



# The Angus Link

by **MATT PERRIER**, *director of commercial programs, American Angus Association*

## See, measure and manage your business

Pick a gathering place for cattle producers. Any place — coffee shop, feed store, fair board meeting, cattlemen's association gathering — anywhere.

Now, tell me the first two things that will come up in conversation. The market and the weather. Not particularly in that order. Right?

Why is that?

Brace yourself, because you're not going to like the answer. It's because these are two major things that (for the most part) are out of our control.

Sure, there are a few success stories of cooperatives and coordinated companies that do an outstanding job of rewarding their producers for cattle that fit their targeted consumers. As we progress into the future, these integrated marketing channels will likely continue to make up a larger percentage of our market. However, in 2002 it is still the consumers' demand for and the supply of beef that predominantly affect our pricing benchmark, the "cattle market."

As for the weather, how effective has cloud seeding and rain dancing been in your area?

So, why do we continue to waste our breath (not to mention our time) talking about these two uncontrollable circumstances, while the things that we *can* manage — production costs, individual animal productivity, weaning regimes and breakeven costs — rarely surface in our conversations with industry counterparts?

I guess it's because there isn't much romance in shuffling into the local café and stating, "Yes, sir. I early-weaned my calves, vaccinated them under proper beef quality assurance protocol, and averaged 497 pounds of calf per cow exposed. Plus, my cows ran on improved cool-season grasses to supplement my native forage, which decreased my breakeven cost by \$20 per calf marketed."

Doesn't exactly conjure up macho images of a lone cowhand crossing the cedar breaks of west Texas on horseback, does it?

Now, don't get me wrong. I don't want to entirely give up the finer things in the cow business. I hope that cattle producers can wear a hat and still carry a calculator; ride a horse, but own a computer; market their cattle at any stage, but record, analyze and utilize information about those cattle before and after they leave the ranch.

As the beef industry gravitates toward a highly competitive business driven by profits, it's high time that we start talking about those things over which we have a reasonable amount of control:

- cow carrying costs;
- calving and breeding seasons;

- pregnancy rates;
  - return on investment or assets;
  - profit per production unit; ...
- The list is infinite.

### Measure to manage

I recently saw a slogan that a management-consulting firm, Accenture, used in the advertising for their technology services division:

*See it.*

*Measure it.*

*Manage it.*

We have all heard the phrase, "If you can't measure it, you can't manage it." Peter Drucker, the guru of business management, coined the phrase, and it has been used in thousands of management articles, speeches and presentations during the past decade. Accenture's slogan simply builds on that premise, and I think it puts it in a chronology that better suits the production side of our beef industry.

One must first *see* an area of potential improvement in their operation. I don't mean witness it — I mean *see* it.

For instance, we have all *witnessed* a "lighter end" of our calf crop at weaning time. We have noticed that a few cows always seem to end up calving well after the average of the herd, if they calve at all.

Do we really *see* how this is affecting our business? Maybe it's not a factor. Maybe the added inputs or management that it takes to improve those tailenders is not worth the cost. But many of us ignore this type of detail. We don't talk about it. We hope that dilemma will take care of itself. We disregard those dry cows, figure the average of the calves we actually sell, and take the news straight to the coffee shop.

It is not that we don't know how to use the "see it, measure it, manage it" approach. We use the strategy on the things we can't control.

We use it with the weather: We *see* the blue sky. We *measure* the wind direction. We make a *management* decision to mow hay, prepare ground for seeding, or wean calves.

And it rains that afternoon.

We use it with the markets: We *see* the past years' cyclical trends. We *measure* the amount of money our bank will lend us. We make the *management* decision to buy feeders.

And a rumored outbreak of foot-and-mouth disease (FMD) sends prices into an uncontrollable free-fall.

If we are risk-averse enough to be involved in production agriculture, why are we not disciplined enough to focus on areas of our businesses that we can see, measure and manage? From calving percentages and intervals to weaning weights and costs of gain, we miss out

on too many areas of cost savings by not recording and analyzing this management information.

### Ahead of the game

I recently had the pleasure of speaking with a commercial cow-calf producer in northeastern Nebraska. He was listing a group of 300 feeder calves on AngusSource, and I commended him on the amount of information that he had recorded about the genetics and management of his cattle. In a matter-of-fact manner, he replied, "Well, these cattle are my only livelihood out here. ... If I expect anyone to give me what I think they're worth, I have to take the initiative and market them as best I can. Nobody else is going to sell my product for me."

Wow! I was shocked.

I shouldn't have been, but this was a reply that I am not accustomed to hearing.

Without even asking, I can usually discover how dry (or how wet) it is in nearly every region of the country. Plus, I am made aware of how bad (or how good) the market has been. But beyond that, I rarely am able to pull any other information out of cattle producers. This gentleman didn't even mention the

weather or markets, but he had seen, measured and managed the effectiveness of his marketing procedures!

A few days after we spoke, I received a letter that this rancher sent to all potential buyers of his calves. Over the past several years, he has sent a similar memo a few weeks prior to his calves selling at a local livestock market. Because I was so impressed with this marketing practice, I wanted to include it in this article (see letter below.)

As I sit here in mid-November, I can't begin to estimate what the exact temperature, humidity or precipitation might be outside of your back door the day you read this. Nor can I accurately predict what average fed cattle will be trading for in the High Plains. I can, however, safely assume that Mr. Pelster sold his cattle for every penny of their value. I can also assume that he made his buyer a satisfied customer, because the cattle likely were healthy, trouble-free and solid performers — both in the feedyard and on the grading rail. Those cattle likely received a premium, and it was due in large part to the documented information that was made available to buyers prior to sale time.

Sure, lines such as "All shots were given in the neck area" and "We will haul these calves 18 miles sale day" might not stir up images of John Wayne herding thousands of Longhorn steers across the Red River in route to Dodge City.

But if they stir up dollars in a buyer's pocket, maybe there is more to this business than just talking about the weather.

