

## Strategic Ranch Management – Planning

**Strategic ranch management:** Seeking equity growth and a successful future by managing all resources to sustain their productivity while meeting ownership objectives. This is complimented by financial, marketing, production and resource use planning.

### Strategic management begins by addressing strategic questions:

1. What is the specific business **Mission** or purpose of the business? It tells who the business is and what it does.
2. **Objectives** describe what is desired to be achieved over time
3. Where is the business now? Creating a future begins by knowing where the business is.
4. If no changes are made, where will the business be one year, five years, or ten years from now?
5. If the answers to the questions above are not acceptable, what changes can be made, and what is the expected consequence of these changes?
6. A **goal** is a specific statement that describes what is to be done to achieve the objective. Goals must be realistic, that is achievable, measurable and have time constrains.

### Guide to define Objectives and Goals

**Objectives** are general statements describing the desired achievement over time. Clear objectives have the following characteristics:

<b>Directional</b>	Moves you in the general direction of finding ways to complete mission
<b>Reasonable</b>	Intended accomplishments are practical and attainable
<b>Inspiring</b>	Outcomes are positive and challenging
<b>Visible</b>	Accomplishments are easy to imagine
<b>Eventual</b>	Long-term outlook (ten or more years) in fulfilling mission

**Goals** are specific statements describing what must be done to achieve objectives. **SMART Goals** define goal attributes as follows:

<b>Specific</b>	States only one intention
<b>Measurable</b>	An observation can be made to indicate fulfillment
<b>Attainable</b>	Realistic, yet challenging
<b>Rewarding</b>	Accomplishment must be valued to maintain persistence
<b>Traceable</b>	Traceable over a specific time period, strategic monitoring

## **Ranch Production and Business Plan**

Have a comprehensive ranch financial and production business plan that is updated annually. Starts with annual accrual adjusted income statement and balance sheet. Prepare a report with calculation of financial status and performance ratios.

## **Ranch Business Plan Executive Summary Outline**

### Present Situation

- Business description and ownership
- Resources and financial statements summary
- Performance: production and financial
- Proposed Activity

### Mission Statement, Objectives, and Goals

### Management and Personnel

- Family and hired personnel
- Job description for each participant
- Supporting accountant, lawyer, lenders, and consultant

### Products/Services Produced and Marketed

- Uniqueness of the business
- Description of major input supplies

### Market Analysis and Plan: Customers and Products' Uniqueness

- Market strategy
- Cost competitiveness
- Major competitors

### Summary of Financial Projections

- Historical Summary
- Projected capital requirements
- Long-term strategic plan

### Implementation Plan

- Outline of activities and schedule of initiation through completion

Business plans are only “valid” if they are written and updated as the implementation progresses. Business planning is a dynamic activity that defines the direction and expectations that guide participants and their expectations toward the goals of ownership. Plans that are not written are normally not taken seriously because they are neither commitment nor show the willingness to be held accountable for performance.

The development and use of the ranch business plan is one of the components of business management activities listed below.

## **Business Management Activities**

- Planning
- Decision making
- Measuring results
- Setting expectations for the business and employees
- Accountability of all involved
- Responsibilities taken
- Self-evaluation
- Business evaluation
- Time management
- Management information system development and use
- Motivating people to excel
- Responding to underachievement
- Communications -written and timely
  - Shows commitment to objectives and goals
  - Reports measured accountability supported by performance benchmarks

## **Cost Effective Decisions**

For the ranch management information system (MIS) to contribute the business profits it must be used to improve decision making. For a decision or an alternative to be “cost effective,” the added revenue must be greater than the added cost, or the cost reduction must be greater than the revenue loss. These are the two criteria that determine if a decision is cost effective or not. In economic terminology, marginal revenue (added revenue) must be greater than marginal cost (added cost).

The key to planning for cost effective decisions is very dependent on the production and cost information and the way this information is organized for analysis. Information must also be timely and understood by the decision makers.

By definition, “cost effective” decision-making is planning involving an unknown or a risk. The best information, particularly cost information, is the cost generated from past activities. This is where the management accounting system can be profitable to the user. The accounting information provides the decision maker the information to prevent mistakes by choosing the correct course of action. If the data and information generated by the accounting management information system is not used, it, of course, cannot contribute to assisting decision makers.

## **Pita’s thoughts on planning.**

- Never forget that the best endings are the ones you are prepared for.
- There are dreamers and there are planners – the planners make their dreams come true.
- A good farm budget, even in a loss situation, is telling your money where to go instead of wondering where it went.
- Iron disease and business losses do not mix. In times or cost-price squeeze delay replacing necessary depreciable assets.

---

Alexander, Pita. “Farming Thoughts and Comments”. Alexanders Accounting & Advice for Agribusiness, Christchurch, New Zealand, June 30, 2016, Page 36. [www.alexanders.net.nz](http://www.alexanders.net.nz)