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The Two Best and Worst Decisions I Have Made in my Operation

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INTRODUCTION

Since hindsight is always 20:20, important decisions made over a long career in the ranching business have gained a clarity that was surely missing while in the midst of making them. Or have they? With the destinations of the chosen paths clear, but the destinations of those paths not taken only a distant memory of what might have been, rationalization becomes a powerful force in evaluation. While ranch managers search for the perfect lenses to gain strategic advantages for the future, the lenses used to view the past are often clouded with blame, self-doubt, and perhaps, jealousy. And many times, the glass we try to view the past with is not a lens at all, but a dirty mirror. "I made the best decision I could have with the information I had at the time," has long been the rallying call of those who deny themselves the opportunity to learn, or in their heart of hearts, wish for a second chance. The rare opportunity to manage the precious natural resources, grazing livestock, invested capitol, and human resources that make up a beef cattle ranching operation demands better. An honest appraisal of the past is a difficult challenge. And yet, the ability to conduct such an appraisal of the past is clearly a high leverage point for future success.

THE TWO WORST DECISIONS

For the most part, in the extended family in which I grew up, each family was headed up by strong patriarchs. So it seemed only natural that as I began my ranching career in the mid 1970's, that I hang a picture of my cowboy grandfather, Claude Lamoureaux, in a prominent place in my home (Figure 1). He had been a very successful rancher. For me, he was a larger than life figure. In my mind, there has never been a better horse than the buckskin that he rode as I trailed along behind him. And yet his picture on my wall represents the source of the two worst decisions that I made ranching. But it needs to be perfectly clear that my grandfather had died six years before I started ranching. And it was I who hung his picture.

My grandfather had always run a single breed of cattle. He built his ranch on the backs of big, rangy, white-faced cows. They had a reputation as being fertile, very hardy, and they were readily accepted in the marketplace of the time. He sold yearlings and fall yearlings, so pre-weaning growth was not a high priority. When I was a young boy my grandfather took me along on a bull buying trip to a prominent breeder's ranch. I remember asking him why Holstein cows were raising the white-faced bull calves. Cows on our ranch calved for the first time at 2 _ or even three years of age. With a fall and spring calving herd, even fertility was not a big issue. While each herd had a limited breeding period, bulls were turned out in both herds each breeding season to breed cows that had missed getting bred the season before. While these cows required relatively large amounts of labor due to structural problems, labor during the 1940's, 50's and 60's had been inexpensive. Given my grandfather's success, when he died, out of respect and deference to his memory, my family adopted a strong policy, certainly influenced by the community around us that absolutely **NOTHING** would change on the ranch.

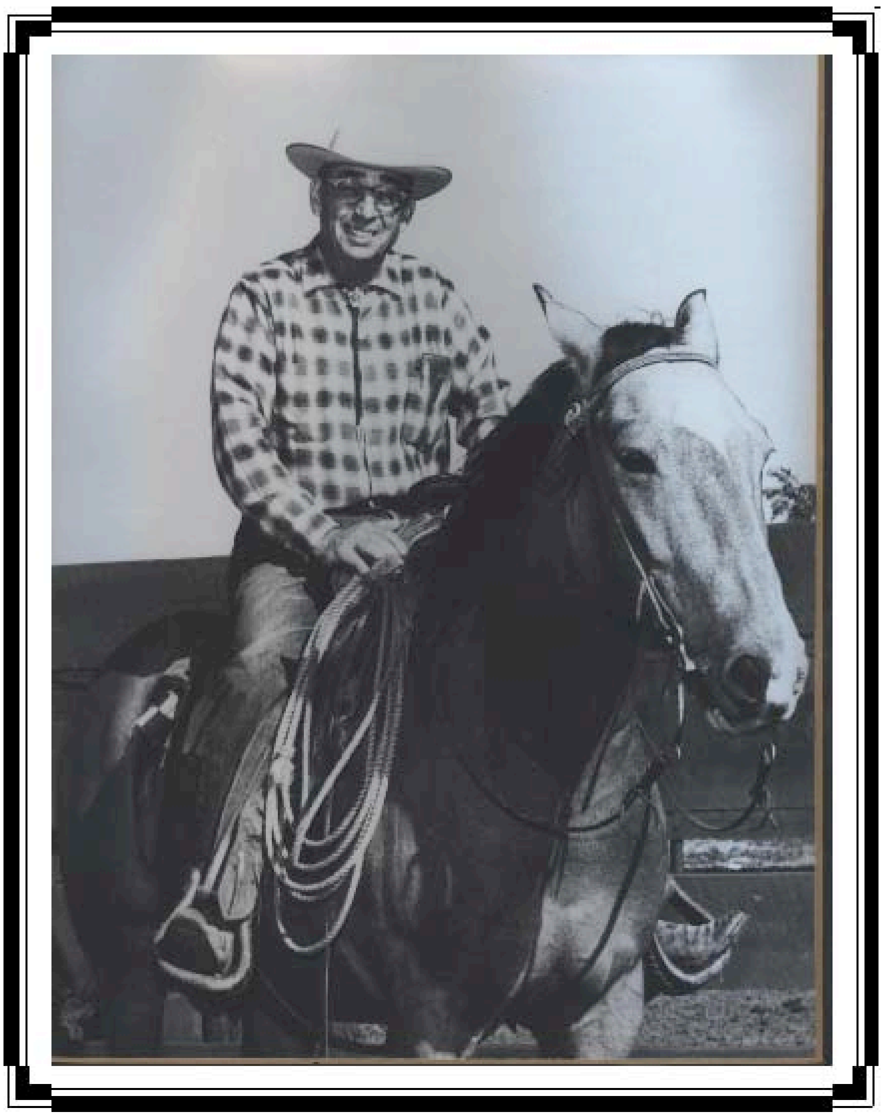

Figure 1. Claude Lamoureaux. 1894-1973.

That lasted until I arrived to manage the ranch in the late 1970's. I was a college graduate with cattle management experience. I certainly knew how to run the ranch! All you had to do was to ask me! I asked permission to change many things. Some things I was allowed to do, others I was not. Some things I just changed - and asked permission later.

While I began limited crossbreeding in the early 1980's, all the crossbred offspring were sold and a straightbred herd of cows was maintained. That was a critical mistake. **Looking through the lens of time, by far the worst decision that I made ranching was to not take advantage of maternal heterosis in the cow herd.** The marketplace was certainly changing. Slow growing cattle that had a propensity to get overly fat were being heavily discounted in the marketplace. Labor was no longer inexpensive. Time certainly was not cheap either, as interest rates climbed well into double digits. Annual expenses for repairs, maintenance, and operations went through the roof. During this entire time, my family's ranch did not take advantage of the increased fertility, milk production, and growth of the crossbred cow. Signals from both the income as well as the expense side of the market place were ignored in lieu of tradition.

In his classic book on management entitled, "Re-creating the Corporation", Russell Ackoff provides insight into the management trap represented by my failure to take advantage of maternal heterosis in the beef cattle production system that I managed. Ackoff calls it "Reactive Planning" (Figure 2). In this type of planning and management, a manger is focused on the past. The goals set for production and marketing are not in tune with the present. In fact, as it was in my case, they may be totally inappropriate for the time.

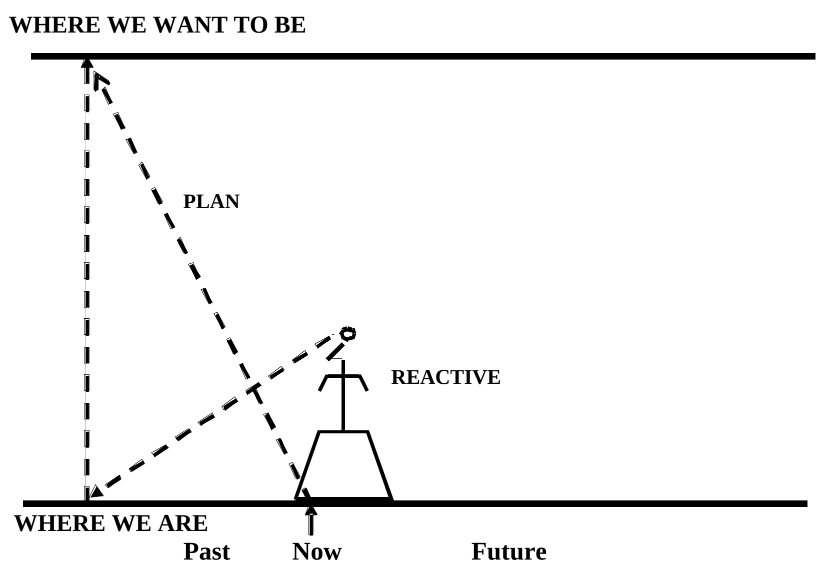

Figure 2. Reactive Planning. Ackoff 1999

Looking back, I spent so much energy trying to validate my grandfather's choice of a breeding program that I missed what was going on around me. I set goals for a time that had already been. Clearly, the marketplace is always correct, and bucking it not only cost me in the price received at the marketplace, but I also had fewer pounds to sell. Keep in mind that this was during a time when costs were exploding. I ignored the production and market value of crossbred animals. I ignored potential higher net income. I was convinced that the cattle I was raising were undervalued. To that end, I collected production and carcass data to prove that I was right (Table 1). Certainly the cattle were performing well for the time. In the cattle market, missed opportunity is just that, missed. There is no way for me to retrieve the hundreds of thousands of pounds of beef that I did not harvest, or sell the pounds that I did raise at market value rather than a discount. A bitter lesson learned.

	Preg. % of Cowherd	Ylg. Weight, Lbs	Slaughter Weight, lbs.	% USDA Choice	USDA Yield Grade
210 hd	96	941	1286	66	100% 2 &3

Table 1. 1979 L7 Ranch herd performance measures.

My grandfather Claude had always been aggressive in adopting new technologies. In order to reduce the ranch’s susceptibility to drought, he was the first in our community to irrigate. He was constantly evaluating new haying systems in an effort to reduce labor and improve hay quality. He replanted hundreds of acres of “go back” farm ground with warm season species of grass with a special grass drill. This leads me to the second worst decision I made as a manager of a beef cattle ranch. It was the total opposite of my first mistake. I thought I was following my grandfather’s lead. I looked to the future and tried to anticipate what the marketplace and industry would reward. **I adopted almost every new technology and bought almost every product that seemed to position me for the future.** Concerning individual animal identification, I ear tagged every cow and began tattooing and tagging every calf. I kept individual cow records. For parasite control, I used fly control ear tags, AND fed insect growth retardant mineral. I de-wormed the cattle with a systemic product in the fall of the year, rather than using a strategic de-worming program. Cows and calves were vaccinated for everything, multiple times. Bulls were examined for breeding soundness, even after years of just a very few of them failing the exam. Cows were pregnancy tested, even if they were going to be switched between the herds. According to Ackoff, my management behavior would be classified as “Preactive Planning” (Figure 3). My decision concerning pre-weaning vaccinations provides an excellent example of this principle. I looked to the future and just knew that vaccinating and working calves weeks before weaning and sale was important in the whole beef supply chain, and I absorbed the associated cost and risk. The trouble was that the marketplace did not reward me for this activity. The “Green Tag” programs were in the process of failing. At that time, cattle buyers didn’t perceive extra value in my efforts or my cattle. This activity was 21 years before “COOL”. The individual ID and associated health and production records of my cattle didn’t matter to anyone but me.

During those years, I made lots of management decisions. Yet, I did not fully understand some very basic management principles; for example: 1) the point of diminishing returns, 2) high leverage points, 3) system limits, 4) barriers to change, and 5) system inter-relationships. The great lesson for me was that there is a fine line between being trapped by the past and trying to out-guess the future.

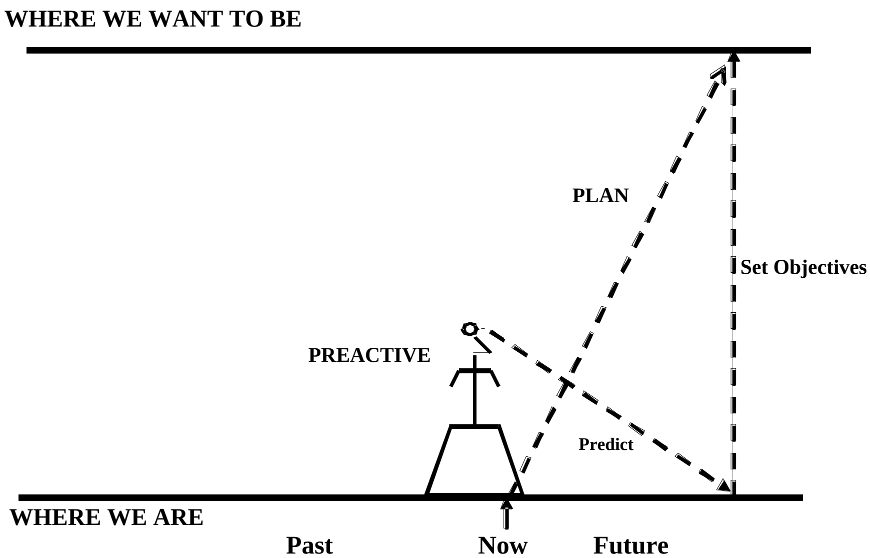

Figure 3. Preactive Planning. Ackoff 1999

THE TWO BEST DECISIONS I HAVE MADE

Certainly you don't stay in any business for twenty-five years without doing some things right. **The best decision I made in my ranching career was to take my family's ranch logo, its brand the L7, and use it to differentiate the cattle we raised in the market place.** With our white-faced cows and black bulls, we raised some outstanding black white-faced heifers. I had selected bulls on both sides of these heifers' pedigrees for maternal characteristics and structural soundness. I merchandized these cattle with phone calls, special sale days, and even advertised in several regional magazines (Figure 4). Aggressively advertising commercial cattle in magazines was unusual in the cattle business. As a result of my efforts, we were able sell relatively large numbers of these heifers over a long period of time at substantial market premiums.

Market differentiation and establishing a clear company logo paid off in many different ways. The ranch's reputation was enhanced in our community and the industry. The market premiums we received helped the ranch financially. The other cattle marketed by the ranch were also very well received at sale time. Unexpected outcomes from this effort included improved employer/employee relationships; family members had improved self-images and increased confidence; and the relationships with the people we did business with also improved.

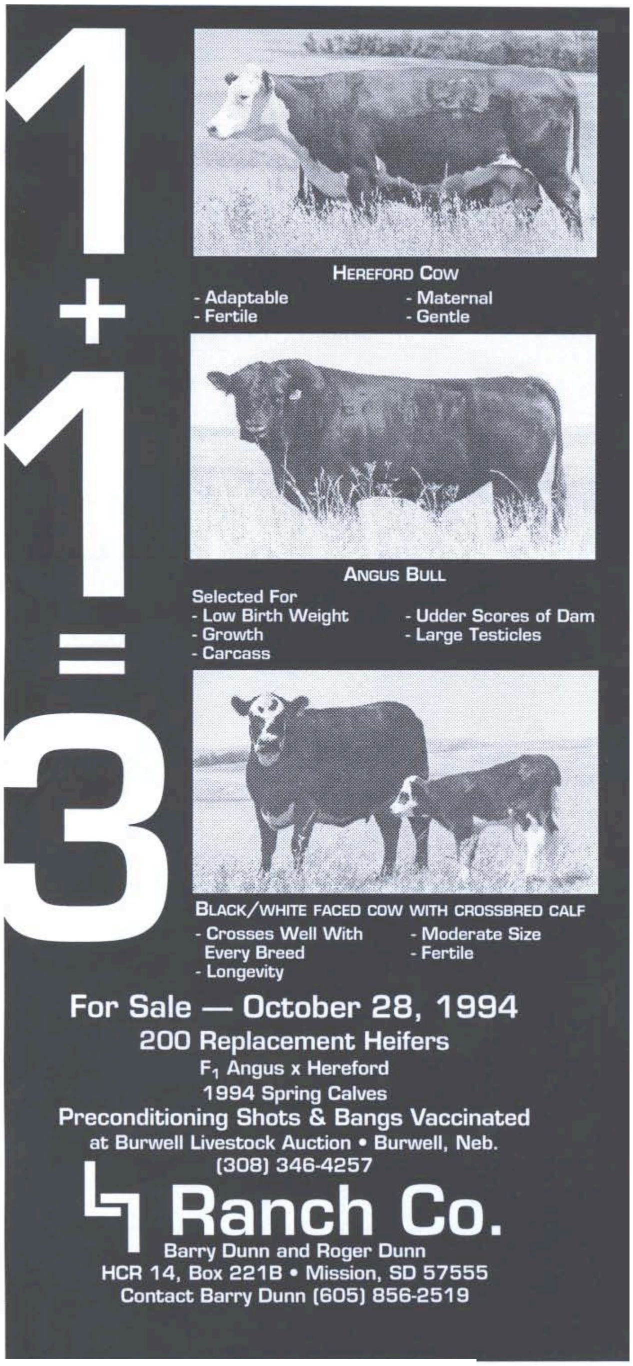

Figure 4. L7 Ranch Co. replacement heifer ad.

The second best decision I made as a manager was to move the beginning calving date of my cows and replacement heifers to May 1. It has been the single most dramatic decision that I have made as a manager. There were many factors that led to this decision. When I considered the geographical location of my operation, my cow's demand for and the cost of harvested feed, risk associated with calf health and death loss during March and April storms, limited labor, the need for improved barns and facilities, and even my advancing age, it became a no-brainer. The turning point for my decision was the evaluation of the research results reported by University of Nebraska and South Dakota State University scientists. Both stations had designed and conducted excellent experiments to evaluate matching cow-calf production systems with local environments. The results of both of these long-term experiments are presented in ways that helped me make the decision. After four years, the results of this decision on my operation have been very positive. The harvested feed costs of my operation have been reduced. The pregnancy rates of my cows and replacement heifers have been excellent. The number of calves weaned per cow exposed has actually increased without additional facilities and with substantially less labor. The weaning weights of the calves have been lower, but the pounds weaned per cow exposed of my herd have been remarkably similar to when I calved in March and April.

I believe that Russell Ackoff would describe my two best decisions as "Interactive Planning" (Figure 5). It is based on the ability of a manager to center themselves and their management on the present, and design systems that are in tune with it. Ackoff believes that "Interactive Planning" is critical for success. Certainly, selling F1 heifers that were bred and selected for maternal traits was in tune with the cattle market of the time. F1 crossbred heifers were not only highly valued, but were also scarce. Perhaps matching a production system to its geographical location and climatic condition is the best example of Ackoff's principles that I can think of. It is asking a great deal of an extremely competitive and, at times, brutal business to expect the returns from a winter/early spring calving season management system in the Northern Great Plains to offset the additional costs and risk associated with calving during this time period.

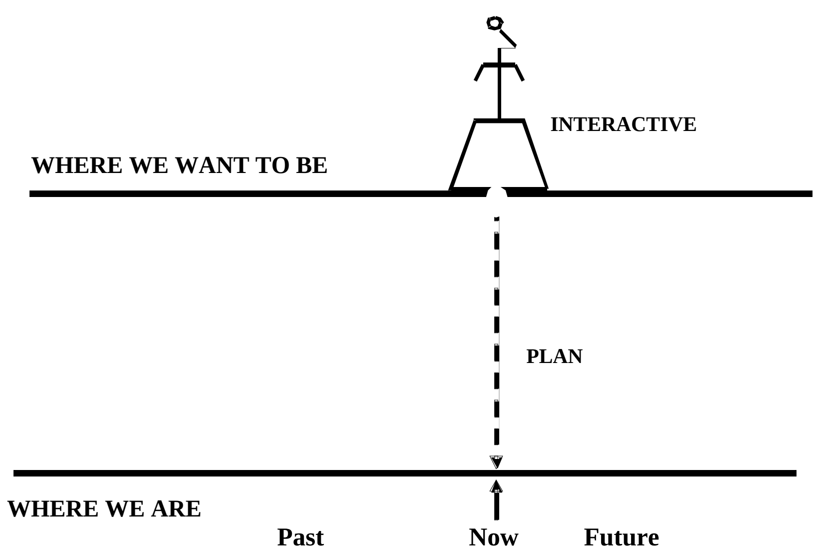

Figure 5. Interactive Planning. Ackoff, 1999.

CONCLUSION

When a manager doesn't know his actual costs on a unit basis, or hasn't measured actual production parameters like weaned weight per cow exposed, then the decisions they make are often based on perceptions, traditions, or intuition. For a great deal of my ranching career, that was my situation. As a result, my management fell into "Reactive" and "Preactive" modes, rather than "Interactive." Was it just coincidence that my two worst mistakes took place when I did not use the principles of Integrated Resource Management (IRM), and the two best decisions were made during a period of time when I relied heavily on IRM as a management guide? I think not. IRM gave me the proper management feedback concerning costs, returns, and production to get my management in tune with the present.

Time, and a passion to figure this business out, have given me the tools and maturity to look at my cowboy grandfather with even more respect and love than I had for him in my youth. About 10 years ago, out of frustration and feelings that I didn't measure up, I took his picture down. I think I am ready to hang it up again.

REFERENCES

Ackoff, R.L. 1999. Re-creating the corporation. Oxford University Press Inc. New York, NY. Pp. 47, 53, 56.