

Planning for Future Profitability

Andrew P. Griffith

How far into the future do cattle producers plan in order to improve efficiency and profitability of the operation? Maybe the real question is how far into the future should a cattle producer plan to improve efficiency and profitability. The answer really depends on the different aspects of the operation being evaluated, but it is nonetheless an important answer to know.

I often receive questions related to what cattle prices are going to do the next few weeks, months, or maybe as far as one year down the road. However, there are not many producers asking how cattle prices or input prices are going to change the next five years. Maybe the reason producers do not ask is because they know I could not even tell them what I am going to eat for lunch today. (If someone else is cooking then that is what I am eating, preferably from my Mother's kitchen!) Even farther from many producers' minds is the direction of the cattle business in general and how it will be structured due to policy issues and consumer demands.

Cattle prices and input prices are important to profitability, but an individual producer has little to no impact on the price of either one. However, producers can plan production and marketing practices to mitigate some of the negative impact that price changes carry.

The first step in planning is to develop short and long-term goals and objectives. Some folks focus on short-term goals while others focus on long-term goals, but the reality is that short-term goals usually assist in reaching longer-term goals and objectives. Thus, it is good to have the big picture idea, but it is also necessary to understand the details that will assist in reaching the final destination.

It is beneficial to have both economic and personal goals. The long-term economic goal may be to profit a certain amount on the operation each year while a personal goal may be to spend more time with family. However, these goals do not have to be independent.

If the long-term goal is to increase economic profit to a certain amount or by a certain amount each year then smaller goals are necessary. For a cattle producer, the economic goal may be reached by increasing calving percentage, decreasing death loss, reducing the dependence on harvested feedstuffs, increasing or decreasing the number of animals carried, changing marketing practices, placing a greater emphasis on health management, or even changing the type of cattle production (cow-calf, stocker, backgrounder, etc.). This is not an exhaustive list of aspects of cattle production that can be changed to improve profitability, but it does include some of the larger issues. All practices previously mentioned can be formulated into short-term goals to achieve the long-term goal of greater economic returns.

It is equally important to achieve personal goals, but it is a plus when personal goals can be integrated into the cattle business. For instance, a producer who has set spending more time with family as a personal goal could spend time teaching their children how to cut, rake and bale hay. Similarly, a producer may invite a daughter to observe the stocker cattle in order to identify sick and unhealthy cattle while a cow-calf producer may take a child to check for calving difficulties during the calving season. (Women are often more detail oriented than men, but this is not true in all cases!) Similarly, involving children in cattle production may lead to those children wanting to show animals at local events which provide one more opportunity to achieve the long-term personal goal.

The tandem of economic and personal goals may even lead a producer to the final goal and that is secession planning. In today's tax policy world and the tremendous expense that can be incurred starting a cattle operation, it is important for producers to have a plan to pass the farm on to the next generation or to liquidate the farm in an agreeable manner. It is true that some people are going to live forever, but forever will not be on this earth. Thus, cattle producers should always have a plan for the operation after they are no longer able to perform farm duties. Some additional resources can be found at the following website <https://farmlandlegacy.utk.edu/>.

This short article actually has more questions than answers, but they are important questions to answer. Producers should consider what their goals and objectives are and then they should write them down. Producers should also evaluate how they are performing in meeting their goals. If a goal is met then celebrate with a side of celery sticks for dessert that evening. The most important part is that goals and objectives must be attainable, but they must also push past the status quo.