



Risk Management for Dummies...

The USDA Economic Research Service has several web pages devoted to the subject of risk in agriculture. Here is an overview of some excellent points for discussion: "Risk is an important aspect of the farming business. The uncertainties inherent in weather, yields, prices, Government policies, global markets, and other factors that impact farming can cause wide swings in farm income. Risk management involves choosing among alternatives that reduce financial effects that can result from such uncertainties."



We all understand that managing risk is a critical component to long term success in the Beef Business. And particularly through the last 5 years, we have been shocked at the volatility that has come to define our industry. But when it comes down to defining our personal strategy for risk management, perhaps we get stuck tapping our pencil on the paper with no productive ideas coming to mind... so here are four general types of risk inherent to cattlemen, and some examples that may help get the pencil moving.

- **Production Risk:** so many factors out of our control can effect our end production, particularly weather and drought. 2017 was terribly dry for most folks during the critical tail end of the grazing season when feeder calves should be putting on the profit margin of gain. We heard reports of calves coming in anywhere from 30 to 80 pounds light. That is an enormous production risk, too big to just swallow. Our risk management decision at Open Gate was to wean the calves 6 weeks ahead of our contract delivery date and get them on an aggressive feed plan for gain recovery. Not only did we meet our contracts and cash flow objectives, but we were pleased to observe the genetic potential for excellent gain in our feeder calves. The cows were still able to utilize the dry and mature late summer forages without compromising performance and we all experienced much less anxiety, knowing exactly what the calves were gaining.
- **Price or Market Risk:** this refers to fluctuations in the cost of inputs and uncertainty about the marketing floor for our commodities. The most obvious means of protecting ourselves here, are forward contracts both for what we are selling and what we are buying. Every year we field a lot of phone calls regarding what we think feeder calves should be worth and if a contract offer is a good one: the place to start answering that question is with a carefully calculated break even. If we know exactly what it costs us to run a cow, and exactly what our financial goals are for each marketing event, then we can set a price range for ourselves that is sound and know absolutely when we should accept a contract. Once that decision is made, we just move forward and don't look back. No matter what the bragging is at the coffee shop, if we have met our breakeven and net profit goals then we have managed risk well.
- **Financial Risk:** not too many cattlemen we know are operating without debt. Interest rates, restricted credit availability and the debt to asset ratio of our operation are all components that are better managed regularly and with a clear head rather than when crisis looms. We should strive for a good working relationship with our lenders. This is achieved through open communication about our cash flow and budget, our goals, our challenges, and even our failures. If we seek out a lending partner that is genuinely interested in being part of the ranch team- with advice and guidance and tools to offer for our decision making process- then we can manage financial risk like a boss . . . not like a dummy.
- **Human or Personal Risk:** this is the risk factor associated with being a human or having to work with humans. Personal relationships, accidents, illness, death and divorce all have the capacity to threaten a farm business. How much thought and effort do we put into having stable relationships and good communication with all those involved in our business? Do we take time to really understand the goals and motives of each person? Are we providing sufficient incentive for a committed team? Do we take safety and a sound working environment as seriously as we should? Have we made the time to legalize our wishes about the future of the family business?

These thoughts are just a sliver of the challenges we face in staying competitive at the work we love so much. If this list were to make it to the dash of the feed truck, or the front of the refrigerator, then we all can keep having the kind of conversations that move us in a positive direction.

The Open Gate Crew is excited to present our genetic offering this year! And, in the spirit of risk management, we have tightened it up considerably. Our commitment to attractive, highly functional cattle who keep profit at the front end of a calf crop is more clearly in focus than ever. We have been keeping records of most of your purchase histories with us, so if you would like a copy or want to chat with us about mating decisions or your pedigree base, we would love to hear from you! The family phone numbers are listed below and more data, photos and video will be coming available on the website.

Please accept our warmest greetings and best wishes, and may your hay yards stay full!

2018 BULL SALE OFFERING

LOT #	TATTOO	SIRE	% Simm	Color	Birth Wt.	Adj. WW	ADG	CE EPD	API	TI
1	C952	Hook's Trinity 9T	5/8	Black	100	793	4.32	15.8	154	89.6
2	C857	Hook's Trinity 9T	11/16	Black	86	693	3.43	20	159	81.5
3	C118	Hook's Trinity 9T	9/16	Black	90	710	3.36	16	166	90.3
4	B704	Hook's Trinity 9T	7/8	Black	90	724	3.32	18.6	149	74.9
5	C916	Hook's Trinity 9T	7/8	Black	90	684	3.38	14.7	151	81.6
6	C61	Hook's Trinity 9T	5/8	Black	90	701	3.23	18.7	157	84.2
7	C832	Hook's Trinity 9T	5/8	Black	89	699	4.20	17	133	72.6
8	C948	Hook's Trinity 9T	5/8	Black	88	641	2.72	16.5	161	83.1
9	C858	Hook's Trinity 9T	1/2	Black	98	702	3.78	15	154	85.6
10	C897	Hook's Trinity 9T	3/4	Black	92	670	3.50	16.6	142	77.5
11	C956	Hook's Trinity 9T	3/4	Black	87	762	3.08	16.2	157	83.3
12	B633	Gibbs 0601X RaisinCain	5/8	Black	82	788	3.85	12.9	134	73.6
13	Z991	Gibbs 0601X RaisinCain	3/4	Black	95	726	4.57	11.4	129	72
14	A344	Gibbs 0601X RaisinCain	PB	Black	81	716	3.58	13.9	147	78
15	U693	Gibbs 0601X RaisinCain	PB	Black	84	796	3.74	12.3	146	78
16	A503	Gibbs 0601X RaisinCain	7/8	Black	86	716	3.43	12.2	146	82
17	T286	Gibbs 0601X RaisinCain	3/4	Black	81	732	3.67	10	134	74.8
18	U119	Gibbs 0601X RaisinCain	11/16	Black	85	774	2.46	10.7	146	80.7
19	X298	Gibbs 0601X RaisinCain	3/4	Black	85	538	3.71	13.1	132	69.5
20	Z462	Gibbs 0601X RaisinCain	7/8	Black	90	671	4.00	13.3	132	72.8
21	Z984	Gibbs 0601X RaisinCain	3/4	Black	98	788	4.28	10.8	119	71
22	B46	TJ Cowboy Up 529B	1/2	Black	89	779	4.15	15.4	183	103.7
23	B606	TJ Cowboy Up 529B	9/16	Black	85	729	3.87	17.7	189	102
24	B617	TJ Cowboy Up 529B	5/8	Black	89	621	3.71	17.3	182	95
25	B623	TJ Cowboy Up 529B	5/8	Black	82	700	3.45	16.5	182	100.9
26	B605	TJ Cowboy Up 529B	5/8	Black	101	776	4.02	14.7	171	94.1
27	Z356	TJ Cowboy Up 529B	11/16	Black	86	705	3.34	16.4	167	87.2
28	B647	TJ Cowboy Up 529B	9/16	Black	85	717	3.89	13	165	93.9
29	B019	TJ Cowboy Up 529B	7/8	Black	90	721	3.39	16.1	162	89.8
30	B722	TJ Cowboy Up 529B	5/8	Black	100	786	3.45	12.1	160	96.3
31	T603	TJ Cowboy Up 529B	PB	Black	80	719	3.38	16	159	83.4
32	B685	TJ Cowboy Up 529B	3/4	Black	93	661	4.06	14.8	158	85.4
33	A536	TJ Cowboy Up 529B	7/8	Black	91	788	3.85	13.9	152	94.5
34	B629	TJ Cowboy Up 529B	3/4	Black	92	746	4.06	15.5	146	80.7
35	A329	TJ Cowboy Up 529B	5/8	Black	85	604	3.25	16.6	138	74
36	B714	TJ Cowboy Up 529B	5/8	Black	82	678	3.63	13.6	149	88.1
37	B715	TJ Cowboy Up 529B	3/4	Black	89	713	3.69	14.3	150	85.2
38	B742	TJ Cowboy Up 529B	5/8	Black	101	754	4.51	12.1	152	92.7
39	B745	TJ Cowboy Up 529B	3/4	Black	93	744	3.91	12.1	130	78.2
40	B783	TJ Cowboy Up 529B	5/8	Black	83	678	3.14	15.4	153	90.5
41	W208	TJ Cowboy Up 529B	3/4	Black	84	680	3.06	15.2	145	75.7
42	Z457	TJ Cowboy Up 529B	7/8	Black	85	735	3.82	13.1	156	87.8
43	W816	WS Zenith Z55	13/16	Red	89	709	3.54	11.8	128	68.3

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LOT #	TATTOO	SIRE	% Simm	Color	Birth Wt.	Adj. WW	ADG	CE EPD	API	TI
44	Z959	WS Zenith Z55	PB	Red	80	702	3.74	13.5	138	74.1
45	Y353	CDI Maverick 335B	3/4	Red	92	748	5.11	8.5	110	70
46	W600	Connealy Consensus	1/2	Black	85	713	3.30	12.4	150	76.5
47	C894	Connealy Consensus	3/8	Black	89	708	3.94	13.7	144	80
48	W8681	Connealy Consensus	1/4	Black	81	721	3.52	14	142	79
49	C887	Connealy Consensus	3/8	Black	88	649	3.08	14.1	137	76
50	W851	Connealy Consensus	3/8	Black	84	642	3.14	12.6	136	68
51	X275	Hook's Baltic 17B	PB	Black	86	720	3.91	12.5	153	77.8
52	B638	Hook's Baltic 17B	7/8	Black	105	729	3.76	12.4	161	86.1
53	Z436	Hook's Baltic 17B	PB	Black	81	669	3.28	11.8	157	75.2
54	Y602	Hook's Baltic 17B	PB	Black	86	763	3.83	13.4	155	76.2
55	X273	Hook's Baltic 17B	7/8	Black	88	713	3.89	12	153	80.4
56	A546	Hook's Baltic 17B	9/16	Black	82	740	3.45	13.2	145	78
57	X726	Hook's Baltic 17B	3/4	Black	81	666	2.62	13	144	70.6
58	Z524	Hook's Baltic 17B	3/4	Black	84	662	3.67	11.5	143	75.3
59	Y354	Hook's Baltic 17B	3/4	Black	85	727	3.56	11.4	139	72.6
60	Y306	Hook's Baltic 17B	3/4	Black	97	679	3.47	11.3	138	72.1
61	Y262	Mr Ishee Super Stout 014	PB	Black	85	688	3.76	11.6	135	69.8
62	Z363	Sparrow SVRW909	13/16	Black	86	724	3.25	12.6	148	76
63	S298	Tanker	3/4	Black	94	777	3.89	7.4	112	66.9
64	C901	Yellowstone	3/4	Black	90	743	3.67	14.6	155	86.3
65	C889	RB Tour of Duty 177	3/8	Black	99	691	3.67	14.6	144	78.7
66	B620	RB Tour of Duty 177	7/16	Black	83	692	2.84	15.3	129	73.4
67	Z437	RBS Boise B63	5/8	Black	88	656	3.76	12.7	144	69.6
68	Y914	RBS Boise B63	7/8	Black	83	668	3.60	11.7	142	69.2
69	B785	RBS Boise B63	3/4	Black	89	688	3.50	9.6	135	74.7
70	A543	CM450	PB	Black	89	685	3.89	10.3	124	68
71	C847	KNH Added Value 58W	13/16	Black	93	740	3.72	15.8	146	72.9
72	C862	KNH Added Value 58W	PB	Black	93	770	3.83	16	142	73
73	C864	KNH Added Value 58W	PB	Black	91	717	4.18	16	148	80
74	A289	LRS Unlimited 752A	7/8	Black	88	728	3.98	10.3	132	71.1
75	A430	LRS Unlimited 752A	7/8	Black	83	818	3.96	9.3	138	79
76	T702	LRS Unlimited 752A	3/4	Black	74	671	3.83	11.8	124	65.2
77	X665	LRS Unlimited 752A	3/4	Black	99	753	3.60	8.4	112	64.3
78	A931	Zane OGRZT016	3/4	Black	87	781	3.27	9.9	137	80.4
79	T701	Zane OGRZT016	7/8	Black	96	712	3.82	9.2	116	67.9
80	Z015	Zane OGRZT016	3/4	Black	81	633	3.10	14.2	134	68.9
81	Z503	Zane OGRZT016	5/8	Black	95	714	4.02	9.4	125	74.1
82	R691	BW820	7/8	FALL	93	746	4.96	9.2	145	78.7
83	U799	BW820	PB	FALL	86	720	4.17	6.3	120	77.4
84	W821	BW820	7/8	FALL	91	732	4.02	7.2	108	68.5
85	W854	BW820	7/8	FALL	96	742	4.38	8.5	111	69.7

OPEN GATE RANCH

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NEWS & EVENTS

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March 20, 2018 • Simms, MT

WATCH FOR VIDEOS OF THE BULLS ON OUR WEBSITE WWW.OPENGATERANCH.COM

Ranching can't be about what we've already done.

It's *gotta* be about what we do *tomorrow*.