

# MANAGING IS MORE THAN MAKING DECISIONS

by Paul D. Ohlenbusch



After more than 30 years of working with landowners and operators, both face-to-face and in education situations, I have learned most are not prepared for what is to come in the management situation. I have seen the good, the bad and the really ugly situations. What is often missing is an understanding how their current land, capital, labor and management resources function under sudden economic, weather or other changes that require management adjustments.

In this article, I want to briefly review some of the important information you need to know about your resources to adjust their management. This discussion will include examples from my experience.

In the world of management, the resources of land, labor, capital and management are required to form a business. All these resources are important, but some

may be glossed over without much thought for their role in management. While each has a unique character and function, they are linked and interrelated. In the end, the goal should be to manage these resources to provide an efficient operation that is environmentally, ecologically and economically sustainable. This goes far beyond profitability.

Developing an operation that is efficient and environmentally, ecologically and economically sustainable must develop to fit the current physical and financial environment. Management must not try to change the environment to fit the existing management. Management must develop the production system within the environment.

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My interest in the subject goes back to my early years and working with landowners and operators for over 30 years. It took years to understand the meaning of a management style and more years to appreciate it. The bottom line: how an individual integrates the four resources will determine their success or failure.

My family were renters and sharecroppers until I was 7 years old. Then my father became the manager for the farming operations of a registered Angus ranch. The ranch was owned by a businessman who required all his ventures to be profitable over time.

What made this management style unique was the way the owner guided what was done. Almost monthly, he met with the management staff of general manager, farming manager, herdsman and secretary-treasurer. Each prepared a report of what was accomplished and the plans for the next several months. The secretary-treasurer prepared financial reports and budgets for the owner to use for decision-making. He determined what projects would be integrated into the current management. He was a hands-on manager.

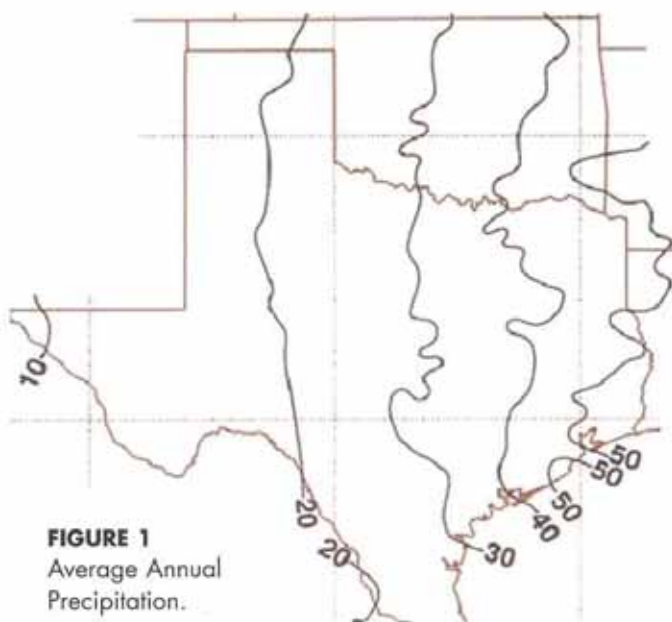
The management style allowed the long-term management plan flexibility over time. The style allows a good management plan to have options for above and below average conditions. To develop such a management plan requires an inventory of the current land, capital, labor and management resources. The inventory may appear simple, but in fact it is time consuming and can be threatening.

The first part of the inventory discussion will look at the land and capital resources. These are the tangible resources. The labor and management resources are more of intangible resources. So, what is involved in the inventory?

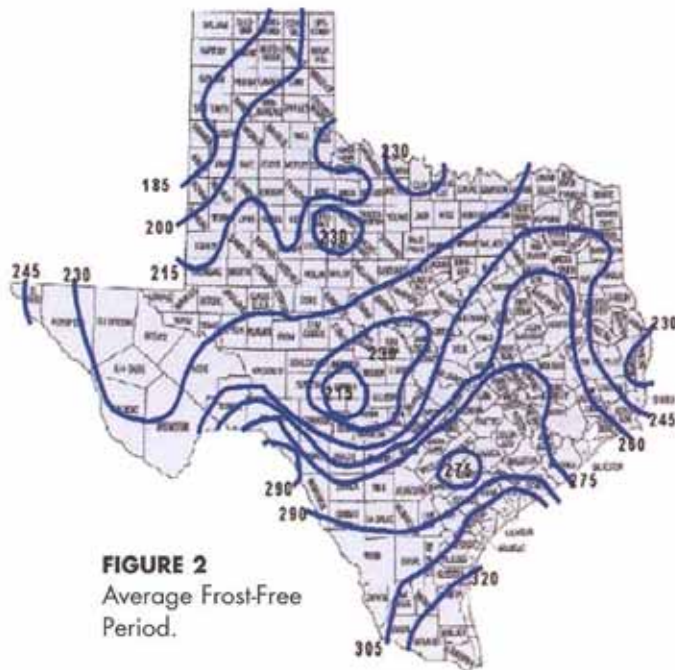
Land is the basic production resource. Without land, there is no business. The land resource includes the land surface, water, fencing, vegetation, buildings and all physical features. Not only is it necessary to document the acres available, acres by vegetation type and its quality, miles and types of fencing, and similar data, but also the current condition and potential condition of each feature. In addition, climatic information is needed to develop management options for average and extreme weather conditions. This is true for owned, leased or rented land.

Why is this important? Let's start with the fences. If the fences are new and in good condition, their maintenance costs and labor required, over time, will be limited. If the fences are old and in need of major repairs, increased maintenance, labor and other costs will be incurred.

A similar situation could be found in the vegetation. If the vegetation has the right species and types for the intended use, then the need is to manage to maintain or improve the species and type to maintain the use needs. If the species and types do not fit what is needed, then the management plan must be adjusted to improve the vegetation, change the intended use or provide alternate nutrition and cover needs.



**FIGURE 1**  
Average Annual  
Precipitation.



**FIGURE 2**  
Average Frost-Free  
Period.

Here is a list of specific items that must be included in a land inventory:

- Soils—obtain a soils map, preferably on an aerial photo with soil descriptions.
  - Vegetation—species and types, and productive capability should be evaluated and mapped for current use and provide a benchmark for a re-evaluation in 4-7 years. Additional useful data includes the location of desirable and undesirable vegetation, kind and potential management changes and cost estimates.
  - Water—map the location, reliability and quality of each. Also, evaluate for efficiency of the intended use. Include a description of any repairs or improvements required and cost estimates.
  - Fences—map the current fences, including location, type, condition, repairs or improvements needed. Where possible, describe the repairs or improvements with cost estimates.
  - Other facilities—map the location, type (use), description, condition and repairs or improvements required for cost estimates. This should include buildings, working facilities, etc.
  - Other features—map and describe any other features that can or could impact management. This includes access (roads, trails), obstacles or other unique features, including practical repairs or improvements for cost estimates.

Climatic information should include the average and extremes for annual and monthly precipitation, temperature, and last and first frost. **Figure 1** shows the general annual precipitation boundaries for Texas. It is important to use local data for management planning.

**Figure 2** shows the general frost-free periods across the state. The growing season for warm-season plants can be estimated by subtracting 30 days from the local value. As with precipitation, local data should be used for planning purposes.

An additional factor is the animal's function in the evaluation. All animals are harvesters and converters of vegetation. That is, the animals harvest the forage for their nutrition and then convert it to fecal material that becomes organic matter and plant nutrients.

Any animal that is managed requires its own management plan that maintains or improves its performance and meets the management goals for the vegetation. At the same time, the animal management plan must be efficient and profitable.

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## MANAGEMENT NOTES

### JULY - SEPTEMBER



- Remember, water is critical. If drought is still a problem, carefully monitor water sources to ensure availability. Develop options if sources appear to be less than optimal.
- Monitor rainfall history for the past 12 months, the forecast for the next 3-6 months and current soil moisture status. If soil moisture remains short and weather is projected to remain dry, plant growth may be slow and/or limited for the remainder of 2009.
- Evaluate the status of grazing and browse supplies for the 2009 year. The stubble height of desirable species as fall approaches is critical considering the dry weather for the past 12 months. If stubble height is short, reduce 2009 stocking rates to allow the preferred species to improve.
- Review grazing and economic management plans for 2009 and adjust the 2010 and five-year management plan based on past weather and current and potential economic conditions.
- Evaluate broadleaf and woody plant control in 2009. Begin planning for 2010 control needs.
- Evaluate the need for prescribed burns. Also, begin planning for 2010 burns if growth and burning conditions are safe.
- Evaluate 2009 seeded areas for management needs to improve establishment.
- Above all, manage for today and the future, not just for today. It's not easy!



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### **CAPITAL RESOURCES**

The capital resource is the fuel for the operation. Capital can be divided into three types—operating, short term and long term. Each has a place in the operation.

Operating capital is for the current operating costs such as fuel, feed, supplies, repairs and veterinary supplies. These may be paid using checks, credit cards, cash and annual operating loans. Maintaining a continuous operating capital source is critical. Without it, the operation will have problems continuing.

Short-term capital is usually for equipment, capital improvements and similar items that are important to the operation but are paid in 3-6 years. In an expanding operation, the inability to acquire the needed capital items could reduce the efficiency of the operation.

Long-term capital is normally for land or similar large items. If long-term capital is not available, expansion, or even maintaining the operation, may not be possible. It can also be a problem if long-term capital is not supported by the value of the assets over time.

When an operation has no long- and short-term capital plan, it often leads to a constant battle to just keep up. An example is the 1980s when many agricultural loans were based on collateral rather than the ability to pay. Operations were expanding quickly based on the collateral available until interest rates spiraled upward and land values quickly declined.

The financial stress in the country was high. I worked with many operators to evaluate their options to remain solvent and be able to come out of the situation in as good or better shape. Some failed, many succeeded and some never had a chance. The latter group was the most difficult. The most common situation was lenders and creditors had been forced to require unreasonable terms often brought on by the operator's inability to consider reasonable changes. This type of situation continues today.

One point from my past. Sometimes an owner will be the banker, such as was the case on the ranch I grew up on. He supplied the capital but expected the ranch to repay the loan. Most operations don't have such a handy banker.

### **SOME THOUGHTS**

Managing a land-based operation, whether it is based on wildlife, domestic livestock and/or recreation, is not a simple, low-cost endeavor. It requires putting together and maintaining and/or improving the land, capital, labor and management resources, and is a complex integration of the resources and managerial abilities.

Inventorying the land and capital resources provides the tangible part of the inventory. The labor and management resources are more difficult to inventory and evaluate since they involve people, the resources that provide the business with its direction and potential.

A planning process will be outlined in later articles that can help build and manage a realistic and profitable operation. Before that can be done, the above data and information plus the labor and management resources inventory and evaluation are needed to develop a management plan. Anyone who has used the planning process, implemented the plan and adjusted over time knows its value.

Bottom line, a management plan requires a blending of the land, capital, labor and management resources into an efficient operation that is environmentally, ecologically and economically sustainable.

In today's world, the level of results need to be profitable and must meet the expectations of a critical public. The environment and ecological concerns of the public can be met through a properly developed management plan and still have a profitable operation. *AA*

Next time, developing the labor and management resource inventory and looking at what else is needed.

*Editor's Note: Paul D. Ohlenbusch is a grazingland and Vegetation Management Consultant (www.grassbydesign.com). Additional readings and previous articles are available at www.grassbydesign.com/tda.*