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Prioritizing Resource Use on Cattle Operations
Part 2: Physical and Financial Resources

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Cattle operation owners and managers are continuously faced with resource use decisions. Last month's article addressed prioritizing the use of people and time resources on cattle operations. This article picks up the resource use discussion with a focus on the physical and financial resources of cattle operations.

Physical Resources

Physical resources are typically thought of as resources that you can touch. These include tangible assets such as land, cattle, equipment, supplies, etc. As with other resource categories, physical resources must be managed appropriately to maintain, enhance, and grow that particular resource base. Cattle and forages require a certain level of care to survive and even more management to thrive. Non-living physical resources require care as well. Farm equipment, fences, and other objects require routine maintenance and ultimately replacement over time. Land and water resources must be managed, too. There is much truth to the adage that cattle producers are stewards of natural resources.

Both the quantity and quality of physical resources determine the production potential of the operation. Management then determines the degree to which this production potential is achieved with the physical resources available. Take cattle as an example. The total pounds of calf sold off of a commercial cow-calf operation typically increases as cattle numbers increase, genetics improve, and/or management gets better. So the quantity and quality of physical and human resources as inputs impacts the quantity of output, in this example, pounds of calf sold.

Quality of output produced from resource use matters as well. The value of the pounds of calf produced varies depending upon marketing conditions and channels used and calf attributes. One pound of a lightly muscled or unthrifty calf likely has less value in the marketplace than one pound of a heavily muscled and healthy calf. Yet the financial investment in producing the more valuable calf is often greater than that of producing the less valuable calf. Producers should strive to find an optimum mix of physical resource quantities and qualities to fit with the chosen management level and budget and then match appropriate management of those resources to create the most value relative to cost.

A challenge is for producers to decide on key quality standards for physical resources as well as resource quantity goals. Is having a large cow herd of marginal quality cattle more important than having a smaller herd of top-end genetics? The best answer to this question may differ amongst producers based on their physical, financial, human, and time resource bases and external conditions. Some producers are very good at making money on large volume cattle sales, while others successfully focus on capturing premiums for fewer head.

Producers can choose from a spectrum of combinations of resource quantity and quality combinations. For a given financial investment, the amount of a physical resource that can be acquired within a set budget varies depending on the quality of the resource. A few acres of very fertile and well-fenced pastureland may require financial investment equal to that of greater acreage of less fertile, more poorly developed pastureland.

So where is the optimum combination of input quantity and quality? By now it should be apparent that these decisions are complex and involve interactions of many different types of resources. Furthermore, the optimum combination may change over time as both internal and external conditions change. This leads back to the importance of having talented and motivated managers in place to make informed decisions and work towards continuous operational improvement.

Financial Resources

Note that financial resources have already been mentioned in the discussions of the other resource categories. Getting and keeping good people is often tied to money or other benefits that cost money. Time and money are tightly linked; think interest rate terms over different time periods. The amount and quality of physical resources that an operation can access is funding dependent. No matter the resource use decision, there is a tie in to finances.

Reaching financial goals is often a driving force behind operational decisions. The financial well-being of the operation underlies all resource use decisions, constrains how large and fast the operation can grow, and determines how long the operation can continue to exist. Even if cattle production is a “hobby” and a producer is “not in it for the money”, financial resources going into the operation should be managed and put to good use. Well-managed finances are prudent regardless of whether cattle production is a livelihood or hobby.

Good financial management by necessity involves effective record keeping and use. All cattle operations should be doing this for tax purposes at the very least. Beyond that, financial records provide useful information for operational management planning, implementation, and improvement efforts. A good way to evaluate the effectiveness of management decisions is in terms of impact on financial resources.

Getting Started Evaluating Resource Use

It is worthwhile to consider each resource use decision in the context of not only how it adds to or depletes a specific resource but also how this affects other linked resources on the operation. Collectively, the timing, amounts, and specific uses assigned to various resources determine operational results and the availability of future resources on the operation. A good place to start in evaluating resource use is to develop a resource inventory list. Then think about operational goals and how they impact each resource. Make sure that goals are specific enough to prompt targeted resource use actions to achieve them. Understand that progress towards improving one resource base may come at the expense of another resource base. To manage this, be sure to prioritize resource uses to make decision-making more obvious. Finally, monitor resource use in the context of operational goals, and use this information to revise goals and resource use actions moving forward.

Cattle producers can gain valuable insight from one another to help in making these decisions. But, remember that each cattle operation is unique. So be prepared to make farm-specific decisions. For more information about beef cattle production, contact an office of the Mississippi State University Extension Service or visit *msucares.com/livestock/beef*.