

From Family Ranch to Viable Business

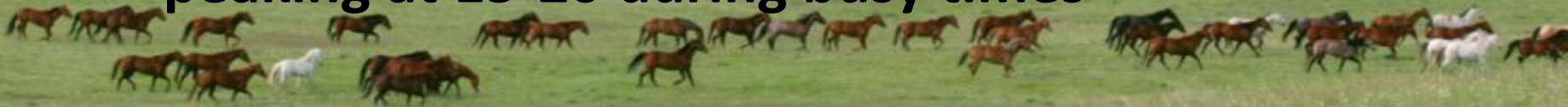


Marcie Scott

[video](#)

Ranch Statistics

- 200,000 acres leased and deeded on the Crow Reservation
- 5000 cows – 1200 replacement heifers
- Calving 1600 heifers
- 8000 head feedlot
- Employ 6-10 full-time employees
 - peaking at 15-20 during busy times





Pryor



Miles City

**1958 bought land on Crow
Reservation
Used wagons at brandings**

**1948
Brought 800 head of cattle
20 head of horses
Toughest winter in MT. history
One of the first people to register horses
in the AQHA**



San Angelo

Our Heritage

Transition – Handing Over The Reins

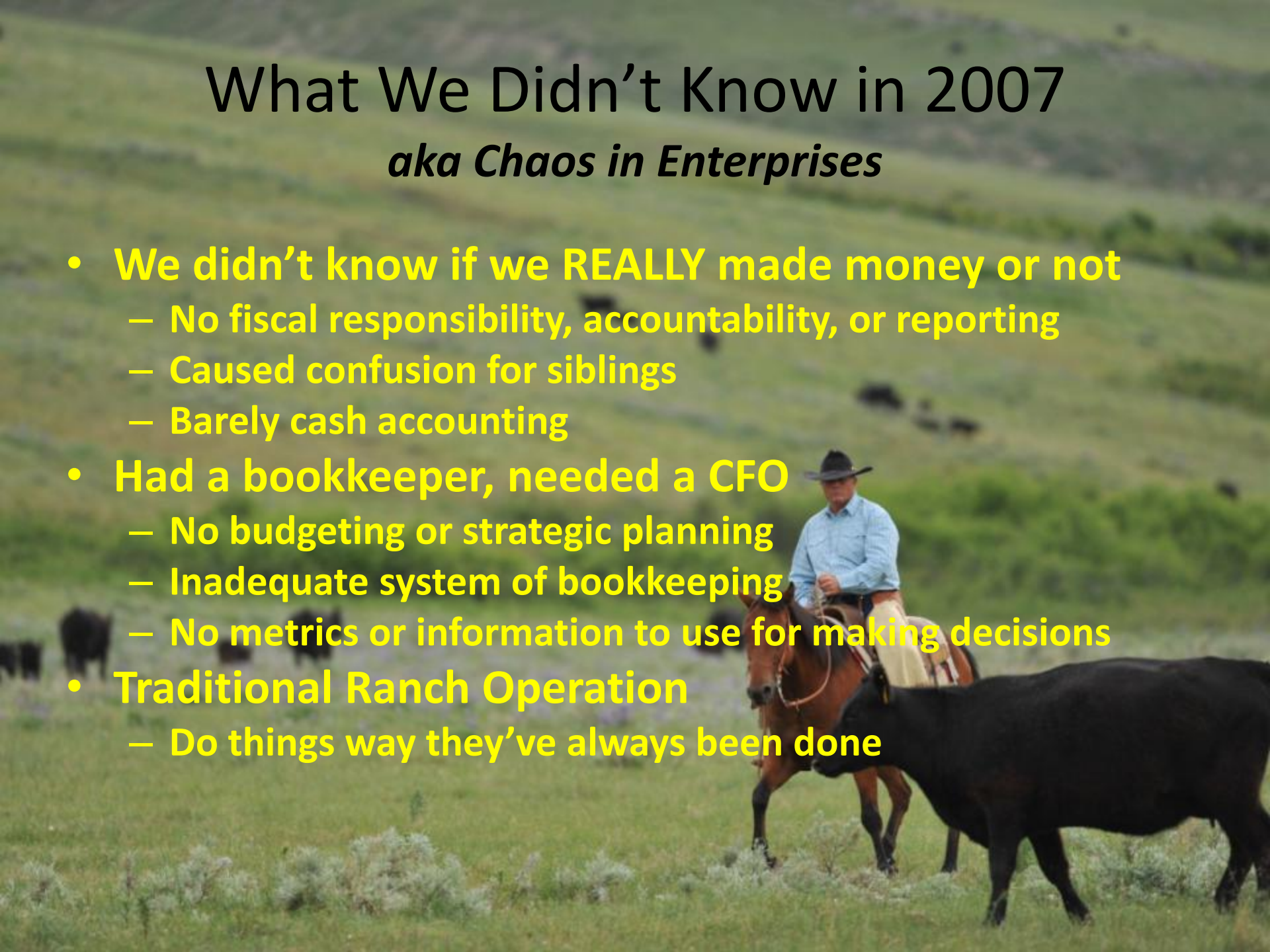
- **Current family management took over financial and managerial accounting in 2008**



What We Didn't Know in 2007

aka Chaos in Enterprises

- **We didn't know if we REALLY made money or not**
 - No fiscal responsibility, accountability, or reporting
 - Caused confusion for siblings
 - Barely cash accounting
- **Had a bookkeeper, needed a CFO**
 - No budgeting or strategic planning
 - Inadequate system of bookkeeping
 - No metrics or information to use for making decisions
- **Traditional Ranch Operation**
 - Do things way they've always been done



Need for Change

- **The Catalyst – full control & responsibility**
 - We did the work, but didn't have the big picture
 - Now NOBODY had the big picture
- **The steps – learning what we didn't know**
 - Agree on what we wanted to be
 - 0 to 60 on finances – Dick Whitman
 - Learn what it was to operate an ag business - King Ranch Institute
 - Learn what it meant to LEAD a business – our advisory board
- **The Learning**
 - World class enterprise accounting system
 - Lack of quality information
 - Be clear what businesses are profitable, and which were being subsidized

Framework for Change

January 2008

- **Focused our efforts in three major areas**
 - **Ownership Structure**
 - **Business Structure**
 - **Financial Structure**
- **GOAL: Understand successful enterprises and businesses that are being subsidized and make informed decisions**



Three Enterprises One Bucket



**Cattle
Farming
Horses**

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10/29/07

Accrual Basis

S RANCH LTD.

Profit & Loss - Combined

January through September 2007

	Jan - Sep 07	Jan - Sep 06	\$ Change
Ordinary Income/Expense			
Income			
4010 · CATTLE SALES - ORDINARY			
4080 · GRAIN SALES - ORDINARY			
4085 · GROWING CROP SALES			
4310 · PATRONAGE & CAPITAL CREDITS			
4340 · CROP INSURANCE			
4345 · AG PROGRAM PAYMENTS			
4390 · PASTURAGE & HAY SALES			
4510 · BREEDING FEES & BOARD			
4805 · EQUIPMENT RENTAL INCOME			
Total Income			
Gross Profit			
Expense			
5010 · LABOR			
5015 · CONTRACT LABOR			
5020 · REPAIRS & MAINTENANCE			
5025 · REPAIRS & MAINT - VEHICLES			
5030 · INTEREST			
5040 · GRASS LEASE AND PASTURAGE			
5042 · YARDAGE			
5045 · EQUIPMENT RENTAL			
5050 · FEED AND SALT			
5060 · SEED			
5070 · FERTILIZER			
5075 · CHEMICALS			
5080 · MACHINE HIRE			
5090 · SUPPLIES			
5110 · VETERINARY AND MEDICINE			
5120 · GASOLINE, FUEL AND OIL			
5130 · PAYROLL TAXES			
5135 · EMPLOYEE BENEFITS			
5140 · TAXES AND FEES			
5150 · INSURANCE			
5160 · UTILITIES			
5165 · TELEPHONE			
5170 · FREIGHT AND TRUCKING			
5175 · STORAGE			
5230 · RANCH GROCERIES AND MEALS			
5235 · PARTNER GROCERIES AND MEA...			
5240 · BUSINESS MEALS (50%)			
5250 · OFFICE SUPPLIES			
5270 · SELLING AND ADVERTIZING			
5280 · TRAINING AND ENTRY FEES			
5290 · PROFESSIONAL FEES			
5300 · TRAVEL AND ENTERTAINMENT			
5310 · DONATIONS & BUSINESS PROMO...			
5315 · CONTINUING EDUCATION			
5320 · DUES AND SUBSCRIPTIONS			
5400 · DEPRECIATION			
5450 · AMORTIZATION			
5500 · MISCELLANEOUS			
Total Expense		99,21	
Net Ordinary Income			

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10/29/07
Accrual Basis

S RANCH LTD.
Profit & Loss - Combined
January through September 2007

	Jan - Sep 07	Jan - Sep 06	\$ Change
Other Income/Expense			
Other Income			
4100 · GAIN ON SALE, PURCHASED COWS			
4105 · GAIN ON SALE, PURCHASED BULLS			
4110 · GAIN ON SALE, PURCHASED HORS...			
4120 · GAIN ON SALE, TRANSPORT EQUIP.			
4125 · GAIN, BREEDG STOCK HELD < 24M...			
4150 · GAIN ON SALE, INVESTMENTS < 1YR			
4155 · GAIN ON SALE, INVESTMENTS > 1YR			
4480 · EXPENSE REFUNDS			
4540 · DIVIDENDS			
4550 · INTEREST - TAXABLE			
4600 · CAPITAL GAIN AND LOSSES			
4780 ·			
4890 · OTHER INCOME			
Total Other Income			
Other Expense			
5000 · GUARANTEED PAYMENTS - PARTN...			
5151 · INSURANCE - OTHER			
5241 · OTHER BUSINESS MEALS (50%)			
5251 · OFFICE SUPPLIES - OTHER			
5291 · PROFESSIONAL FEES - OTHER			
5295 · SUSPENSE			
5305 · TRAVEL/ENTERTAINMENT			
5940 · TAXES AND FEES - OTHER			
5990 · OTHER DEDUCTIONS			
Total Other Expense			
Net Other Income			
Net Income			

\$

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Separate Enterprises

- **Farm Enterprise- Losing Money**
- **Horses Enterprise-Move from TX to MT**
- **Sell off non-essential Assets**
- **Focus on Cattle Enterprise**

Financial Structure

- Know what we don't know
 - Let bookkeeper go; have new CFO
 - Change to an agricultural, scale appropriate accounting program (Redwing)
- Information pipeline
 - Annual budgets
 - Quarterly reports
 - Cash flow analysis
 - Accrual Adjusted Net Income



Reformat Income Statement



Design to Give Usable Information

Stop Designing for Taxes

Fine Tune Cattle Enterprises

Income Statement
1/1/2015 to 12/31/2015
Accrual

	Jan 2015
	Dec 2015
	Actual

Revenue

Sales of Depreciable Livestock

Bulls

Bulls - Cost Basis
Cull Bull Revenue

Purchased Cows

Raised Cow Revenue

Raised & Purchased Horses

Horse Revenue - Over 2
Horses- Cost Basis

Sales of Raised Livestock

Market Animals

Cost Basis Market Animals
Feeder Heifer Revenue
Feeder Steer Revenue
Lamb Sales

Sales of Raised Crops

Farm

Crop Insurance Revenue
Pasturage & Hay Sales

Other Business Income

Other Revenue

Custom Feeding
Custom Feeding Cost
Interest Revenue
Patronage & Capital Credits

Total Revenue

Total Gross Profit

Expenses

Labor Expense

Contract Labor
Guaranteed Payments - Partners
Health Insurance - Employees
Labor Expense
Montana Workmans Comp
MT Unemployment Expense
Payroll Taxes Expense
Provisions

Professional Services Expense

Legal and Accounting

Animal Health Expense

A. I./Breeding
Freight - Livestock
Inspections
Livestock Supplies
Registration
Selling and Advertising

Income Statement
1/1/2015 to 12/31/2015
Accrual

	Jan 2015	Dec 2015	Actual
Training and Entry Fees			
Vet/Med Services			
Vet/Meds, Drugs, Vaccine			
Feed and Supplements Expense			
Feed Ration Expense			
Barley Expense			
Beet Pulp Expense			
Bread Feed Expense			
DDG Expense			
Earlage Expense			
Feed Corn Expense			
Grinding			
Hay- Feedlot Expense			
Ration Expense			
Silage Expense			
Straw Expense			
Supplement Expense			
Yardage Cost			
Feedlot Expenses			
Freight - Feedlot			
Nutrition-Feedlot			
Horse Feed Expense			
Horse Feed - Other			
Range Feed Expense			
Feed - Miscellaneous			
Hay Expense - Range			
Nutrition-Range			
Range Block			
Range Mineral			
Chemical Expense			
Crop Expenses			
Crop Insurance			
Custom Hire			
Storage			
Other Business Expense			
Building & Improvement Expense			
Housing Rental			
Insurance-Buildings			
Repair & Maint. Exp.- Building			
Equipment Expense			
Equipment Rental Expense			
Insurance-Vehicles, Machinery			
Repairs & Maint - Equipment			
Repairs & Maint - Vehicles			
Shop Supplies			
Taxes, License, Titles			
Tires			
Feedlot Expense			
Feedlot Repairs & Maint.			

Income Statement
1/1/2015 to 12/31/2015
Accrual

	Jan 2015	Dec 2015	Actual
Fuel Expense			
Diesel - Hiway			
Diesel - Off Road			
Gasoline			
Land Expenses			
Filing Fees			
Grass Lease - AgriLeasing			
Grass Lease & Pasturage			
Lease Administration			
Repair- Land, Pasture			
Repair-Fences			
Utilities			
Electric			
Garbage			
Internet			
Propane			
Security			
Telephone			
Water			
General & Administrative Expense			
Overhead Expenses			
Accounting			
Bank Charges			
Consultants			
Continuing Education			
Dues & Subscriptions			
Insurance			
Legal			
Miscellaneous			
Nondeductable Expense			
Office Supplies			
Supplies			
Taxes and Fees - Other			
Testing - feed & water			
Travel			
Indirect Expenses			
Depreciation Expense			
Interest Expense			
Property Tax Expense			
	Total Expenses		
Total Net Income (Loss) From Operations			
Other Revenue			
Gains on Asset Sales			
Gain on Sale of Assets			
Total Other Revenue			

TRACK CATTLE ENTERPRISES

Steers

Heifers

Bred Heifers

Fall Calvers

Bulls

Cow Cost

Custom Feeding



What We Do

- Change Detail to What we Want to Track
- Not All Details are Relevant
- What Do we Want the System to Tell Us
- Continually Reassess What we are Tracking
- Make the accounting work for us not taxes



General Ledger Account Activity

1/1/2015 to 12/31/2015

Transaction Date	Transaction Number	Transaction Type	Name
6081 Freight - Livestock			
2014 Calf Crop			
1/21/2015	018633	Expense	Weinberg Trucking
2/2/2015	018691	Expense	Anderson Trucking LLC
2014 Calf Crop Totals			
2015 Fall calvers			
1/14/2015	018657	Expense	Anderson Trucking LLC
2/20/2015	018746	Expense	Weinberg Trucking
2015 Fall calvers Totals			
2013 Heifers			
2/2/2015	018689	Expense	Weinberg Trucking
2/2/2015	018691	Expense	Anderson Trucking LLC
2/20/2015	018744	Expense	Anderson Trucking LLC
2/20/2015	018746	Expense	Weinberg Trucking
3/26/2015	018837	Expense	Pelican Livestock
4/1/2015	018850	Expense	Anderson Trucking LLC
4/1/2015	018857	Expense	Weinberg Trucking
7/6/2015	019058	Expense	Howdy Hildebrand Trucking
2013 Heifers Totals			
9/28/2015	019226	Expense	Weinberg Trucking
11/21/2015	019366	Expense	Anderson Trucking LLC
12/1/2015	003856	General Journal (Cash/Accrua	S Ranch, LLC
12/1/2015	019449	Expense	Anderson Trucking LLC
12/2/2015	EFT-047	Expense	Cardmember Service
12/15/2015	019432	Expense	Schenky, Inc
Totals			
2015 Calf Crop			
12/1/2015	019449	Expense	Anderson Trucking LLC
12/11/2015	EFT-050	Expense	Bode C Scott
12/15/2015	019428	Expense	Cattle Dispatch, Inc.
12/15/2015	019437	Expense	Howdy Hildebrand Trucking
2015 Calf Crop Totals			
Cows			
2/2/2015	018689	Expense	Weinberg Trucking
2/2/2015	018691	Expense	Anderson Trucking LLC
2/20/2015	018744	Expense	Anderson Trucking LLC
2/20/2015	018746	Expense	Weinberg Trucking
4/1/2015	018850	Expense	Anderson Trucking LLC
4/1/2015	018857	Expense	Weinberg Trucking
4/30/2015	018932	Expense	Anderson Trucking LLC
12/1/2015	019449	Expense	Anderson Trucking LLC
12/28/2015	019485	Expense	Anderson Trucking LLC
Cows Totals			
2014 Heifers			
4/6/2015	018867	Expense	Chance Land & Cattle, LLP
4/15/2015	018893	Expense	Anderson Trucking LLC
4/17/2015	018906	Expense	Weinberg Trucking
6/5/2015	019011	Expense	Butch Selph Trucking
6/5/2015	019014	Expense	MC & T Trucking
6/24/2015	019031	Expense	Anderson Trucking LLC

General Ledger Account Activity

1/1/2015 to 12/31/2015

Transaction Date	Transaction Number	Transaction Type	Name	Debits	Credits
6/24/2015	019032	Expense	Weinberg Trucking	854.70	
6/24/2015	019036	Expense	Chance Land & Cattle, LLP	750.00	
9/28/2015	019225	Expense	Butch Selph Trucking	1,628.40	
9/28/2015	019235	Expense	Anderson Trucking LLC	3,400.00	
12/11/2015	EFT-050	Expense	Bode C Scott	343.00	
2014 Heifers Totals				\$17,933.30	
2015 Heifers					
12/2/2015	019380	Expense	Howdy Hildebrand Trucking	300.00	
12/11/2015	EFT-050	Expense	Bode C Scott	4,386.00	
2015 Heifers Totals				\$4,686.00	
2015 Steers					
12/2/2015	019380	Expense	Howdy Hildebrand Trucking	300.00	
12/11/2015	EFT-050	Expense	Bode C Scott	5,489.00	
2015 Steers Totals				\$5,789.00	
2015 Wagyu Calves					
12/11/2015	EFT-050	Expense	Bode C Scott	500.00	
2015 Wagyu Calves Totals				\$500.00	
Bulls					
2/7/2015	000001	Expense	Jay York	500.00	
2/20/2015	018744	Expense	Anderson Trucking LLC	850.00	
3/6/2015	018799	Expense	Schiefelbein Farms	1,900.00	
4/1/2015	018850	Expense	Anderson Trucking LLC	1,350.00	
5/28/2015	018986	Expense	Weinberg Trucking	1,963.09	
6/24/2015	019031	Expense	Anderson Trucking LLC	2,850.00	
7/13/2015	019068	Expense	Anderson Trucking LLC	2,500.00	
12/11/2015	EFT-050	Expense	Bode C Scott	700.00	
Bulls Totals				\$12,613.09	
6081 Freight - Livestock Totals				\$137,230.42	\$644.76

Report Options

Transaction Date: 1/1/2015 to 12/31/2015

Account: Freight - Livestock

Company: S Ranch

Display Notation: No

Financial Structure

Information needs to be actionable and answering important questions

- How much did we make through our operational decisions?
 - Accrual Adjusted Income
- How much can we sell this thing for without losing money?
 - Tracking cost of production
- How much are we really worth?
 - Cleaning up depreciation schedule
 - Book & FMV Balance sheets
- What is making money and what is losing money?
 - Accrual adjusted income statements, allocated by enterprise

If You Remember Anything...

- **LEARN WHAT YOU DON'T KNOW**
- **Find a model of what you want**
 - Get a vision
- **Couldn't do it without an advisory board**
 - Be deliberate on who they are
- **Communicate**
 - HUGE
- **Get the facts**
 - Financial, business, what the owners want



Why Do it?



[video](#)