

Outside the Box: What a year!

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The evening of July 10, we celebrated a historic day for our ranch — we had sold feeder calves for 45% more than our previous high. Each of us had a different perspective on the day's event; one brother reflected on the generations who had worked so hard to create

the business over which we now have stewardship. We pondered future price trends allowing ourselves a momentary, but fleeting notion that we had found a new normal price range.

In keeping with my oldest-sibling responsibility, it was my duty to remind

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the team that the day's prices had not shifted our philosophy that "want and need" must be carefully separated. As we concluded the discussion, it was clear that the blessings of a historic market high had not eliminated the need for us to plan thoughtfully and to execute our business strategy with the same discipline we had used in lesser markets.

Planning during the good times

Nonetheless, the conversations around kitchen tables, ranch offices, and leaning on the hoods of pickups this year will have a different tone than any other time in history. Setting a course of action based on a windfall year is a relatively novel experience. For the sake of argument, here are 10 thoughts on planning in times of plenty.

1. Initiate a conversation with your accountant to determine the tax consequences of this extraordinary feeder-calf market. Finalizing the year's cash-flow projections should take into account a cull-cow market that will be higher than a year ago, and most cow-calf producers will want to determine if the best strategy is to hold off selling culled breeding stock until 2015. Most analysts are calling for strong feeder-calf markets well into 2016, although it is hard to imagine that 2014's high summer prices can be sustained. A trilateral three-year projection based on a best-, most-likely, and worst-case scenario will be useful to the discussion.

2. Analyze your debt situation and determine a course of action that puts the strongest foundation under the sustainability of your business. Recognize that we are likely in the final months of "cheap" money, and interest rates are almost certain to increase beginning in either 2015 or early 2016. If expansion through land acquisition is an option, weigh the availability of 15- to 30-year notes at today's rates vs. historically high land prices. Purchasing real estate will be a situation-by-situation decision.

3. Investment into savings, retirement and educational funds is an appropriate option. Some

alternatives may provide tax relief, and of course each option will have its own cost, benefit and risk considerations. Using a trusted investment advisor is advised.

4. For multi-generational businesses, now is the time to consider whether resources might be invested into a new enterprise that provides both income diversification and the opportunity for children and/or their spouses to focus their energy into an enterprise outside the cow-calf unit. This process will be completely dependent on the situation, but the opportunity exists to give the next generation a challenge to call their own while simultaneously investing in the business infrastructure of the community.

5. Weigh the opportunity to initiate herd expansion. Purchasing bred females at today's prices may prove to be unworkable in some situations. Increasing heifer retention rates is a second alternative that may make sense if feed and heifer development expertise are available. In light of current bred cow and cull prices, this may be the year to turn late-bred or under-performing females into cash that can then be turned to buy replacement stock or enhance heifer development.

6. Pasture improvements including enhanced livestock water have the potential for excellent return on investment. Increased grazing potential reduces dependence on purchased feed inputs and provides the opportunity to increase carrying capacity.

7. Evaluate the opportunity to improve livestock-handling capability. A Bud-Box system is a cost-effective option that can dramatically improve cattle flow and reduce stress on both cattle and handlers.

8. Conduct a safety audit and use funds to improve the safety of facilities, equipment and the work environment. An ounce of prevention invested today may substantially reduce the direct and indirect costs of work-related injuries.

9. Evaluate the opportunity to incorporate a stocker-yearling enterprise into the cow-calf business. As good as the calf market has been, yearlings have had a remarkably high rate of return over the past decade.

10. Your team has worked hard, your family has sacrificed in more difficult markets and you have endured. **Celebrate** and invest some dollars to create memories that will last a lifetime.

Whatever you decide, take time to enjoy your success, and don't forget to express your gratitude to those who helped you along the way.

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