Managing risk on Small to Medium size operations

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Managing risk on Small to Medium size operations.

What are some of our risks?
- Weather
- Other acts of nature
- Domestic markets
- Export markets
- Succession of ownership/management
- Pressure of society
- Profit risk

Nature
- Snow
- Drought
- Fire

Drought
- Planning
  - Make up of enterprises
  - Critical dates
- Good management now
  - Grass management- proper rest
  - Water supply

Good grazing practices now will help in drought recovery later.

Water planning???

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Makeup of Enterprises
- Can you be flexible?
- Example: yearlings and cow/calf

Critical Date
- Ex. May 15
- Feeder cattle on grass (May)
- Number of replacement heifers (May)
- Dry and cull cows (June)
- Early weaned calves (August-September)
- Bred cows (September-October)

Market Protection (Size Matters)
- Relationships
- Reputation
- Alliances
- Forward Contracting
- Futures markets

Relationships
- Banker
- Seed Stock Supplier
- Buyers
- Neighbors

Reputation
- Yours-do you exceed expectations
- Your Cattle
  - Genetic potential
  - Past performance records
Relationships and Reputation in the Big Picture Market

Domestic

Top Concerns about Beef Production

Inhumane treatment, hormone use and disease are most concerning to Millennials.

1. I am concerned about what type of food is grown on the farm and how it is handled. I worry about the quality of the food. 5
2. I am concerned about the way cows are raised for food in the U.S. I worry about their health, welfare, and how they are treated. 4
3. I am concerned about the way cattle are raised for food in the U.S. I worry about their health, welfare, and how they are treated. 3
4. I am concerned about the way cattle are raised for food in the U.S. I worry about their health, welfare, and how they are treated. 2
5. I am concerned about the way cattle are raised for food in the U.S. I worry about their health, welfare, and how they are treated. 1

Confirmed in QUANT Phase

Favorability – Product versus Production Practices

Bucket 1 – Positives strongly outweigh negatives
20% 77%

Bucket 2 – Positives somewhat outweigh negatives
12% 88%

Bucket 3 – Negatives somewhat outweigh positives
14% 86%

Bucket 4 – Negatives strongly outweigh positives
7% 93%

Alliances offer some risk protection.

Industry Branded Programs

Export

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Traceability

Business Risk
Are we profitable and from a financial point of view, can we stay in business?

Marketing plan

- Written and discussed
- Options may arise
  - Ex. Timing
  - Ex. Cull Cows

500 cow operation

- By revenue you are in the top 30% of US businesses - Rick LaPlante
- Are you operating as such?

Information is Key

- You must understand your business
- Cost of production
  - Fixed vs. variable costs
- Implications of decisions you make
  - Short term
  - Long term
- Profitable?? Trends?

Do you need to own cattle?

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The Grand Challenge of 2050

Succession Risk
- Short Term--Management
- Long term--Ownership

Written Plans
- Goals and objectives
- Division of responsibility
- Standard Operating Procedures
- Financial Trends

Advisory Boards
- People with different talents
- People that effect your business
- Off Farm family

I turn grass into steak. What’s your super power?
Super Heroes