



PHOTOS COURTESY OF DAVE PRATT

Keeping in Touch (KIT) days are ranch tours organized throughout the year for Ranching for Profit school graduates.

Earn a **M.B.A.** in R^{anching}

Ranching for Profit school is teaching ranchers the tools to make their operations profitable and sustainable.

by Sara Gugelmeyer

Ranching for profit may seem like a no-brainer — of course, that's what we are all trying to do. But it isn't that easy. According to Ranch Management Consultants (RMC) owner Dave Pratt, the average ranch's yearly return on assets is a negative 1.5% before land



appreciation. That means the majority of operations are actually losing money. But attending Ranching for Profit School, designed by RMC, can help producers turn that situation around. The creators of the program, its instructors and

many of the students liken the course to an M.B.A. for ranchers.

The problem

The fact that the majority of ranches are losing money may be hard to swallow, but if one actually considers the massive amount of assets that have to be entered into the equation like equipment, buildings, land and cattle, it becomes clearer how making a positive return on those assets is difficult to achieve. And also consider most ranchers are now being forced to subsidize ranching with some sort of off-farm income, compared with 50 years ago.

Cattleman and Ranching for Profit school alumnus Tom McGrady of Montgomery, Texas, says, "In the ranching industry now, no matter where you go, most of it's subsidized — like a small place where you have a job in town and the money you gross on the place you pour back into the cows. There is never hope of owning a bigger place. But if you have cattle that are profitable, even a small place can put you in a position with the right cattle and the right management to expand and build a true ranching business." He says that is just what Ranching for Profit school helped him do.

Revolutionary thinking

The school's curriculum was originally developed by Stan Parsons, who was raised on a farm in Zimbabwe. Through personal experience, a doctorate in reproductive physiology and a master's in agricultural economics from Purdue, he developed his first course on the application of business management to agriculture in 1969 while he was working as a professor for the University of Rhodesia and Nyasaland. Then Parsons became closely associated with

Allan Savory while he studied the validity of "Savory's Grazing System." The two combined forces to teach a combination of all of these ranching principles to South Africans.

Both returned to the U.S. in 1979, where they found a demand for their courses. They added animal husbandry, ecology and grazing management principles to the curriculum Parsons had developed years before and started teaching schools. They went their separate ways in 1983 when Parsons established RMC and began what he named Ranching for Profit schools. Parsons returned to Zimbabwe in 1998 and in 2001 sold RMC to Dave Pratt and his wife, Kathy.

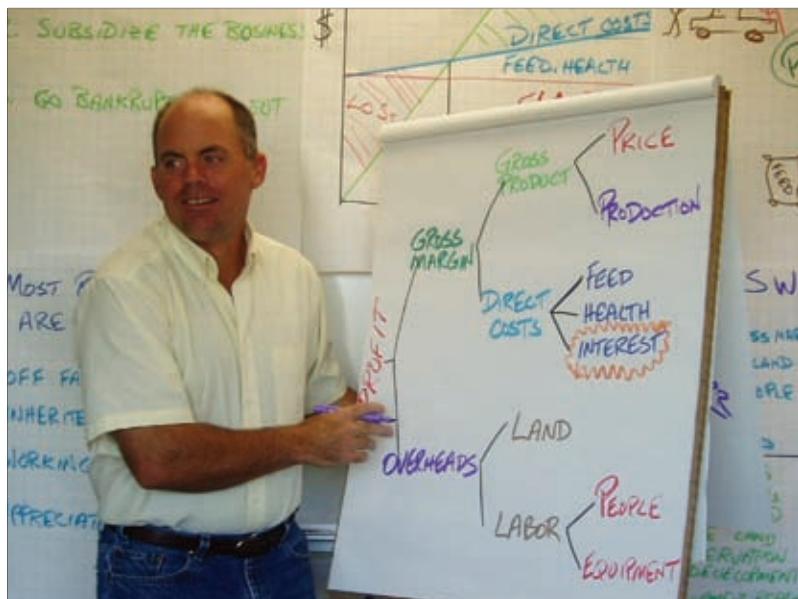
Pratt had already been a Ranching for Profit school instructor for nine years and had worked for University of California's Cooperative Extension service for 14. Pratt first heard of Parsons and Savory's revolutionary concepts while he was working toward his degree in range management. "I remember when I was a student, my professors would talk about Allan Savory and Stan Parsons as though they were heretics, kind of snake oil salesmen," Pratt says. "But when somebody in authority like a professor tells you, you ought not to pay attention to something, it sort of piques your interest and you want to hear these people." So Pratt went and heard both Savory and Parsons speak and says, "What they said didn't sound like snake oil to me; it sounded like it made an awful lot of sense. So I went to each of their schools, and when I was at Stan's school, he asked me if I was interested in working with him."

The curriculum has largely stayed the same over the years, and Pratt continues to teach about one-third of the schools. Allan Crockett and Peter McBride teach the remainder. The company organizes about three schools in Canada each year and five or six in the U.S.; attendance adds up to about 250 students a year. The schools enroll a limited number of students to ensure good interaction with each other and the instructor to allow students to gain the most from their experience.

Business school for ranchers

While the schools are a great way to meet other ranchers and learn about their programs, attending the schools is not a social event. Pratt says the school "is a comprehensive, intensive one week school on business for ranchers. The intention is to give people the tools and the capability to restructure their businesses to achieve sustainability. Which means it has to be profitable, it has to be ecologically sound and it has to be personally rewarding, so it has to be fun."

The school is taught with a 274-page text which includes a



Dave Pratt, RMC owner and Ranching for Profit school instructor, uses a flip chart to breakdown all the aspects of profit.

chapter on each of these topics: economic theory, people, applied economics, finance, ecological indicators, range influences, cell grazing principles, cell grazing planning, nutrition and reproduction, take-home principles, and, yes, even a homework section.

What's the difference?

But many of the students at these schools have bachelor's degrees in range science, animal science and agricultural economics, among others. So how is the school different from courses taught at college or even Extension seminars? Pratt says there are many ways this school is unlike any other.

He explains that at an Extension meeting or in a university curriculum there will be an animal scientist teaching animal science, a range scientist teaching range science, an economist teaching economics and there probably won't be anyone teaching about dealing with people. He says, "It's an incomplete education because each piece is disconnected from the other. The universities do a good job of what they do, but what they do is a lot different. What we do is real world based on real experience. The curriculum is developed straight out of people's real experience, mostly the experience of our alumni either making things work or not making things work. It's got a track record of a lot of blood, sweat and tears behind it."

All of the concepts taught revolve around profitable, sustainable ranching. Students learn about the difference between profitability and production and the difference

between being efficient and being effective in every task performed on the ranch. Pratt says, "The industry has focused for so long on efficiency, we have become the most efficient producers in the world, but we are among the least effective. If you look on a per unit basis, we are the most productive producers in the entire world, and yet we are the least profitable in the entire world."

The school challenges conventional thinking and encourages students to look at the big picture. From the first day of class, the students are asked to, "Think of one thing that seems impossible but would fundamentally change your business." Also at the beginning of each chapter is an example of a conventional thinking principle related to the subject and then the Ranching for Profit principle that addresses the same topic.

Ranching is business, not just a lifestyle

One example is in the section devoted to examining people issues related to ranching. It states: "Conventional thinking: Ranching is a lifestyle not a business.

Ranching for Profit principle: It takes a sustainable business to support a sustainable lifestyle."

Approaching ranching as a lifestyle instead of a business is a common mistake that often results in a troubled operation. Pratt says, "Most ranchers don't really own businesses; what we really own is a collection of jobs that keep us really busy. I bet most ranchers have heard their neighbors say, or maybe they've said it themselves, 'I really ought to manage this place as though it were a business.' Not, 'I really ought to manage this because it

Conventional thinking: Ranching is a lifestyle not a business.

Ranching for Profit principle: It takes a sustainable business to support a sustainable lifestyle.

Conventional thinking: Look for ways to increase production 5% or even 10%.

Ranching for Profit principle: Look for ways to improve the operation by 10 or 20 times.

Conventional thinking: Find a cheaper way to drive to town.

Ranching for Profit principle: Find a way to eliminate the trip to town altogether.

is a business,' and pretending just isn't sustainable; you can't keep it up. The other thing is if we were to sell a ranch, what we are really selling is just a collection of assets. If you sell a real business, what you are selling is not just a collection of assets but the processes and procedures for using those assets that generate profits. Ranches don't have that, so it's really just a collection of assets and jobs."

That's why Ranching for Profit encourages students to stop working so hard in the business (such as building fence, checking cattle) and take a step back and work on the business instead (like creating a balance sheet, determining gross margin per unit).

Tom McGrady first attended Ranching for Profit school in 1987 and says it turned his southeast Texas operation around. "We were essentially a

purebred operation with all the crutches back then: fertilizer, hay, creep feed. You name it; we did it. It was a successful purebred operation but a money pit. We sold our bulls, but all we really did was get our feed money back plus our other costs. It wasn't very successful." He says his operation was shelling out \$25,000 a year just in fertilizer costs.

When he returned from the school, he sold 50 of his 150 cows, a change which allowed him to eliminate fertilizer altogether. "We did some fencing and applied a lot of the Ranching for Profit principles, especially the reproduction principles on the cattle, and eventually built our operation up to 180 cows on the same acres with no fertilizer."

In fact, his operation became so profitable that he was able to expand. He bought some neighboring land, built up the infrastructure such as fences and waterers and was able to raise about 400 calves a year on 800 acres.

No-crutch cattle

"After going to the school, I realized that in order to make a profit at this we had to have animals that were what I would call a no-crutch cow. And essentially that means she has to raise her calf on her own; she has to calve on her own, and we've got to have heifers that don't cost a fortune to grow out and turn into cows." That's why in 2002 he purchased 75 Hereford cows and is continuing to grow the purebred Hereford aspect of his business.

He struggled to find Herefords that would thrive in his hot, humid climate and possess the low-input qualities he believes in. He eventually located a group of cows that Neil Trask of South Carolina originally developed in a linebreeding system dating back to the 1930s. McGrady says, "He raised those cattle on grass, he did not creep feed those calves, he did not pull calves. He culled

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At Ranching for Profit school students are divided into groups for the whole week, and ample time is allowed for the group to discuss each topic.



Many of the topics covered at the school are reinforced through group activities.

open cows and basically it was a grass outfit and he bred cattle to perform on grass.”

McGrady continues, “From a Ranching for Profit school point of view, what we need is a no-cost cow.” That is what is stressed in the curriculum. Increased production does not equal profit and added production costs are not going to result in profit.

Conventional ranching pushes production, production, production. Typically, ranchers are looking for ways to increase production 5% or even 10%, which sounds really good. But, the Ranching for Profit school encourages students to find ways to make a big difference. That’s why school instructors tell students not to worry about getting the numbers exactly right. Pratt says, “If you are creating a budget, we figure if you are off by \$10,000 at the end of the year, and you are worried that \$10,000 is the difference between a good year and a bad year, you are mistaken. It was never going to be a good year in the first place.”

Ranching for Profit teaches students to look for ways to make

their operations better by 10 or 20 times instead of 5%. “We are really focused on a completely different scale,” Pratt says.

The learning continues with Executive Link

Another way Ranching for Profit differs from traditional schooling is its alumni program. Pratt says, “Executive Link is really the program that differentiates our company more than any other thing. I think when it comes to commitment and the quality of alumni support, there isn’t anybody that can come even close to what we are doing.”

Executive Link is an organization available to Ranching for Profit school graduates. Representatives from each business are organized into peer advisory boards of about five or six people. The board groups “meet three times a year in a facilitated meeting to provide and receive objective, diverse and experienced perspectives on critical issues facing each others’ businesses.”

Pratt says Executive Link is based on two concepts. “The first is when people come to the

school we ask them, ‘Where is it easiest to see a problem, in your own business or your neighbors?’ And they always say it’s easier to see and solve the problem in your neighbor’s business.” The second concept is “someone once told me, ‘When you’re self-employed your boss is a lunatic.’ The reason that’s true is not because we don’t work hard or not because we aren’t smart. We are plenty smart and work hard. It is because nobody holds us accountable. We work on the things we want to do rather than the things that really need to be done.”

That is remedied in this program because from each Executive Link meeting every business leaves with an action plan. The action plan includes what needs to be done, who will be responsible for doing it, and when it will be done. Then, at the next meeting, the business representatives must report on their actions relative to that plan. Pratt says, “That accountability is just so important.”

The numbers prove Executive Link has made a difference in participating ranches. Pratt says, “Our statistics show the average Executive Link member is earning between \$50,000 and \$60,000 more per \$1 million assets managed than businesses who have not been through the school.” If you consider the average ranch might have \$3 or \$4 million in assets, you are looking at a difference of \$150,000 to \$200,000 per year. Pratt adds, “When you start looking at the cost of the school and the Executive Link program and put it in that context, all of a sudden it seems like pretty cheap money.”

It may be cheap, but it isn’t necessarily inexpensive. The school costs \$2,450 per business for the first individual and \$1,700 for additional students as long as they attend the school within the same year. Executive Link costs \$2,495 per business but is available to new Ranching for Profit school graduates at a reduced rate of \$2,000. But both McGrady and Pratt stress that participation is more than worth the cost.

McGrady was a founding member of the Executive Link program in 1991 and says he would never have been able to buy his neighbor’s land without the support and direction he received from his Executive Link board. He says, “It’s kind of a love/hate relationship with Executive Link, depending on where you are at in our life and the things you need to do and change. Executive Link’s not going to let you run away and hide from anything that needs to be addressed. Certainly being a member of Executive Link and having that support around me for the ranch and for myself personally is a huge support mechanism.”

Some producers might balk at the cost of the school, but Pratt says, \$2,450 for the school is an awful lot of money to learn how to do your job better, but it’s hardly a drop in the bucket to have a better business. He continues, “You’d be hard-pressed to find a successful business anywhere that spends less than 10 times that on employee training or personal development.” Therefore, he adds, if producers see \$2,450 as really expensive, that’s just more evidence that they own a job, not a business. And most education programs that producers typically attend are likely subsidized by a land-grant university program, whereas RMC is a private, family-owned corporation.

Make more money by doing less

Finally, Pratt stresses that in today’s economy of rising costs, producers need a program like this now more than ever. Pratt says, “Stan Parsons always said, ‘You can’t starve a profit into a business,’ and the one place you can’t cheat is learning the tools to manage the situation. You don’t need the mind of Einstein to run a successful ranch; you don’t need the muscles of Hercules. Now is the time when you need to know what to do or what not to do.”

Pratt says that more often than not the businesses that make the most progress the fastest are the ones that simply identify what’s not working and discontinue those practices. “It seems so bizarre that you could make more money by doing less, but they work less, it frees up some fixed assets that they can usually sell and they make more money as a result and they have more time on their hands.” Pratt continues, “But you have to have the tools to be able to find what’s not working and know which things should be fixed and which things should just be dropped.”

Pratt stresses that the issues with rising costs, especially fuel, cannot be solved by simply becoming more efficient. He gives the example that some people are encouraging producers to find a cheaper way to drive to town, like buying a more fuel-efficient pickup. Pratt says producers need to look at the big picture and instead of saving a few pennies per mile in fuel efficiency, find a way to eliminate the trip to town altogether. “You know, 5% improvement, 10% improvement is just not going to cut it.”

Pratt adds, “Aristotle said, ‘Truth can’t be taught, it has to be discovered.’ At the school, teaching is really showing people options and helping them discover for themselves what’s going to fit and find the truth for them.” **HW**

Editor’s Note: For more information about Ranching for Profit school, visit www.ranchingforprofit.com.



Because KIT days are only available to graduates of the school, in-depth discussions are filled with suggestions for improvement based on Ranching for Profit principles.