IRM Learning Teams

By
Harlan Hughes,North Dakota State University
Chris Bastian, University of Wyoming

Introduction

Whether a beef farm or ranch is entirely dependent on cattle or is diversified into crops, wildlife, or recreation, profitability in these tough times requires that careful consideration be given to the interactions of production, resource utilization, and financial performance. Beef farmers and ranchers frequently find it an overwhelming task to gather and synthesize all the production and financial information needed to formulate a specific management action plan focused on today's tough times. The objective of this fact sheet is discuss the role that Integrated Resource Management (IRM) *Learning Teams* can play in helping beef farmers and ranchers formulate a management action plan designed specifically for the current tough times.

Producers Need "Tailored" Recommendations

Virtually every state Extension Service in the nation now has a state sponsored IRM Education Program or something similar. The primary advancement in these educational programs is the integration of financial analysis and production analysis into a single management information system. The second advancement in these educational programs is the tendency to tailor management recommendations toward specific beef cow herds. In today's tough times, many management recommendations have to be tailored to a beef farmer's or rancher's specific beef cow herd to be effective. The focus of this fact sheet is to share how beef farmers and ranchers in one state are tailoring their land grant research and their extension service recommendations to their specific beef cow herd.

North Dakota's IRM Program

North Dakota's Integrated Resource Management (IRM) Educational Program will be used to illustrate specifically how *IRM learning teams* can be used to generate integrated production and financial management recommendations tailored to a specific beef cow herd. This learning team concept should be applicable to any beef farmer or rancher in the U.S. and Canada.

North Dakota's IRM Educational Program is based on 1) identifying and analyzing the production and economic "on-farm" facts of the specific herd under study and 2) assembling a learning team to study and utilize these "on-farm" facts to increase profitability of that study herd. Learning teams help develop twelve-month management actions plans tailored to the herd manager's ability, goals and resource base. Let's take a look at how these *action plans* are being constructed.

North Dakota's IRM program consists of three "on-farm" fact gathering components. First, herd performance records are generated and summarized through the Cow Herd Analysis Performance System (CHAPS). Second, a detailed range inventory is conducted and analyzed, and a grazing system is designed for the producer. Recommended stocking rates are also calculated, and a year-long forage program is presented through the PASTURE microcomputer program. Third, economic facts are gathered and analyzed through the Financial And Reproductive Management System (IRM-FARMS). Written reports for each of the three areas (herd performance, range inventory, and economic analysis) are prepared and given to the beef herd manager. An interpretation and the management implications are personally presented to the herd manager. Once the producer understands the facts about his herd, he is ready to assemble his IRM Learning Team.[2]

Who Are The Learning Team Members?

The makeup of each learning team's membership is totally up to the herd manager. The herd manager is encouraged to invite anyone that he feels would be helpful in identifying bottlenecks to profitability and in suggesting scientific ways to remove these bottlenecks. We recommend that the herd manager invite his banker, veterinarian, feed dealer, soil conservation specialist or range scientist, farm business management specialist, extension economist, extension animal scientist and, of course, his county agent. We also encourage the herd manager to invite other farmers or ranchers to participate on his learning team. The broader the makeup of the learning team, the better will be the team's consensus management action plan for coping with a down market.

Several of the team members will need to play key roles. The county agent is responsible for 1) helping the IRM Cooperator invite local professionals to participate in the learning team, 2) writing the minutes of the meeting, 3) helping the cooperator execute the action plan, and 3) ensuring that all facts are again gathered next year to measure progress. The extension animal scientist 1) chairs the learning team meeting, 2) conducts the herd performance data review at the meeting, and 3) assists the county agent in the organization of the learning team. The extension economist (or farm business management specialist) 1) presents the economic and financial facts related to the beef cow herd under study, 2) compares the herd's economic facts to regional and state's benchmark herds, 3) points out economic strengths and weaknesses, and 4) makes economic projections for the herd given the current production practices.

How IRM Learning Teams Work

Once the "on-farm" facts are collected, analyzed, written up, and understood by the study herd's manager, this beef farmer or rancher is ready to call together his unique learning team. We recommend that the learning team session be held at the beef farm or ranch around the manager's own kitchen table.[3] The producer needs to lead off by briefing his learning team on the family's personal goals and the goals of the farm or ranch business. Second, the production and economic "facts" need to be reviewed by the total team so that everyone is exposed to the complete set of facts relating to that herd. A major payoff from all of the fact gathering and analysis work done by the beef cow producer and his Extension Service is right here. The team's focus is on the "facts" of that herd and this is where the production and financial "facts" replace "perceptions" and reality sets in. Once this happens, team members typically abandon their traditional competitive stances and work in earnest cooperation on profit-enhancing management strategies tailored to that beef producer's goals.

As bottlenecks to profitability are identified, the team needs to determine if the herd manager can do anything about that bottleneck. If not, the team should move on to the next bottleneck. For example, low market prices might quickly surface as a bottleneck to profitability; however, there is not much that a herd manager can do about current cattle prices. The learning team should move on. The team should put its energies into identifying bottlenecks to profitability that the herd manager can influence.

Once a bottleneck to profitability that can be influenced by management is identified, the learning team should focus its energies on identifying a scientific approach for reducing that bottleneck. Individual team members should propose how their discipline's science could be used to reduce that specific bottleneck. The collection of what these team members propose becomes the range of management alternatives available to that producer. Integration occurs as the team collectively arrives at a scientifically-based consensus for reducing that bottleneck to profitability. The power of this approach lies in the consensus approach to problem solving.

The key to learning teams is the integration that occurs as the consensus-building takes place. As this scientific process is focused on a specific bottleneck under study, the management refinements in one area must always be harmonized with the facts of the other areas. As each team member discusses the problem under study from his disciplinary perspective, the other team members gain an understanding of the other discipline's approach to problem solving. The ensuing debate amongst disciplines leads to a consensus solution built around those disciplines represented on the learning team.

Each team member learns from the other team members as well as from the herd manager. The herd manager learns form all the team members. Here is lies the reason why the name of these teams has been changed from "management teams" to a more descriptive term of "learning teams". Every team member learns from the other team members and the herd manager learns from all team members.

12-Month Action Plan

The last part of the learning team session needs to focus on developing a 12-month action plan that this beef producer and his county agent can execute over the next 12 months. This becomes the producer's action plan of what is scheduled to be done in the coming year to increase this specific herd's profitability. Typically, these 12-month action plans focus on the reduction of one major bottleneck. The county agent is involved to ensure that any and all Land Grant resources needed to execute that action plan are available to that producer. A 12-month action plan must be developed before the learning team is adjourned.

Frequency Of Learning Team Sessions

While beef farmers and ranchers may meet individually with members of their IRM Learning Team through out the year, they should meet with their total learning team at least once a year (preferably, immediately after the annual gathering and analysis of their herd's facts). We recommend an annual four-hour learning team session with all of the IRM learning team members around the herd manager's kitchen table at one time. Each team member needs to hear the complete discussion by the other team members, and all team members need to feel comfortable in debating the problems and opportunities under study. If these conditions are met, you can be assured that the IRM learning team's discussions will lead to some informative management discussions. Over the past several year, some big dollars have been made by North Dakota IRM Cooperators through these learning teams.

The Key Is To Involve Local Professionals

There are two critical components in coping with a down market. First, the management program needs to integrate production and financial management into the current management action plan. To date, learning teams have been one of our more effective way's to develop an integrated management action plan.

Second, we encourage the use of as many local team members as possible. The use of local professionals ensures that a cadre of locally trained team members will be built in your community which, in turn, reduces the future reliance on manning your learning team with State Extension personnel. Having local professional participation on local learning teams will have far reaching impacts on the services and advice that these local professionals offer other farmers and ranchers in the future. The ultimate goal of IRM has to be to 1) localize the fact gathering and analysis process and 2) to localize the learning team membership. Now we have an intensive beef farm or ranch management system operating primarily with local people and local resources.

Typical Learning Team Agenda

A typical learning team session runs 4 hours. They seldom end early and we insist that they go no more than 4 hours. A typical agenda follows:

1:00 — Learning team assembles around the producers kitchen table. Introduction of team members (Area Livestock Specialist/Animal Scientist presiding).

1:05 — IRM Cooperator shares (1) what his long-term goals are for his family and his farm or ranch business and (2) what are some of the priority questions that he wants to discuss with his learning team. It is important that the learning team know the operator's goals and priority questions so that these goals and questions can be taken into account in the discussions which follows (IRM Cooperator leads this discussion).

1:15 — Review the herd's production records so that all learning t eam members gain an understanding of what the "herd's production facts" are. If production records are not available, review calving book, sale slips, etc. (Area Livestock Specialist/Animal Scientist leads this discussion).

1:45 — Review the "economic and financial facts" of the beef cow herd (Livestock Economist leads this discussion).

2:30 — Discussion of IRM Cooperator's priority questions (the total team works through this discussion).

3:30 — Bottlenecks to profitability identified and discussed (the total team works through this discussion).

4:30 — formulation of an Action Plan for the next year (Area Livestock Specialist/Animal Scientist facilitates this discussion).

5:00 — Meeting adjourned.

Minutes are taken, typed up and distributed by the county agent as soon after the meeting as possible. These minutes are reviewed at the beginning of next year's learning team session.

Summary

Today's tough times call for some tough management actions. Beef farmers and ranchers need to explore all management tools possible to ensure that they make it through these tough times. Tough times call for a special management action plan tailored to your managerial ability, family goals, and resource base for your beef cow herd. This fact sheet discusses the role that *learning teams* can play in helping you formulate a management action plan specifically designed for surviving the current down market.

North Dakota's IRM Learning Team concept is described in detail in this fact sheet with the sole purpose of demonstrating how any beef farmer or rancher in any state can organize to take maximum advantage of his state's and community's professionals in managing through a down market.

The key to learning teams is the integration that occurs as the consensus building takes place. As this scientific problem solving process is honed in on a specific herd problem under study, the management refinements in one area are harmonized with the facts of other areas. Integration occurs as the learning team collectively arrives at a scientifically based consensus approach to solving the problem or problems under study. Each team member learns from the other team members and the herd manager learns from all team members. We know of no better means of generating management action plans than through a learning team. Over the past several years, some big dollars have been made by IRM Cooperators through these learning teams. We strongly encourage beef farmers and ranchers to use learning teams designed specifically for coping with a down market.

[2] Some producers take 2 or more years of herd performance and economic analyses before they elect to assemble their learning teams. We have no problems with this approach other than if the current down market is the motivation for forming a learning team, then the sooner the better.

[3] We have experimented with holding these learning sessions at the ranch, in the county extension office, and in third party meeting rooms. When a rancher puts his total business (and life) on the table in front of 5-7 professionals, pressures appear. It seems like the best sessions are those held at the ranch where the rancher controls the entire session. He decides when we break for coffee, he decides when he needs to get additional records, etc. This just seems to work better when we conduct these sessions at the farm or ranch.

Things to Think About When Trying Something New In Your Operation

By
Chris Bastian, University of Wyoming

There are a number of alternatives or new strategies you might consider trying in your operation. As a manager you have to establish goals for your business, inventory your resources, explore the enterprise possibilities, and develop a plan which may include several alternatives. The planning process needs to identify resources needed, timing of operations and resource usage during the production period. This planning process should also have a marketing plan to go with it. Once the plan has been developed, the next task is to implement the plan.

Trying Something New

A plan which includes new strategies or alternatives means changing, and along with changes comes added or different responsibilities for a manager. Implementing the new plan basically involves acquiring the necessary resources such as labor and capital, scheduling and overseeing the work called for in the plan. When new strategies and alternatives are being considered, implementation means these tasks may have unknown or different problems than you are used to.

If you have never had any experience with this new enterprise you probably want to get as much additional information on how to do it as you can. For example, if you've never retained ownership in the feedlot before, you might want to get additional information on how to pick a feeder that will meet your needs. When considering a new production approach, you should recognize that the learning process will not be instantaneous. Both the quantity and quality of the output may not be what you expected for the first few years. The amount of learning that is required will probably depend on how new and different the operation is for you.

What Do I Really Need To Get The Job Done?

If the planning process was thorough, implementation of new strategies may be relatively easy. It is often times those unplanned things that create stress when implementing a plan. Thus, for a plan to be most effective in achieving goals a detailed calendar of production activities and practices can help you decide what resources are needed, when they are needed and whether you need to acquire additional resources before implementing the plan. This calendar should also include an estimate of how much resource you will need for each activity along with describing what and when activities occur. For example, once you schedule an activity and estimate the labor it will take, you can then decide if there are too many demands on your labor resources during that time and whether to hire additional labor to meet those demands. Perhaps you will determine a need to purchase machinery or invest in handling facilities which you do not currently have. Additional planning of resource use beyond a budget can help you determine these possible changes in resource needs compared to your current operation.

Within the course of the year it is important to know not only whether this enterprise pencils out, but also whether your cash flow requirements and or financing needs will change. For example, if you have decided to retain ownership, you may forgo some sales in the fall which could cause you to need additional operating capital to get you through until you can sell the fed cattle later. An enterprise that provides an inflow of cash at the right time may defer the need for additional financing. This enterprise may have an advantage over a seemingly more profitable enterprise that requires cash when resources are tight.

Acquiring What Is Needed

Labor

Labor may be one resource you need to add when implementing a new strategy in your operation. You'll need to assess and acquire the kind of labor that fits your needs. Do you want the labor to be part-time or full-time, and do you want this person to be strictly labor or will they need to have some management skills? Hiring someone new may mean you have to take additional time to train them. You can't just assume the new employee knows what needs to be done and how to do it. A manager also needs to listen to new employee ideas on how something might be done. As a manager you will also have to motivate employees to perform to the best of their abilities. Praise for a job well done, as well as suggestions for improvement in performance are important in motivating people. You may also want to consider using some type of incentive plan to help motivate employees in doing their part to see that business goals are achieved. One type of incentive plan may include allowing the employee to run some of his or her own livestock on the operation, or allowing the employee to build some shares in the business's herd.

Land

Your plan might indicate more land is needed in the operation for such things as growing winter feed or grazing. The basic choice between leasing or buying land is very important at this point. Owning the land can mean no risk of losing the lease. Land can also appreciate in value which can increase net worth and possible borrowing power. Purchasing the land, however, means substantial capital outlay which can increase debt loads and reduce cash availability for other investments or enterprises. The basic question becomes whether leasing or purchasing has the highest financial payoff compared to alternative uses of operator funds, and which method is financially feasible for the operator.

Leasing land has the primary advantage of eliminating the large capital outlay associated with purchasing land. Leasing arrangements are often based on traditional practices of the area. The lease must provide for an equitable sharing of income between the landlord and the tenant. The lease should be in writing and specify legal protections for both parties in case of default or nonperformance. The minimum requirements for a written lease should be that it is signed by both the tenant and landlord, specifies the time period of the lease, accurately describes the property, describes the payment amount, specifies the payment date, and where the payment is made. The lease agreement should also include procedures, requirements and responsibilities for maintenance and improvements by both parties.

Borrowed Capital

When going to the lender you can increase your chances of getting capital by having the information necessary to answer several questions. Can my operation withstand financial losses without being forced into liquidation or insolvency with this new loan? This basically assesses your operation's ability to bear the risk of this loan in the event of unforeseen problems. Your debt to net worth ratio can help give you a measure of your operation's risk bearing ability. Also, you need to know whether you have the cash flow and or the collateral necessary to repay this loan. This helps determine your operation's repayment capacity. Along with the assessment of repayment capacity you should develop a repayment plan. This means coinciding payment dates with cash flows and amortizing the loan long enough to make the payments affordable for the operation. It is safer to a pay a little more interest over the life of the loan and keep your payments low enough that your business can still make the payment during unforeseen problems. If you have these things well documented before going to your banker, your chances of getting funds will be much greater.

Other Considerations When Implementing New Strategies or Enterprises

Market considerations also become important when considering a new alternative for your business. If you're not used to marketing this new product you need to carefully plan your marketing. When developing your marketing plan you need to consider all your marketing alternatives for the product, set your pricing goals and compare your alternatives based on costs, risk, timing of sale and pricing opportunities throughout the marketing year. You can start to develop a plan by considering the following items. Will someone buy what you produce at the price you need? Is the market you have targeted appropriate for the timing, quality, and quantity you will deliver? What about transportation costs? Have you forward contracted this production with a buyer? If so, what are the terms and implications of the contract? Have you adequately protected yourself?

A new enterprise or strategy is unlikely to always to be profitable. Before incorporating this new enterprise or strategy into your operation you need to consider how risky this will make your overall business. The idea behind diversification is that you incorporate an enterprise that creates income in times when your other enterprise is losing money. This may not always be possible when dealing with strictly livestock enterprises, but you might consider trying your new enterprise on a smaller scale until you are used to managing for it. For example, rather than sending all your steer calves to the feedlot you might consider sending a smaller bunch until you see how they perform and get comfortable with the management changes required. Perhaps you can change your operation so all of your sales don't come at just one time during the year. You might consider selling some calves in the fall and feeding steers to slaughter for sale in the late spring. This type of strategy might help cash flow and reduce risks associated with having your income depend all on one strategy. Although this approach might reduce some initial risk or improve cash flow, it may place increased demands on your management skills.

Another factor to consider when implementing a new strategy is the government. Will this new strategy have income tax or regulation implications? If you have to hire labor for the first time, you may want to get information concerning government regulations and issues such as withholding taxes and social security. You may want to consult your accountant and or lawyer, if you are unsure of any tax implications or government regulations.

When you decided on your business goals, you may have decided on goals which were not based purely on the bottom line. Some production practices or alternatives may be done because you prefer a certain lifestyle or you may gain satisfaction by doing something a certain way. Thus, before adopting something new in your business, you should consider how this change will affect your family's life and whether it will help you accomplish your long-term goals.

Concluding Comments

As a manager you must always examine the possibilities of changing your operation and adding new enterprises or strategies to your operation. If you have not made any major changes in your operation for awhile, adopting something new can sometimes be difficult. Trying to consider as many of the implications of this change as possible can help remove some unplanned crises and hopefully increase the probability of success when implementing your plan.

References

Boehlje, Michael D., and Vernon R. Eidman. Farm Management. John Wiley & Sons, Inc. N.Y. 1984.

Drake, Kent, Gene Gade, Frank Henderson, John P. Hewlett, Jim J. Jacobs, Jay Jenkins and Randy Weigel. Wyoming Integrated Ranch/Farm Education: Notebook. Department of Agricul tural Economics, University of Wyoming. Laramie. 1993.

Kay, Ronald D., and William M. Edwards. Farm Management. 3rd. ed. McGraw-Hill, Inc. N.Y. 1994.

Lev, Larry. "Before Adopting a New Enterprise: A Checklist of Factors to Consider." EM8488. Oregon State University Extension Service. October, 1991.