

# 10 Questions to Ask Before Starting a Livestock Operation



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## Introduction

This workbook provides several questions that should be asked before starting a livestock operation. Even if you are not intending to start for a while, this workbook can be used to start developing your plan. Each question is accompanied by some explanation and then provides a place to write down your plan and also, what is your next step to develop your plan further. We have also included an example to help you formulate your own answers.

It is important to remember that this is your plan and should work for you. You do not need to have all the answers now. Use the space to write down what you already know and also the space for next steps to list what you need to find out and how you will take your next step.

## Do you own or have access to land?

Before you consider any other questions about starting or expanding a livestock operation, you must first determine if you have the appropriate land access.

Do you have access to land? If you have access, do you have the ability to make timely management decisions on that land? You must be able to make decisions, sometimes quite quickly, for the management of your livestock on the land. If you have to get any type of permission from a board or council to make decisions, it can be difficult to make timely management decisions.

Is there a cattle association? Is a lease or grazing permit required? If you do not already have one, how difficult is it to get a lease or grazing permit? It can be tricky to get into it and this is a crucial step.

Does the land you have access to include water or access to water?

*For example: My parents are going to add me to their Tribal Lease which allows me to make decisions on this land easily. I need to check if there is a livestock association on the reservation and join if there is.*

**I own or have access to land.**

**Yes**    **No**    **Maybe**

**My land access is:**

**My next step:**

## Do you own or have access to required equipment for your desired operation?

Livestock operations require a variety of equipment. For example, you will probably need a chute and corral system for cattle, a tractor, a bale feeder, a trailer, and a way to treat/transfer sick cows. Think about the pasture fencing- does it need to be fixed or maintained? Do you have a way to check the fence frequently for problems? Remember, equipment doesn't have to be new, it just needs to be functional and safe.

In planning your equipment needs, take stock of your current equipment, your access to borrowed or leased equipment and make note of additional equipment that may need to be purchased.

*For example: I have my own pickup and some basic livestock equipment. My family will let me use their corrals and other equipment for now. I will buy my own branding irons.*

**Common Equipment:** This is a list of common livestock equipment. You may not need some items or may need something not listed. You can use this to develop your equipment plan. (Circle your answer)

<b>Equipment</b>	<b>Do I need it?</b>	<b>How will I access it?</b>	<b>Notes</b>
<i>Chute</i>	Yes No Maybe	Own Borrow Buy Lease	
<i>Corral System</i>	Yes No Maybe	Own Borrow Buy Lease	
<i>Tractor</i>	Yes No Maybe	Own Borrow Buy Lease	
<i>Bale Feeder</i>	Yes No Maybe	Own Borrow Buy Lease	
<i>Livestock trailer</i>	Yes No Maybe	Own Borrow Buy Lease	
<i>Branding system</i>	Yes No Maybe	Own Borrow Buy Lease	
<i>Pickup</i>	Yes No Maybe	Own Borrow Buy Lease	
<i>Fencing tools</i>	Yes No Maybe	Own Borrow Buy Lease	
<i>Vaccination equipment</i>	Yes No Maybe	Own Borrow Buy Lease	
<i>Water system</i>	Yes No Maybe	Own Borrow Buy Lease	
<i>Feed storage</i>	Yes No Maybe	Own Borrow Buy Lease	
	Yes No Maybe	Own Borrow Buy Lease	
	Yes No Maybe	Own Borrow Buy Lease	
	Yes No Maybe	Own Borrow Buy Lease	
	Yes No Maybe	Own Borrow Buy Lease	

**My next step:**

## Do you have experience with livestock?

Before you begin a livestock operation, think about what made you want to start a livestock operation. What is your experience? Did you grow up on a ranch, did you grow up watching cowboys? Did you inherit an operation or come across an opportunity you'd like to consider?

What kind of experience do you have with herd health management? Your cows must be healthy to be bred back every single year. All the cows must be in good health with current vaccinations.

Your bulls must be sound, mobile, and healthy with up-to-date vaccines. You need to test your bulls for mobility, fertility, and maintenance.

Don't forget about horses. If you intend to use horses to manage your cattle, they must also require maintenance including vaccinations and hoof care.

In addition to the health of the animals, it is important to know what is required with tagging and branding. Record-keeping is important and it is required for USDA programs. BQA (beef quality assurance program) will require you to have full records on the births, deaths and vaccinations of each animal.

*For example: I have grown up running cattle on our family ranch but will have to possibly look into a financial class so I can learn to manage my business finances.*

**I have the required experience with livestock.**

Yes    No    Maybe

**My experience with livestock is (a few areas are listed below to get you started):**

*Handling livestock –*

*Animal husbandry (calving)-*

*Vaccinating-*

*Feed rations –*

*Business loan and finance decisions-*

*Marketing -*

*Other-*

**My next step:**

## Do you have a livestock mentor that you can go to with concerns or questions?

There is a lot that goes into building and maintaining a livestock operation. It is really important to have family support. What additional sources of support do you have? As new issues come up, do you have someone you can ask for advice? A lot of people will have a family member that could help, but it could also be a local association member, a neighbor, or really anyone willing to help you understand livestock. The key is that it must be someone trustworthy who knows the industry and has background in cattle. Mentors can also be from organizations such as Intertribal Agriculture Council Technical Assistants (IAC TA) and Federally Recognized Tribal Extension Program (FRTEP) Agents.

*For example: My dad and my uncle can be my mentors for taking care of livestock. My mom can help me with the records I need to keep. I need to ask them. I can work with my IAC TA for help with USDA programs. My FRTEP agent can help me if I have questions about production.*

Do I have a livestock mentor(s)?

Yes    No    Maybe

**My mentor(s) are or could be:**

**My next step:**

## Do you know what type of operation you will have or want?

There are a variety of livestock operations to consider. You can have a cow/calf, cow/yearling, or yearling operation. Cow/calf is most common but yearlings are more flexible, especially in drought areas. Each type of operation has different management considerations and selling options.

Decisions you make in the beginning should be carefully considered as they will affect the operation for several years. The cows you purchase may be in the herd up to 7 years. Yearlings can be sold at any time, allowing you to buy new ones at lower weight, making it a shorter-term decision.

Consider the location of the operation, including the natural resources within the area. The location of the operation may present additional challenges such as remoteness, predators, toxic weeds and other wildlife pressures.

*For example: I want to run cow-calf pairs. There is room on the lease for me to have 50 cow-calf pairs. I will start with 15 pairs. I can save some of the calves and grow my herd to 50 pairs over time.*

**I know what type of operation I will have.**

**Yes**     **No**     **Maybe**

**My operation will be:**

**My next step:**



## Do you know how you will feed the livestock under normal conditions, different weather conditions and natural disasters?

What is your experience with range management? Do you understand how to manage grass for grazing, rotating, etc.?

If you are unable to graze for a period of time, how will you feed your animals? If your operation has the capability of producing your own hay, you will need to consider the benefits and costs of production, including time and equipment. How far will you have to haul hay? Is a hay permit required? In some circumstances, you might be better off purchasing hay.

Consider extreme scenarios (fire, drought, etc). You may need to provide supplements (like salt blocks, minerals, etc.) for your livestock for varying periods of time during both normal weather conditions and natural disasters. Do you have a backup pasture?

*For example: I have minimal range management experience and have not considered what I will do in an extreme scenario. I will ask my FRTEP agent about workshops. I can talk to my IAC TA about USDA programs that will help. I will also talk to my mentors.*

**I have a plan for feeding my livestock.**

Yes    No    Maybe

**My backup grazing and supplementation plan will be:**

**My next step:**

## Do you have another source of income to supplement the operation?

Livestock operations do not have a good cash inflow in the beginning; therefore, having a source of off-ranch income will be important. For example, do you or your spouse have another source of income? Do you have an emergency plan for a financial issue or when cattle prices are low? Do you have access to USDA programs such as: value-added grants, farm loans, insurance or emergency loans?

There are a lot of options for insurance, but remember that these are not 100%- they just pay out if things are bad. You need to have a buffer because the flow of the funds coming in don't always match the flow of the funds going out.

*For example: I also have a full-time job that I will use for my family living. I will also save part of the income from my job so that I can cover some of the ranch expenses if needed. I know I will need to supplement as I am building my herd.*

I have a supplemental income source for my operation.  Yes  No  Maybe

**The following is my supplement/backup financial plan:**

**My next step:**

## Do you have access to credit?

You need to think through what you need to borrow to get started with the operation and to keep it going. Remember, you need to pay back whatever you borrow so be sure you're borrowing the amount that is best for your operation. It may be more time consuming or more difficult to get a loan with a much better interest rate, but it could save you a huge amount of money in interest. For example, a credit card has much higher interest rate than a USDA-Farm Service Agency (FSA) loan, which makes it more difficult to pay it back. This will impact your bottom line.

Think through how much you will need to borrow and research the steps that it will take to get the loans at the best rate possible. How long will that take and what is required? Good recordkeeping and financial analysis can help you determine what cash flow you need to get started with a livestock operation. It will also be critical for tax preparation and program participation.

*For example: I will need to buy 15 bred cows. Each cow will cost \$1,600 so I will need \$24,000. I will also need to pay for my part of the lease. I think that will be \$3,000. I am going to check at Akiptan CDFI and FSA as I am young and do not have my credit built up yet. My IAC TA can help me with this process.*

**I have a plan for my cash flow needs to get my operation started and keep it going over the next few years.**

Yes    No    Maybe

**My financial plan is as follows:**

**My next step:**

## What are your expectations for income from the livestock operation?

As discussed in a previous question, many ranches have another source of income. You need to have realistic expectations. You may think that 30 head will give you a full income, but you need to go through the financials and understand the cost of business including unexpected events. How much of your household income are you willing to put at risk in the livestock operation? Is this a hobby or a business? Example enterprise budgets can help assess the potential of the operation.

*For example: I have looked at a budget for cow-calf from University of Arizona. The annual cash costs per animal is \$300. The estimated income for my 15 pair herd would be \$200 per head or \$3,000.*

**I have assessed the financials including costs and potential of my livestock operation.**

Yes    No    Maybe

**My financial assessment of my livestock operation is as follows:**

**My next step:**

## Do you have an overall plan that meets your and your family's expectations?

Start by thinking about how much your family needs to live on and what amount do you feel comfortable putting at risk? Every family situation is unique, so you need to determine what will work best for you. Once you have determined what you need to live on, you have to balance the animals you would need for the desired income with realistic expectations of caring for those animals. You may need to start smaller and grow into your desired herd size. Enterprise budgets can be used to estimate the funds required for the operation. Think about the funds required, the potential losses that could occur, and the time and stress of caring for the animals. Develop a plan that will work for you and your family.

Remember, there is always an inherent risk in agriculture. While all risk cannot be controlled, developing plans that include unexpected events can help you better understand the risks and plan accordingly.

**A plan for my livestock operation has been created.**

Yes     No     Maybe

**My livestock plan is:**

**My next step:**

## Livestock Budget

This is a simple livestock budget to help you collect your information and get started.

	<b>Revenue</b>	<b>Total</b>	<b>Notes</b>
1	Calves		
2	Cull Cow		
3	Cull Bulls		
4	<b>Total Revenue</b>		
<b>Expenses</b>			
5	Lease and Grazing Fees		
6	Feed		
7	Livestock Expenses (inputs)		
8	Labor		
9	Property Tax and Insurance		
10	Depreciation		
11			
12			
13			
14			
15	Total Expenses (sum lines 5-14)		
16	Net Ranch Income Before Taxes (line 4 – line 15)		
17	Income and Self- Employment Tax		
18	Net Ranch Income (line 16 – line 17)		

