

# Self Preservation Equals Progress

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## INTRODUCTION

America has seen the death of many cultures in its two hundred plus years. Two of these cultures have been part of most American children's childhood play: "Cowboys and Indians".

The Indians of America were in control of this continent when Europeans arrived. They ruled the land, each tribe in its own area. Each tribe was as unique as the land they possessed. Most of them befriended the newcomers, sharing their knowledge of the land, and helping them to survive.

These newcomers started pressuring the Indians to change. The Europeans wanted to run the land their way. The Indians became protective of their little areas of America; they did not intend to change. The Europeans persisted on intruding into the Indian way of life. The tribes became hostile, each defending its own little piece of territory. Now, it was "them-vs-us". Independent, aggressive action ensued. In a united effort, the Europeans took the land, and the Indians lost their lifestyle. They were forced into reservations. What went wrong for the American Indians? They did not unite, and they would not change.

The American cowboy replaced the Indians on the range. They built a vast nation. The people in agriculture ran the politics of this nation. While these individuals developed their own independent life style, they furnished the urbanite with the best and least expensive food in the world. With the growth of America came pressure on this lifestyle. Individually, we protested for the natural resources we managed and enjoyed. Independently, we had reached the "them vs us" stage. Now we were hostile! As the urbanites continue to covet these natural resources, we are now fighting over the control of them. Now, will the lifestyle we love as the American cowboy become extinct? What is

going wrong? We're too independent and have not changed.

"*Cowboys*" today are called producers. It is my observation that producers are of four types: The owner/manager; the corporate production manager; production manager for a private owner; and the saddlebag cowman.

The *owner/manager*; could be a retired couple, a multi generation agriculturist, or a young couple getting started. It is what it says--the one who owns the land and cattle also manages those resources. *Corporate, production manager* answer to a board of directors, in contrast to a *production manager*, who only answers to a single owner. The responsibilities of each of these positions vary from one situation to the next. Then we have the saddle bag *cowman*. The one we all envy. He does all his managerial work in the field, on the back of a horse, or in his pickup.

All four of these have a few things in common. They each manage natural resources that are under public pressure in a multitude of ways. Each one likes what they do, or they would not be there. It is easier to do almost anything else and usually pays better. Each is concerned with self preservation.

None of us want to change our life styles! However, we must change how we think; or we will not survive. Do we tell ourselves the truth; or do we lie to ourselves to justify what we want to do? Until you reach the point when you admit you are lying to yourself in order to do what you want to do instead of what is best in a given situation, you are not ready to change.

Yet, today, we are being pushed from every side. The environmentalists challenge our right to be where we are; the animal rights activists challenge our ways of doing things; and the bureaucracies

complicate our doing anything. The economy causes our families to cry, "We need more!". The packers say, "You'll make a better product for less."; and the banker says, "You'll show a good cash flow.", or, "No credit.". Yes, to accomplish self preservation, we must have progress through change.

All four of these producers need to progress in their thinking to assure self preservation. To progress you need to identify the areas to change, have the right production records and tie them to your finances. This will allow you to analyze what you are accomplishing.

Each operation you'll hear about today; has changed drastically in one way or another over the past four years. Part of that change happened in the field with the cowboys. They've learned to carry the "Little Red Book" and to keep certain data in it. We in the office are learning to look at our record keeping in a new light.

According to Dr. Kidder "Records are Tools." Records need to allow you to analyze what you are doing by showing the end results. Mine were like a horse with no saddle. I had them, but couldn't use them. The facts we collect should have a purpose that benefits the management of the operation. I kept a cost per animal unit budget for 15 years. A simplified copy of one is in your proceedings. (Table 1. Budget Expense 1986) At first it looks impressive. I could tell you within a dollar what different items cost per animal unit.

I have extensive production records and a good herd inventory. Coordinating all of this to generate the necessary information to make sound management decisions was too time consuming. Decisions, such as how much fertilizer can I afford to put out this year or should we feed liquid supplement year round were made looking at only one area of information not the whole picture. Plus all my information did not answer the important management questions such as:

1. Production cost per producing animal unit
2. Production in lbs. per producing animal unit

### 3. Cost per pound produced

At a Florida Cattlemens Meeting I heard about a program that would analyze my performance and financial records. I found out this program was part of the **Integrated Resource Management Program** developed by NCA and 5 different State Extension Services. This tool is called Standardized Performance Analysis or SPA. It puts things in a form that anyone can understand, from the cowman to the banker.

In 1992 I sat down with a trained SPA programmer and entered the records I had on hand. It took 2 - 8 hour sessions. I needed to change a few things to enter the next years information.

1. My financial program needed adjustments to give me better delineation of expenses. (See Table 2. "Chart of Accounts" attached)
2. My production records had to be modified to fit nationally accepted definitions.
3. My inventory had to fit the required category. (See Table 3. "Herd Inventory" attached)

With these changes we will:

1. Enter the next year in one session
2. Know our true cost
3. Express our cost per breeding cow and per hundred weight of calves weaned.
4. Could start to Budget and Market for a profit not "I hope we make something this year".
5. Will be able to invest in profitable assets

The SPA program allows me to:

1. Have more information to make a diagnosis

2. Target problem areas and keep from making the same mistakes repetitively
3. Think analytically with facts for a basis.
4. Use each value generated as an indicator or a gauge
5. Determine in what direction our operation is moving, "backward", "in circles", or "making Progress".

Therefore all this effort will be justified. I will have answers for:

-Where we are as cattle producers compared to the industry in general:

-Can we afford expenditures for capital improvements;

-Can owners maintain their own cattle on their own land and benefit financially;

I expect to prove that it is beneficial for land owners to continue in the cattle industry in Florida. The land owner can pass on a heritage to their grandchildren, while we can maintain our lifestyle. Why? Because we recognized, **SELF PRESERVATION EQUALS PROGRESS THROUGH CHANGE.**

You say "Good for you! But what's that to me?"

I'm a owner/manager why should I use SPA? Your first benefit from using the SPA program would be maximizing your investment. Even if cattle are a retirement hobby they should be efficient. They need to return as much as the money market rates: If cattle production is a main source of employment or is what allows you to be a land owner then a financial-production management analysis program is imperative. In

the past, too many producers allowed the tax accountant to manage their cow herd. For instance the average life span of a registered cattle producer is seven years. I believe this high turnover in the seed-stock production business is due to inadequate production/financial management.

Then we have the corporate production manager. He has business meetings where he is held accountable for his actions; plus, he has to produce a budget and live within it's confines. The SPA program would help these individuals to identify problem areas, justify capital expenses and present their financial position in a way that accountants will understand. This should improve communication between management levels, increase job stability, and help minimize daily operational stress.

The saddle bag cowman runs his cattle on leased land. It's easier for him to figure his over head, yet more than all the rest of these, he must show a profit. As our national economy changes even this producer will have to maximize his production potential. The "Little Red Book" will become his best tool to carry in the saddle bag. Soon he will progress toward a change in how he sees things. There are those ranchers who will fight change. Like the Seminole Nation can testify they were not able to preserve their culture or way of life. Change was forced on them by outside influences. Will you consider that for the rancher **SELF PRESERVATION EQUALS PROGRESS THROUGH CHANGE.**

**Table 1. Budget**

Expenses in \$	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	Total
Animal Unit	263	52	1639	718	250	2922
Ranch Maintenance	7.5	8	10	7	-	23763
Machine Hire	-	-	12	11	-	28118
Vet. & Medicine	18	8	15	9	2.1	36722
Feed General	60	2	2	2	-	20594
Liquid	15	50	15	18	3.2	44868
Mineral	6	6	4	6	-	12754
Hay	-	-	12	-	1	20264
Weaning	7	-	8	-	2.3	15543
Heifer	22	-	13	-	-	27093
Seed	-	-	4	2.5	3	9124
Fertilizer	15	11	50	50	14	125895
Freight	2	-	1	0.2	0.8	3765
Equip. Maintenance	-	0.4	15	10	4.8	33005
Fuel & Oil	1	-	6	3	-	12251
Bull Purchase	25	18	18	18	-	49937
Cow Purchase/Tran.	-	20	30	88	180	158210
Embryo & Recips	25	-	-	-	-	6575
Capital Improvement	11	-	10	5	-	22873
Salaries & Taxes	50	35	30	42	2	94640
Health Insurance	-	-	0.6	2.3	-	2589
Land Tax	12	17	10	35	2	46734
Advertisement	10	-	1	0.5	-	4619
Dues	-	-	0.1	0.14	-	263
Radio	-	-	-	-	-	500
Insurance	3.5	-	1	1.5	-	3636
Miscellaneous	-	-	-	-	-	1000
Legal & Accounting	6	14	5.7	11	2	20574
Utilities	2	-	3	7	-	10616
Travel & Office	1	-	0.5	0.2	-	2206
Totals	78581	9861	453152	240340	54392	837556

**Table 2. Ranch Chart of Accounts**

Income		Expenses					
300	OPERATING RECEIPTS	400	DIRECT CASH EXPENSE	450	NON-CATTLE	740	Legal & Accounting
301	Fruit Sales	410	PURCHASED FEED	451	Herbicide	751	Labor
302	Lease Income	411	Liquid	452	Fertilizer & Lime	752	Management
303	Interest Income	412	Mineral	453	Seed	753	Taxes (SS, WC, Unemp.)
304	Other Income	413	Weaning	454	Custom Machine Hire	754	Health Insurance
310	Livestock Sales	414	Hunting	455	Repairs & Operation Vehicles	755	Benefits
311	Steer Calves	415	Horse & Dog	456	Fuel & Lube	756	Meals
312	Heifer Calves	416	Feeding Out	457	Fence & Feeder Maint.	757	Education/Travel
313	Bred Heifers					799	Interest Cash Expense
314	Bred Cows	420	RAISED FEED				
315	Open Cows	421	Chemicals	458	Labor		
316	Cull Cows	423	Seed	459	Real Property Tax	800	INDIRECT NON CASH EXPENSES
318	Cull Bulls	424	Custom Machine Hire			801	Building & Improve. Depr. 1992
320	Sod Sales	428	Labor	600	DIRECT NON CASH EXP. (CAPITAL IMPROVE.)	801	Building & Improve. Depr. 1992
330	Crop/Hay/Seed	429	Real Property Tax	610	Equipment Purchase	820	Cattle Depr. 1992
340	Forestry			630	Nursery Est.	821	Purchased Breeding Lvstk. Depr.
350	Field Nursery	430	GRAZING	640	Forestry Est.	821	Purchased Breeding Lvstk. Depr.
360	Gov. Payment	431	Herbicide	650	Grove Est.	830	Mach. & Equip. Depr. 1992
370	Farm Prod. Consump.	432	Fertilizer & Lime Soil Samples	700	INDIRECT CASH EXPENSE	840	Non-Cash Transfers
380	Family Investment	433	Seed				
		434	Custom Machine Hire	701	Dues/Fees Membership	900	Family Living Withdrawals
		435	Repairs & Operation Vehicles	702	Real Property Tax		
		436	Fuel & Lube	703	Repairs & Maintenance	1000	Capital Contributions
		437	Fence & Building Maint.	704	Utilities		
		438	Leased Land	705	Insurance (Trucks/Bldg.)	1100	Capital Distributions
		439	Real Property Tax	706	Supplies (Office/Other)		
		440	CATTLE	707	Conservation Expense		
		441	Veterinary Feeds & Med.	708	Radio		
		442	Breeding Bull Purchase	710	Safety Equipment		
		443	Tags & Equipment	715	General Feed		
		444	Custom Machine Hire	730	Advertising Promotion		
		445	Vehicle Maintenance				
		446	Fuel & Lube				
		447	Freight & Storage				
		448	Labor				
		449	Horse Maintenance				

