

impact

of the College of Agriculture and Life Sciences



Competitive Agricultural Systems in Global Economy Computer Software Tools to Enhance Ranch Profitability

Issue

The ranching business is by nature multifaceted, with expertise required in three main management areas: range, financial, and livestock production. The success of each ranching enterprise is dependent upon the operator's skills in each of these areas. Given that many ranchers are in the ranching business because they treasure the lifestyle, financial management can often be neglected. Yet it is the area where the rancher can define the strengths and weaknesses of the operation to ensure the ranch will still be in the family for the next generation. Drought, low prices and having fewer pounds of beef to sell all make it critical for Arizona ranchers to understand and analyze their finances with greater precision. In addition, last year's drought was the first time many Arizona ranchers were forced to remove all their cattle from public lands. This forced liquidation and uncertainty regarding restocking has caused several ranchers to reevaluate whether they should get back into the ranching business.

What has been done?

Cooperative Extension addresses ranch financial management by providing hands-on workshops. Three UA faculty have developed diagnostic software tools that pinpoint problems for ranch profitability and assist in record keeping, cash flow analysis, drought mitigation options, retained

ownership, and evaluating the decision to restock the ranch after the animals have been removed. Data used for the computer workshops is based on actual figures from the University of Arizona's V Bar V ranch. The ranch restocking software evaluates the costs and returns associated with variations in buying replacements or waiting for replacements to come from within the herd over time.

Today's computers and software provide relatively easy tools for recording and analyzing ranch management decisions. With appropriate inputs, the computer can numerically and visually evaluate how business decisions have the potential to threaten or enhance the financial health of an operation. However, using computers can be a barrier to those who have never had the opportunity to learn how. Each software tool has been designed and written with rancher input to make it user-friendly and relevant for Arizona ranchers. Training is conducted using a portable 20-machine wireless computer laboratory. This mobile lab environment allows faculty to reach underserved communities that normally do not have access to computer facilities. Over the past two years, 16 workshops have been held, with plans underway to expand the program to increase outreach to remote communities where little, if any, hands-on ranch management training has occurred.

Impact

During 2001-2002, the Planning for Profitability curriculum, diagnostic financial spreadsheet and restocking decision tool have been taught to 341 ranchers and agribusiness professionals—approximately 80 percent of the industry based on total market sales—throughout Arizona and Utah. According to exit interviews collected after several of the workshops, 89 percent of the participants interviewed stated that the way they keep records would change as a result of the workshop; 83 percent reported that the workshop would influence their management practices, and 63 percent reported an increase in their understanding of ranch financial management.

"It gave me a better understanding of how and why we need to do a proposed budget for better management." –workshop participant

"Will follow expenses more closely. The workshop helped show how and what." –participant

"More effective way to see possible alternative methods and what is influencing our ranch." –participant

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