

How do we Define Profit --- Separating Enterprises

I will use an example to explain it and it is for a stocker operation.

Energy is money and money is energy, you can choose whatever value you want, and for this example, I am going to say my unit is equivalent to \$1, I am going to leave you to put in values as I am not familiar with US costs!

ENERGY IN		ENERGY OUT	
Price of Calf	\$	Sale of Calf	\$
Transport to Ranch	\$		
Inoculations	\$		
Dosing (drenching)	\$		
Time for handling (value of your time)	\$		
Price of feed (grass or feed) x Days	\$		
Transport to sale	\$		
Commission to agent	\$		
TOTAL		x	Units of energy
		y	Unit of energy

I have said numerous times if you are making a living from the land you are in the energy business. This will give you an efficiency ration as to how you are doing and it has already focused you on what you need to do to leave more units in you control!

1) Reduce Inputs ?? You will find this easier when you have achieved 2)

2) Improve Energy Capture ?? If you are using grass, this is probably the easiest and most comfortable to do

In thinking in terms of energy and not \$ it will help you focus on the WHOLE.

If you are thinking of the whole and you put more litter (energy) on the ground this year, you will reap more energy next year (because of Soil Fertility), It will give a better return than investing on Wall street or into cattle!

This then fits in well with Bud Williams' marketing, with the inventory triangle. The more you move inventory from corner of the triangle to another and bank at the RED line, the more money you will make!

Energy is what makes animals Fat (perform), so if the above is true, you increase the efficiency ratio, with Management, Capture more Energy in the grass, fatten more animals on the same area of ground. You should be looking at a return on investment of more than 40%. I have businessman who have understood this and are buy Ranching Land in 3rd World countries, to implement this!!?

See below the triangle, play with it, get excited when you see how much money you can make

Have FUN

Ian

PS

Do this same calculation with Gas (fuel) going to \$200 a Gallon!

Ian Mitchell-Innes
PO Box 52,
Elandslaagte
2900
South Africa
Tel: +27832629030

Bud's inventory triangle

