate during the winter months, the consultants may prevent serious conception rate failures by recommending additional supplementation. A representative number of cattle must be body condition scored at each visit, and records maintained on the percentage of cows in each BCS and the weighted-average for each group.

The consultant may have to use worksheets to monitor consumption of feed and mineral and to determine the productive capacity of each pasture. Feeding worksheets (Table 3) must be reviewed periodically to determine if each group of livestock is receiving the formulated ration. Mineral consumption worksheets (Table 4) allow for monitoring the consumption of free-choice mineral in each group of livestock. If their consumption does not meet desired levels, additions of soybean or cottonseed meal or flavors may be necessary to achieve the daily requirement. Pasture grazing worksheets (Table 5) allow the consultant to determine the number of animal-unit grazing days that each pasture provides throughout the year. By accounting animal unit grazing days, non-cash revenues are generated and each pasture's profitability can be assessed.

Assessment

In addition to the monthly surveys, the consultant must schedule quarterly and annual reviews with ownership and management. At these meetings the group must review the ranch's operation, evaluate the quarterly (or annual) income statement, the ranch's budget and balance sheet, address items of concern, assess the cooperative efforts demonstrated by management and labor, assess the stock flow and progress in meeting the objectives of the Business Plan. They should critique the monthly surveys, noting any reoccurring infractions. Since the ranch budget is the key instrument which determines if the financial objectives are being met, comparisons must be made between the budgeted and actual values.

Table 3 Feeding Worksheet

FEEDING WORKSHEET

Date _____

Operator _____

Cattle Group	Pounds Silage	Pounds Mineral	Pounds Protein	Pounds Hay
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Table 4 Mineral Consumption Worksheet

MINERAL CONSUMPTION WORKSHEET

Pasture _____

Cattle Group _____

Number in Herd _____

Date	lbs. Mineral Added	lbs. Meal Added	No. Head	Mineral Consumption Per Head Per Day	Comments
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Table 5 Pasture Grazing Worksheet

PASTURE GRAZING WORKSHEET

Pasture _____

Date In Out	No. Animals	Description (Yearlings, Cows, Pairs, Bulls)	Reason Moved *	Total Days	Animal Unit Grazing Days
Total				_____	_____

- Weaning .5 AU
- Yearling .7 AU
- 2-Yr. Old .8 AU
- Cow .9 AU
- Cow/Calf Pair 1.0 AU
- Bull 1.2 AU

- * Reason Moved
- 1. Insufficient Grass
- 2. Mgt. of Livestock
- 3. Other

The annual review should also include information derived from the SPAE and SPAP. These documents will assess the production and financial progress. Items included in the SPA's that should be compared to previous reports are: gross revenues, total operating and financing costs, pre-tax net income, percent return on assets, direct and indirect expenses per cow, and interest, labor, and living expense per cow on the financial side; and, pregnancy, weaning, and calf mortality percentages, actual weaning weights, pounds weaned per exposed female, pounds weaned per acre, and feed costs per breeding cow on the production side. Reviews of the financial status, including key financial ratios, should also be addressed at these meetings. Marketing strategies must be evaluated to determine if previous objectives were realistic and if not, modifications must be made for future years.

Financial Compensation

There are three methods the consultant may use to charge for the services he/she provides: 1) an annual fee per BCU; 2) a daily or monthly fee, based upon the amount of time that is required; or, 3) a percentage of the net increase in profits (before taxes). Options one and two are the simplest methods, however, they offer the least opportunities for significant financial returns to the consultant.

Most practitioners are involved in private practice and would like to offer consultative service to their clients, so charging an annual fee per BCU would be the simplest manner. In addition to the pregnancy examinations, breeding soundness examinations for the bulls, pelvic measurements, preventative herd-health vaccinations, and routine veterinary care, an agreed-upon annual fee for these services and consultative services is a simple and attractive procedure.

The advantage of charging a monthly fee (with a preset minimum number of days) for consultative services over the annual fee per BCU, is that the producer will more likely perceive the consultative services differently and be prepared for the meeting. If the producer is provided an agenda prior to each meeting, they know what items will be covered and the meeting will likely proceed as expected.

The major advantage of the third option is that the consultant has the opportunity to receive greater returns for the service. However, this requires that the producer and consultant fully understand income statements. They must agree upon which items should be included and/or excluded from the statement when determining the percentage increase in net profits (for example, if the depreciation expense is included in determining net profits, a producer can reduce the consultant's revenues by purchasing extra equipment). This option requires that the consultant bear part of the risk, which entices producers to enter into an agreement. If the ranch doesn't perform, nothing is paid. However, this requires that the consultant's recommendations to improve profitability be implemented. The consultant will not receive payments for the first year of services, so if the contract is nullified, nothing is paid without undue legal expense. The consultant must also realize that the benefits of most production and long-term financial changes generally take longer than one year to realize, therefore, contracts should be written for two or more years.

No matter which form of compensation the consultation chooses, it is advisable to seek legal assistance in writing contracts that are acceptable to both the consultant and ranch. Professional liability protection must be considered.

Conclusion

Presented in this paper is a brief description of the methodology that veterinarians can use for providing beef cattle ranch management consultation. Veterinarians have a tremendous amount of services to offer their clients in the areas of production and management, and by using a methodical approach, they can identify the factors limiting production and profits, make recommendations to change these deficiencies, and accurately measure their impact. In order to achieve maximum benefits from the program, consultants must understand finance and economics. They must accurately evaluate alternative management recommendations and be capable of determining the financial impact that they had upon the ranch's financial condition.

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