Increasing Profits by Managing Costs

James Sewell
TA RANCH
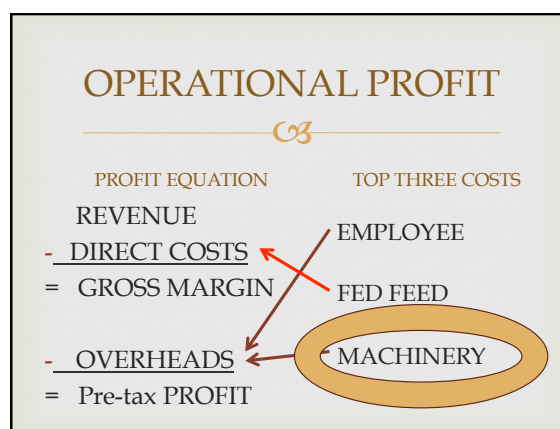
About TA Ranch

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- 6,800' – 9,500' elevation
- 9.25" average precipitation
- 71% of forage comes from irrigated production.

TA Ranch – Focus on Hay
1978-2012

06/28/2012

MANAGING COSTS

OPERATIONAL PROFIT

PROFIT EQUATION	TOP THREE COSTS
REVENUE	
- DIRECT COSTS	EMPLOYEE
= GROSS MARGIN	FED FEED
- OVERHEADS	MACHINERY
= Pre-tax PROFIT	

Machinery Costs

- Make a list of the **minimum** requirements
- Factor in turnover rates
- Continue to pare down list
- Sell any excess

List of Requirements

Hay Equipment

Unit	HP	Life (yrs)	Turns/Yr	Notes
4 WD Tractor w/ Loader	125	10	0.10	Stacking/Feeding/Dragging
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4 WD Tractor w/ Loader	125	10	0.10	Meadow Drag/Snow/Spare
4 WD Tractor	80	10	0.10	Rake/Dragging/Auger/Yards
Self Propelled Swather	130	5	0.20	
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Double Kuhn rake	n/a	4	0.25	Pull behind tractor
Double Kuhn rake	n/a	4		spare
Large Square Baler	n/a			CUSTOM OPERATOR
Flatbed Hay Wagon	n/a	20	0.05	Pull behind Tractor
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Total Pieces	**11**		**1.15**	**purchased per year**
Pieces with Engine	**5**		**0.60**	

Truck Example

Trucks

Driver	Unit	Engine	Miles/Yr	Milage	Fuel Use (gal)	Life Expectancy	Turns/Yr
Manager	3/4 Ton Crew Cab	8 cyl	15,000	14	1,071	100,000	0.15
Cow Boss	1 Ton Crew Cab	8 cyl	15,000	10	1,500	100,000	0.15
Ault	1 Ton Reg Cab	8 cyl	12,000	10	1,200	100,000	0.12
River	1 Ton Reg Cab	8 cyl	12,000	10	1,200	100,000	0.12
Mechanic	1/2 Ton Reg Cab	6 cyl	15,000	15	1,000	100,000	0.15
Main Ranch - Irrg	Reg Cab	6/8 cyl	5,000	10	500	40,000	
River - IRRG/Spare	Reg Cab	6/8 cyl	5,000	10	500	40,000	
	7		79,000		6,971		0.69

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Sell any Excess

- www.BigIron.com
- Local Equipment Dealer
- Equivalent to $150/cow in revenue
- Ranch is much cleaner

Machinery Results so Far
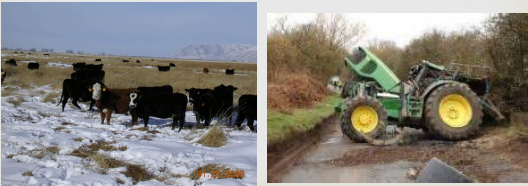
- 2013 compared to 2011
  - 46% less fuel used
  - 65% less equipment repairs
  - 11% less equipment depreciation
  - 25% less vehicle insurance and licensing costs

It's all connected

% Grazed Forage   Machinery Costs

Lessons for Management

- LOOK AT THE FINANCIAL STATEMENT

- Have a plan to manage biggest costs first, not just the fun ones.

- Writing down the plan makes it easier to edit AND communicate to owners and employees.