

# If You Can't Measure It, You Can't Manage It!

## Are Records Really Important?

By Paul D. Ohlenbusch

If you can't measure it, you can't manage it! What does that mean? Simply put, if you can't measure changes over time, how do you know your management is making positive improvements? We usually think of "measuring" financial changes by keeping records to provide the usual financial reports for the banker, IRS, and others. Budgeting is another use and requires records. Records can be used to accurately develop the feasibility of alternate production options available. Regularly comparing budgets to what actually happens allows for timely management adjustments.

### FINANCIAL RECORDS

Financial records can identify problem cost areas (unexpected, unusual, or missed in the budget) that can be included as regular costs or as contingency costs in future budgets. Financial records can identify the resources that are of most value to the operation. Some costs and values may be unique to a particular pasture or enterprise. Identifying these and other items are important to evaluating and adjusting the management of the operation over time.

Secondly, financial records can be used to compare financial goals to what actually happens (or is happening), which can help refine management. Adjustments can be made when and where necessary for the future of the operation.

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Financial records are a must in today's economic climate. Without records, management is done by the "seat-of-the pants" method (traditionally used by many). Today, records are the "life blood" of any business. The following are some points to consider:

- Records have little value beyond financial reports unless there is a purpose for them.
- Records kept but never analyzed are of little or no value.
- The management process, properly done, justifies the need for records and will give valuable insight and guidelines for more effective and efficient management.
- Management problems and weaknesses can best be found and corrected through records. Many problems are masked by good management in other areas.

#### THE VALUE OF RECORDS

Records are the key to knowing what you have done and what you are currently doing so you can adjust and plan for the future. The management process justifies records. Problems can often be located through records.

Records are the key to knowing what you have done and what you are doing so you can plan for the future. Most of us are aware of the need for financial records as mentioned above. Let's review some kinds of records as examples of why they are important.

#### FINANCIAL PRIORITY LIST

There are several levels of record uses that can be considered. Each has a place and value depending on the operation and its complexity.

- **Cash Accounting Summary** This is the simplest form of records. Each entry is either a debt or credit with a running balance. It tells you how much you have spent and received. They tell you little or nothing about where you have been or where you are going.
- **Accrual Adjusted Balance Sheet** and a detailed fiscal year income statement can provide more information.
- **Inventories of Resources** is used for animal enterprise and animal inventories at critical production times.
- **Annual Production Performance Analysis** should be used consistent standardized guidelines.
- **Annual Financial Performance Analysis** should be used with consistent standardized guidelines
- **Individual Animal Records** are a tool to determine, over time, if your animal management goals are being met.
- **Detailed Individual Loss Data** is probably one of the most overlooked records. If properly maintained, it can highlight developing problems or possibly solve or prevent losses.



Maintaining feed use records on an individual deer or a pen of deer can insure that the feed is used efficiently and on a cost effect basis.



Intensive managed enterprises, such as irrigated pasture, require records to be a profitable enterprise while providing optimum performance and controlling costs. Good records document the facts.

#### **OTHER RECORDS THAT MIGHT BE CONSIDERED**

##### *Time Records*

Records of time spent can allow reconstructing what you have done. This is particularly useful when evaluating time spent in relation to getting efficient use of your resources. These records are simply noting the time an activity is started, ended, and what was done. This includes travel time and maybe mileage.

An example of this kind of record is a grazing system study where the rancher kept this kind of record for two years. The comparison was between continuous and cell grazing. The result was that he spent half as much time per animal and per acre with the cell systems than the continuous pastures. What we found was that the continuous pastures required more time to locate and count, gather, and load the animals. In the cell systems, the animals were counted through the gate as they were moved. Also, gathering to load out was faster because the animals were used to being moved.

##### *Resource Use*

This record is when, what, and how many animals are in a pasture or unit. When available, these records allow estimating the amount of use (forage, grazing, feed) used in each pasture or unit to determine changes in cost, time, performance or other factors. They can also be used to reconstruct what was done if problems occur.

Two examples of using these records are the grazing comparison above and an irrigated pasture operation concern. The grazing system comparison used stocker animals from a feed lot for 100 days grazing on a per pound gain basis. Using six years of records, the average daily gain and gain per head were virtually the same. The gain per acre for the cell systems was over twice that of the continuous pastures. When a business analysis was made as if the cattle were owned showed the return on assets and return on investment were very similar. The differences were the higher input cost (cattle) and lower land costs (fewer acres) in the cell grazing system. Coupled with the reduced time commitment, the cell system, under this rancher's management, greatly increased the efficiency of the cell system. By the way, the rancher determined which system was used by the distance from home. The closer pastures were used for the cell system because he had to be there at least every day!

The irrigated pasture example was a reconstruction of three years of cell grazing on two irrigated cool season pasture circles with cow-calf pairs. The owner was concerned because he had to hay the forage because the animals were not keeping up with the spring growth. He had records of animal movements and hay harvested which meant the forage use could be estimated. The result of the analysis was that the total forage harvested, grazed or hayed was about 20% below potential. Also,

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### MANAGEMENT NOTES NOVEMBER THROUGH JANUARY

Remember, water is critical. If drought is still with you, carefully monitor late fall and winter water sources to insure 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 into 2010.

If drought is still with us, re-evaluate the status of grazing and browse use for 2009. The amount of use on highly desirable species as fall moves into winter is critical. If use is heavy, plan to reduce 2010 stocking rates to allow the preferred species to improve..

Begin evaluating grazing and economic management results for 2009 and adjust the 2010 and 5-year management plan based on past weather together with current and potential economic conditions.

Evaluate broadleaf and woody plant control results for 2009. Start formulating plans for 2010 control needs.

Evaluate the need for prescribed burns in 2010. Also, begin planning the burns if growth and burning conditions appear they will be safe.

Evaluate 2009 seeded areas for management needed to improve establishment and plan 2010 management.

Consider updating or starting a land resource record. If you use photographs, establish points that you can go back to and photograph at least every year.

Above all, manage for today and the future based on what has happened in 2009, not just today. Management is not easy!

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the hay quality was not good because it often had seed stalks and dead material included.

After reviewing the forage use plus irrigation and fertilizer inputs and soil testing to four feet, several potential changes were identified. The first was to change the fertilizer application (250 pounds of nitrogen and 40 pounds of phosphorus) from a once each year application, to injected through the center pivot system in small amounts. The soil testing found enough nitrogen in the four feet of soil to provide almost a full growing season of growth. The second was to introduce the use stocker cattle on a gain basis in May and early June with the cow-calf operation rather than make hay. A third change, dropping the fall calving cow herd, came about later when there was not enough labor available, based on records, to properly manage it.

The owner was a large irrigated grain production operation and used the cow herd to harvest crop residue in the fall reducing the crop costs. An analysis of records following the changes showed a 20% increase in forage use. This was below potential but was cost effective. This is significant since the circles could produce 200 bushels of corn per acre at approximately the same cash costs. The use of the cows to clean up crop residue was estimated to be \$5 per acre in reduced weed control costs. That's \$650 per 130 acre circle in reduced production costs. At that time, there were 28 circles in crop production representing a savings of \$18,200. If the cattle operation broke even, the business had a potential profit of \$18,200!





Land records, such as regular photographs, can remind one of how the landscape has changed over time. Being there all the time you are watching the day-to-day changes, you rarely notice the long term changes.

### USING RECORDS

There are many kinds of records. Financial records can be setup to provide detailed costs and income for individual items such as each production unit, crop, and individual piece of equipment. Or as simple as the basic cash ledger. However, for even the simplest records, there are some records that are needed.

The first is a beginning and ending inventory. This should include all animals, feed, equipment, medications, and major tools. If the inventory is updated regularly, it will provide a record of how each inventory item is used and can easily provide the ability to reconstruct what went where. Coupled with costs of the items, cost of production can be developed if needed.

Another is to record weather events. This can be as simple as having small rain gauges at gates. After a rainfall event, the gauges can be read and emptied providing information about potential plant growth (or lack of). Other events include, even if rare, hail storms, heavy snow, and ice storms. These can be factored into evaluating production data and better understanding their impact.

### WHY KEEP RECORDS?

Records are extremely important. Any agricultural operation is really a business just like a feed store, equipment supply, or grocery store. As such, you need to consider evaluating your business as such. Management should blend the land, capital, labor, and management resources into an efficient operation that is environmentally, ecologically, and economically sustainable. Unless your operation is a hobby that doesn't need to be profitable, developing your business should be moving toward an efficient operation that is environmentally, ecologically, and economically sustainable business. In today's world, managing your business to be efficient plus including the environment, ecology, and economic factors should be considered being a good neighbor. *!!*

*Next time, how do you develop a management plan or get ready to dig deep into a lot of things.*

*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.*