

CASE STUDY: THE MILTON RANCH

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I. THE VALUE OF PASSION & SKILL IN YOUR BUSINESS

The Milton Ranch became involved with Holistic Management in 1984 after Bill and Dana Milton attended several Holistic Management courses taught by Allan Savory. Shortly thereafter, they engaged Crossroads to help them with the planning that Holistic Management requires.

Despite their hard work setting goals, applying the Testing Guidelines to decision-making processes, and building several new niche-market oriented businesses (Roundup Wools and O-Bar M Meats) the Milton Ranch continued to struggle financially.



Looking East from Headquarters on the Milton Ranch.

Between 1990 and 1996, I had been working with the Miltons to develop and implement an annual Financial Plan. The purpose in doing this type of annual planning is to know, unambiguously, where and how much money is being spent on the various elements of your business, AND to understand which elements of the business are most profitable on a consistent basis. Many people *think* they already know the answers to the questions financial planning raises, but you would be surprised how many of us are somewhat deluded about our spending. Finally, financial planning allows you to *plan your profit* rather than hope you end up with one at the end of the year.

Despite all our planning, great expectations, great products, and a lot of hard work, neither Roundup Wools nor O-Bar M Meats were providing the economic stability or profitability the ranch needed. By 1995, the Milton Ranch divested itself from these two businesses.

In 1997, Bill and I fortuitously attended an Entrepreneur Workshop lead by Ernesto Sirolli. At this workshop, Sirolli talked about what it takes to be an entrepreneur and to build a successful business: First you must have Passion for what you are doing; and second you must have the right combination of skills:

- **Technical** skill is the ability to create a high quality product or service;
- **Marketing** skill is the ability to sell what it is you are producing; and
- **Financial** skill is the ability to understand what it costs to produce your product and to manage cash flow such that you are profitable (income in and expenses out)

If your passion, or one of these three elements of skill is weak or missing, then your business (no matter what you are producing) will not succeed in the long run. Sirolli went on to explain that each person involved in your enterprise must have a passion for the primary task for which he/she is responsible. Furthermore, there is no such thing as a one person business because no single individual can embody the same degree of passion and skill for all the technical, marketing and financial aspects of any one business.

Bill and I quickly realized that the Milton's lacked the necessary passion for financial planning. Dana, for example, had spent hundreds of hours and driven hundreds of miles marketing

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Roundup Wools, but financial planning had been missing from the start. The products the Milton Ranch was producing were excellent, but without strong financial planning and management it is no wonder that O Bar M Meats and Roundup Wools didn't succeed.

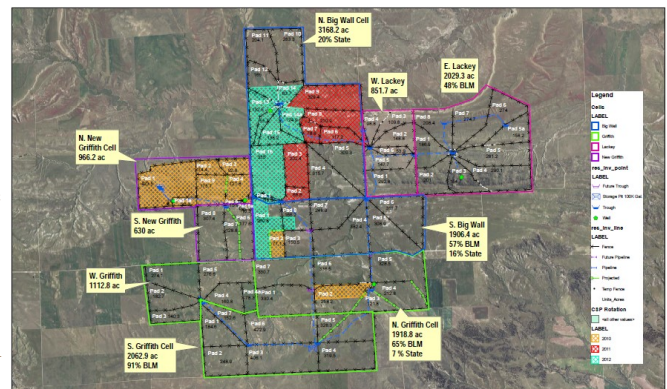
After the Sirolli workshop, I challenged the Milton Ranch team with this question: Are you truly passionate about making the Ranch profitable? Both Bill and Dana felt passionate about *being* profitable, but neither were particularly passionate about *doing* the financial management that is required to actually achieve profitability. Importantly, both also expressed real passion for the products they produce and a desire to use their products to help foster rural community development through local markets.

So, we came to the conclusion that to help turn profitability around, the Miltons needed to find outside financial management guidance. Since I do have a passion for the financial aspects of ranch businesses and since we were already working closely together, Bill and Dana decided to enlist Crossroads as the Milton Ranch's Financial Manager. Now, I oversee the annual creation of the Milton Ranch Financial Plan and make sure we review the Financial Plan on a monthly basis. Dana still pays all their bills, produces the monthly financial reports that allow me to monitor, control and re-plan with the Miltons as needed. These changes and a real honest look at the reasons underlying their lack of profitability have resulted in much profitable growth and change in the Milton Ranch over the past decade.

II. TO BUY OR NOT TO BUY? WALKING THROUGH THE DECISION-MAKING PROCESS

One such opportunity for change came to light in 2003 when Irma Griffith decided to sell the remainder of her ranch. At the time, the Miltons owned the outside edge of the old Griffith Ranch, which they had purchased in 1980, and they retained a right of first refusal on the remainder of the property. The Lackey Unit, another of the Miltons' holdings, is adjacent to the Griffith acreage, but these two holdings were at least a 30 minute drive from Head Quarters on the Adolph Unit (the original Milton Ranch, purchased in 1978). So, the Miltons faced a big decision: purchase the Griffith Ranch and consolidate their holdings or continue on with the status quo.

The hard work that Bill and Dana had put into developing and defining their goals for their lives, land and operation over the past years paid off in this situation. Since they now had a better sense of direction and they were able, with the help of a well-rounded management team, to walk through a clear-cut decision-making process with regard to the sale of the Griffith Ranch.



Current holdings on the Milton Ranch (after purchase of the Griffith property).

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To better understand all the elements that influenced the decision to purchase the Griffith Property, we first need to take a look at the defining elements of the Miltons' vision and operation as they were at that time:

I. The Whole Under Management

People: Bill and Dana Milton, Max Milton (Bill's brother who owns approximately 25% of the ranch lived 200 miles away), and Rick Brosz (Part time employee who traded rent for work).

Financial:

Assets: In 2004, the ranch entered its 7th year of drought and livestock herd was further reduced to 60 cows & calves (late May – June calving) and 57 bred heifers. In addition the Ranch owned:

- * Very old equipment and vehicles with high miles
- * Various buildings all needing maintenance and repair
- * The ranch was cross-fenced into 60 plus pastures and well watered.

Bill was providing a facilitation/mediation service to ranches, non-profits, and family businesses in the state of Montana spending approximately 50% of his time off the ranch and Dana was employed full-time in Roundup, MT as Program Director for the Mussellshell Victim Witness Protection Program.

Liabilities: With the stock reduction due to on going drought, all livestock sales were used to reduce debts. By the end of 2004, the Milton Ranch only owed \$51,000 with only two payments left on their land loan.

Resource Base: 7,630 deeded acres (mostly short grass prairie and some improved pasture); 6,790 leased acres from BLM and State; and Swimming Woman (a private Mountain grass lease that provides approximately 1000 AUM's of grazing June - September).

II. Milton Ranch Holisticgoal

Quality of life: To care for and be cared for without fear and anxiety. To be part of intentional circles of people exploring ways to create better outcomes for everyone. To support myself, family, and community through a healthy and productive relationship with place. To see the next flower; to hear the next bird. Seven hours a sleep at night. Fresh bread. Enough time with family. Moving fat cows on to fresh feed.

Outcome of Production: Increasing understanding for myself and the teams I work with. More trusting and supportive relationships with family, friends, and partners. A low input 350 cow herd producing 200 plus bulls-eye carcasses for CNB. A wonderfully productive garden. Ranch powered by renewable energy. Profit from Livestock and any other enterprise we engage in. Financial capacity to self-finance. A stable and useful facilitation business. A growing investment portfolio. A growing guest business with repeat clients. Ranch tied into a regional horse and foot trail system. A million dollar local community endowment.

Future Resource Base and Landscape: Grasslands with more litter, more diverse plants, increasing organic matter, and more leaves to harvest the sun's energy. Stable water table. Little or no soil erosion. Invasive weeds controlled or well managed (eaten). Habitat that optimizes local wildlife populations. A simple and well maintained fence and water infrastructure. A comfortable and energy efficient home with enough space for visiting family and guests.

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APPLYING THE TESTING GUIDELINES

The news that the Griffith Ranch was for sale came in 2003, but the price was high and the Miltons decided to sit on their right of first refusal to see if anyone made an offer. None came and in 2004 Irma Griffith reduced the price. That year also brought to an end the recent seven-year drought. Now, with 7+ inches of rain reinvigorating their parched grasslands and offers starting to roll in on the Griffith place, the Miltons needed to make some big decisions. The following are the list of options Bill and Dana presented to their management team to consider through the filter of Holistic Management's Testing Guidelines:

1. *The Milton Partnership purchases outright the Griffith's southerly 160 acres and acquires the adjacent BLM lands retaining the right of first refusal on all remaining lands until they are sold.*
2. *The Milton Partnership creates an option to purchase the balance of Griffith's 2,755 acres with the remaining associated BLM lands and state leases at a negotiated price, then finds a conservation buyer for the Griffith property and leases back the grazing rights. The option agreement would run for a certain period of months with an ending date by which the option must be exercised.*
3. *Sell the Lackey-Griffith Units with an easement. Lease out the Adolph Unit and Bill pursues his facilitation business full time.*
4. *Custom graze (take in outside cattle).*
5. *Rebuild the current livestock enterprise focusing on selling commodity yearlings and cull cattle now that the drought has lifted.*
6. *Rebuild the current livestock enterprise targeting high end natural meat markets.*
7. *Rebuild the current livestock enterprise targeting high end natural meat markets while developing a grass finished direct market meat enterprise with two year old heifers and carry over steers as market expands.*
8. *Pursue a mix of the above, while moving toward direct marketing of all livestock produced on the ranch*
9. *Follow Morgan (son) around the world, playing golf with Cameron (son) in between trips, and hanging out with grandkids.*

As part of the management team, I thought this was a pretty comprehensive list of options, but there was one missing that I added to the mix:

10. *Purchase the entire Griffith Ranch as listed and sell the Adolph Unit (where Bill and Dana currently were living).*

The swap would be about equal in regards to acres, production and overall value and the purchase would allow the Miltons to amalgamate the ranch into a single unit. The Griffith Ranch Headquarters had two homes on it, Bill and Dana could live in one, and use the second home for guests and family.

But how do you test so many options? This is where the Testing Guidelines come into play. We started by eliminated any options that obviously did not move the Miltons toward their Holisticgoal: #3 and #9. Bill realized that working on the Ranch part-time allowed him to maintain a sense of balance in his life and both Bill and Dana recognized that while following their sons would be fun, it would not actually move them toward their goal.

THE TESTING GUIDELINES

Holistic Management's Testing Guidelines help decision-makers ensure that their decisions are economically, ecologically, and socially sound relative to the Holistic goal under which they are acting. There are 7 testing guidelines (see [Holistic Management: A New Framework for Decision Making](#) (1999) by Allan Savory and Jodi Butterfield for more detail):

1. **Cause & Effect**—*does this action address the root cause of the problem?*
2. **Weak Link**—
Social: Have we considered and addressed any confusion, anger, or opposition this action could create with people whose support we need in the near or distant future?
Biological: Does this action address the weakest link in the life cycle of this organism?
Financial: Does this action strengthen the weakest link in the chain of production?
3. **Marginal Reaction**—*Which action provides the greatest return, in terms of our holistic goal, for the time and money spent?*
4. **Gross Profit Analysis**—*Which enterprises contribute the most to covering the fixed costs (or overhead) of the business?*
5. **Energy / Money Source and Use**—*Is the energy or money to be used in this action derived from the most appropriate source in terms of our holistic goal? Will the way the energy or money is used lead toward our holistic goal?*
6. **Sustainability**—*If we take this action, will it lead toward or away from the future resource base described in our holistic goal?*
7. **Society and Culture**—*Considering all the questions and our holistic goal, how do we feel about this action now?*

Next, we took a look at the Milton Ranch's **weakest link**: finances and profitability.

Regardless of whether Bill and Dana decided to purchase the Griffith property, the purchase would not strengthen their financial situation. The Griffith Ranch had not been grazed in three years so purchasing the property would theoretically only emphasize the problem of too much feed and too few animals. So the question became, what kind of livestock operation would the Milton Ranch need to create in order to become profitable?

Using the **gross profit analysis**, we narrowed down the options further. We were able to cross off numbers 4 and 5 from the list. Custom grazing didn't make sense because it turned out the ranch couldn't take in enough outside cattle on a sustainable basis to cover the overhead expenses. To point number 5, none of the Milton family were very passionate about raising commodity beef and our analysis showed that if the ranch could run 275 cows and carry the calves as yearlings then it would make a minimal profit, but one that would disappear with the slightest dip in the market or another drought. So, commodity production didn't make sense either.

Options 6, 7 and 8 in which the ranch raised livestock for a designated or niche market held more promise, at least in the long run. On the front end, the Miltons would have to invest more in higher quality bred cows and begin to cultivate a herd adapted to Milton Ranch environment

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and operation (late spring calving and low supplementation to keep down costs). Over the first few years, the ranch would experience a negative cash flow, but the gross profit analysis demonstrated that it could meet its profitability benchmark within 5 years. In the meantime, they would need to also focus on building up their forage base and aligning themselves with someone (such as Coleman Meats, Niman Meats or Country Natural Beef) who had good market recognition and a strong marketing program (again, this was because marketing was not what Bill and Dana are passionate about).

With a solid livestock business plan lined out, we went back to the drawing board to reconsider the purchase of the Griffith Ranch. From a **cause and effect** perspective, purchasing the ranch neither addressed any problems nor created any new ones. From a **money and energy** standpoint, if the Miltons purchased the property, they would live much closer to their livestock, Bill would not have to drive an hour roundtrip every day to check animals and water, and Bill would be able to spend more time on foot, which is something he loves. Financially, as long as they could sell their existing ranch for about the same amount as the asking price for the Griffith, then the Miltons would not be adding any significant debt to their operation.

With that in mind, we asked ourselves about **sustainability**: would this purchase help generate lasting wealth (both financially and in terms of quality of life)? All in all, the management team felt that a single, contiguous property would be easier to manage and that there were no negative social or environmental consequences to purchasing the Griffith property. Although Bill and Dana would have to give up some of the ecological improvements they had made on the original property (the Adolph Unit), they would have an opportunity to steward some unique ecological and geological features on the Griffith place. Furthermore, the idea of purchasing the Griffith Ranch renewed a desire to create a recreation program and contribute to the **social and cultural** well-being of the community.

Ultimately, our highest priority needed to be focusing energy on the weakest link and therefore acquiring enough cattle to ensure the profitability of the operation. However, this was also a once in a lifetime opportunity for the Miltons and it held a lot of promise to help them fulfill their Holisticgoal from many different angles. The team decided to make an offer to Irma Griffith, and in 2004 they bought the new ranch.



Main house on the Griffith Ranch before Bill and Dana fixed it up.



Main house on the Griffith Ranch in 2006 after renovations.

III. CONCLUSION

In 2006 the Miltons joined Country Natural Beef and sent their first load of yearlings to Oregon for slaughter. Bill and Dana love the camaraderie and creative thinking this group represents. Each producer is required to spend 3 days meeting and visiting with customers as part of the a collective marketing plan that aims to connect producers and consumers on a personal level.



Bill (center) and Dana (right) representing Country Natural Beef at a Whole Foods Store in Redwood City, CA. Sharing these duties are Becky (left) and Jack (front center) Hyde.

In 2005, the ranch applied to participate in Grasslands Reserve Program (GRP) and it closed the deal in March 2006. The GRP program placed a conservation easement on 4,247 acres. Although the easement puts restrictions on particular land uses, it fell in line with the Miltons' Holisticgoal. They had no intension of plowing, farming, or in cultivating these acres of native rangeland. The money received from this program allowed the Milton ranch to cash flow all of last year and to remodel their one hundred year old home.

I asked Bill and Dana to share their thoughts on whether buying the Griffith Ranch was the right decision. Here is what they had to say:

DANA: When I married Bill (33 years ago), my dream was to raise my family in the country with trees, trout in the front yard, elk in the backyard, a huge garden and a wild landscape. Although the Adolph headquarters didn't have the trees, elk or the trout, I was able to have a garden and once I left the headquarters, parts of the landscape were wild. Initially, I was very involved with the ranch. While raising our children I ran the day shed at lambing, sometimes did the night drop and was engaged in the planning. As the children grew I pursued Roundup Wools, went to college and received a degree in Psychology and received grant funding to develop and staff the Victim Assistance Program. Over the years, because of my schedule and the distance from the Adolph to Griffith or Lackey, there were blocks of months that I never saw that side of the ranch. I would get in the car; drive the highway to town to work, and drive home. I admit that I became very disconnected from the land and the business. When Roland suggested that I look at the Griffith Headquarters I guess I had never considered that I might have the option to move. I remember my first impression as I drove over to see the headquarters. I stopped my vehicle and looked at the vista that would possibly be ours. From ridgeline to ridgeline the large bowl in front of me would be ours to protect. Every time I got in a vehicle I would see our ranch.

When I drove up to the headquarters, it appeared unkempt and unloved with the grass and weeds taking over, a large portion of the tree's in the once elaborate shelter belt had died,

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one of the two ancient Spruce tree's in the front yard had died, but to me, it was absolutely beautiful. No highway, no wind, no people, and incredible wildness. The electric and phone lines ended at this headquarters, there was no mail delivery, and it was fifteen miles of dirt road to town. Hidden in the weeds I could see the old vegetable garden, flower beds and care that had once been given to this landscape. There was no question in my mind that this was where I wanted to live.

I could write a book on my experiences, but suffice it to say that I couldn't be happier with our decision. Timing is not by chance and I guess it was finally time for me to realize my dreams as a young woman. Interestingly my job with the county ended (small town politics) and I have been able to devote a full time effort to resurrecting this headquarters that at one time was incredibly productive. I may not have trout and elk, but I have resident Great Horned Owls (picture on right), a bower of vegetables and flowers, 2 hundred-year-old apple tree's, a sanctuary for wildlife, and one of the most beautiful landscapes in the world. Life is good.

BILL: Our decision changed for the family two very important concerns: one, a deep motivation to better understand our purpose, and two, a remarkable expression of new energy. Despite struggling with some physical problems, my wife Dana, is happy and more focused than ever. With that happiness and focus comes a great garden, a passionate commitment to home and place, willingness to plan with me and our team for real long-term financial profit, and an abiding need to simply care. And although not living on the ranch, our children and our large and very close extended family, see the ranch as a grounding place – a place to come back to where you can care and be cared for with unconditional support.

The amalgamated ranch has moved us to hire another young family equally committed to place and work. We have always realized that our family business is simply too vulnerable to only rely on the energy and availability of Dana and myself. This decision compels us to take even more seriously the need for sufficient financial return to ensure that the needs of both families are met. With added help and less time traveling to where we work, the ranch is investing more planning and effort to managing our grass to increase our stocking rate while improving the ecological health and resilience for our landscape to meet our production needs.

There is much more to be done and our future is certainly not risk free. Our strength lies in a team high in trust, creativity, and a willingness to tackle the most important things. We are committed and accountable to generating the ongoing results that will support our business, our family, and the larger community that co-dependently arise together.

CLOSING THOUGHTS:

The most important lesson I took from this process is not to be afraid to ask the out of the box questions. Had I not suggested the Miltons consider purchasing the Griffith Ranch, I believe they would not have bought the property. Part of my job is to ask the tough questions. Bill will tell you that he doesn't always like or appreciate my questions, but the dialogue that occurs as a result usually facilitates growth and change in good directions.

As Chief Financial Officer to the Milton Ranch it is also my job to demand financial accountability. I cannot make them do something they don't want to do, but it is my responsibility to make sure the team understands and considers the financial consequences of any decision. The Miltons have taught me much over the years. I am grateful for their friendship and the professional relationship we have and I look forward to carrying on together.