

## **Author - Jim Babcock**

*Jim Babcock is originally from southwestern Ontario but now resides at his Babcock Ranch with two divisions in Texas: the Performance Division in Gainesville, and the Breeding Division in Valley View. Owner of the now \$9,000,000 sire, Smart Chic Olena, Babcock has created an empire in the horse industry through hard work, an impressive stallion roster and carefully executed breeding programs.*

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After being in the horse business for 40 years, I believe there are a tremendous amount of normal mistakes that occur in the horse business on a very regular basis. What I try to do is point out to people where these normal mistakes are made.

I will briefly describe each of these common mistakes and I will elaborate how to avoid them and instead do it correctly, further on in this essay. The common mistakes that frequently prevent people from being successful with their individual equine enterprises include:

1. A Business Without a Plan – I've found that most people get into horses for the love and passion of the horse, plus the lifestyle that comes with them. Many people approach the idea with a light-hearted, hobby-orientated attitude. After those people have reached a dollar amount of investment, they then call their horses a "business." Essentially, the development has become a business without a business plan.

2. Emotion Rules All – Because many people approach their horses as a hobby, unfortunately many don't bring their business sense with them to this aspect of their lives. I've witnessed it many times. They throw away all the rules that made them successful in another business, when it comes to their horses – and they wonder why they don't have success in the horse

industry. They don't follow their own business principles.

3. Incorrect Management & Disorganization – Management and great organizational skills are musts for being successful with horses. This means maintaining excellent documentation, accounting, etc. To be successful in any business you have to get a picture of what the business is about in your head.

4. Minimal Business Efficiency – Too often people have the opportunity to maximize their business potential, but they don't take the chance to do so. Strive to give yourself as many advantages as you can, in as many areas as possible. This concept goes hand-in-hand with building the right kind of facility to meet your needs, having the right kind of equipment to get the job done, acquiring the correct genetics for your animals and acquiring a trainer and staff who instill confidence in you because they know the horse business very well.

5. Poor Marketing – So many people miss opportunities to promote their horse businesses. Promotion and marketing turns into success. Don't let short-term costs of advertising and marketing prevent you from long-term success.

Doing it Right - Business with a Plan

Set goals. This is first and foremost the most important part of putting together a business plan. Set realistic goals for your operation. Give yourself timelines as to when you will accomplish your goals. Develop stepping-stone objectives that will help you lead into the next goal and ultimately, to your superior objective.

Decide what event/discipline you would like your horse business to excel in. If you would like to exceed in more than one event, be sure to choose disciplines that compliment each other and are related. For example reining, cutting and cow horse mix well together. Each of these events may require slightly different arena ground, however they compliment each other better than some combinations of disciplines do.

Include in your business plan what kind of horses you want to raise and be around. Build your program to suit. Once you have chosen the event(s) you are interested in, do a little homework via the internet, magazines or actual participation in horse shows. Discover what pops up at you commonly. If you're thinking a particular brand of horses, read stats, determine what bloodlines are most effective for the event(s) you're most interested in.

So once you've got a good working knowledge regarding bloodlines, find a trainer who is capable of doing those events. From there, you should have a good idea of what questions to ask your trainer as to what his/her capabilities are. When you expose your goals to the trainer – for example, perhaps you desire a world-class operation – you should be able to ask that trainer if he or she is capable of going to those events.

### Doing it Right - Let Logic Rule

If you have made the decision to be successful in your horse business, you have chosen to be logical with your decisions. This means many things, but overall your heart-strings cannot be included as decision making factors.

Secondly, since you have decided to approach your equine enterprise as a business, you must maintain the quarter-back position in your decision making process. This means, if you've earned the money to be in the horse business, you can't turn your chequebook over to someone else who hasn't earned it. Often you see people give money to individuals who aren't successful in their own horse businesses. It comes down to making decisions.

### Doing it Right - Have Great Management & Organization

At Babcock Ranch, we have 2.5 people working full time in Administration. They ensure we stay on top of all the medical procedures, breedings, vaccinations, billings, information for AQHA, transfers, accounting, etc. With so many horses (800-900 at any one time) between the 2 ranches, we use computer software to keep track of everything. Documentation and proper accounting paperwork is essential for an operation of this size.

### Doing it Right - Maximize Efficiency

Consider the example of a convenience store: The people who own it have acquired a lot, built a building on that lot, added gas pumps, put a small grocery store inside and a laundry mat on the backside. This business is run 24 hours a day, 7 days a week. With one small lot of ground, the owners of the convenience store have made it as efficient as possible. They have maximized the earning potential of every square inch of that lot. That's what we need to do in the horse business. Maximize your investment of money in horses, by maximizing the use of the genetics you have. Eventually, if you follow your business plan, this should provide you with the income you're looking for.

At Babcock Ranch, we maximize our breeding efficiency in every way possible. We are very fortunate with today's technology – and in conjunction with lessons learned from major companies – we can extend our breeding programs in many different ways. These include:

A) Increasing a mare's reproductive rate. We can take a mare that traditionally, is having 1 foal (for some ranches) only every other year. What we can do now is breed her to have 1-3 foals in any given year through the use of Embryo Transfer (ET). A high quality donor mare, which is often expensive, can also be saved the trouble of having to go through the pregnancy. Therefore, we have increased that mare's earning potential by allowing her to be an ET donor

mare, which in turn increases the potential of our income.

B) Enabling older or younger mares to produce foals. Again through the use of ET, we can take old mares that have health issues and would not possibly sustain a pregnancy full term and produce foals from them. We can maintain those genetics. Plus in another respect, we can take genetics from younger mares that have not finished their show records. We can harvest embryos from them without interrupting their training programs. We can campaign those younger mares for show record while at the same time, advancing them as broodmares. Almost simultaneously, we can prove that: A) she can become pregnant; B) she can have a foal; and C) she produces healthy foals. All of these aspects help to establish a mare's value.

C) Increasing a stallion's breeding potential. With today's technology, Artificial Insemination (AI) has allowed breeders to generate a much larger income because it allows us to breed several more mares than one stallion could naturally breed. And in locations miles away from the breeding farm. We can even extend that by freezing semen and have 2 breeding seasons per year, instead of 1. This means, having 1 season in the spring to breed mares and in another in the fall of that same year, to bank frozen semen. Doing so can even replace insurance on a stallion, helping you cut costs. Frozen semen furthermore gives breeders the ability to continue breeding, even if the stallion incurs some kind of sickness or injury. No mares have to be sent home or skip breeding cycles because the frozen semen is right there waiting.

In the past, acquiring a stud was like lighting a candle. We started breeding the stallion at age 4 or 5 and we lit the candle. We knew we would be lucky if the candle was still lit when the horse was 20. Also, our expenses of training, showing and marketing that animal had to be divided into the number of years we were fortunate enough to stand him at stud. With today's technology of frozen semen, we can extend that horse's life from 5-20 years, to potentially 50 or more years. With that kind of a business plan, we can spend more money developing the stallion's name and his fan club, because we're going to spread it over more years of viability. Currently, Smart Chic Olena has in excess of \$30 million dollars in frozen semen. And at today's calculations, it's likely going to increase – probably 10-fold. Plus, we're on the verge of an even newer technology that allows me to take 1 straw and split it, so I only have to use 1 sperm and 1 egg to produce a horse. That technology is here today, but not at a commercial level.

Another important benefit of frozen semen is the fact that I don't have to buy an insurance premium for my stallions. I believe that buying an insurance policy means betting against yourself, that your horse is going to die. Since I have a full-time vet who manages the health care of my horses and I have 40 years of experience in business to help me determine how to properly feed, care for and manage my horses, I have a lot of safety factors installed in my business to protect my animals. The savings in your overhead is astronomical if you have nice horses and lots of them, and you can get away without insurance. For me, it's a multiple policy and it would cost me \$350,000 year just to insure my studs. And, that isn't even full coverage.

So for me, an insurance premium isn't a good idea – to spend that kind of money to bet against myself. Once I started freezing semen, I reduced that part of my overhead tremendously, which allowed me to have more of a cash flow. This in turn, I use to promote my horses and increase my sales.

### Doing it Right - Great Marketing & Promotion

I think showing is important because it displays your horses and gets them out in front of the public. Trucks and trailers lettered up with your ranch name is another great advertising opportunity. At shows, you often see white trucks and trailers with no identification as to who is driving them. Those people are missing a great opportunity for a traveling billboard: one that keeps your name or your stud's name on everyone's mind. You put a sign out in front of your ranch – your trailer is your mobile ranch, why not ID it as such? Secondly, keeping your truck and trailer clean and neat creates a great first impression of your ranch. It demonstrates your professionalism to other people.

Advertisements in key publications are also crucial. Maintain a style that again, reflects your professionalism. Use good quality pictures of your horses. At Babcock Ranch we make use of radio and TV. And even smaller breeders can take advantage of these types of marketing. There's certainly many different opportunities to buy time on TV. It all depends on how successful you want to be – how big is your business plan?

This past year, we were a corporate sponsor of Clinton Anderson's. We have a commercial that started on December 11 and will run 4 times a week, all year long on RFD-TV. We've also had TV time with the Discovery channel (Dirty Jobs), we were featured on Rick Lamb on radio and TV. And throughout it all, we try to maintain the quality of our stallions, the ranch and the brand. Our brand is synonymous with quality and that is the first thing on a person's mind when they're thinking about doing horse business.

The Babcock brand is closely associated to the appearance of the Chevy bow tie, or the Indian design that you will find all through southwest. We wanted to select a brand that was easily identifiable. The selection of colors you'll find around Babcock Ranch also have a lot to do with our marketing. Since we are in the southwest, we use southwest colors; burnt red, turquoise and earth tones. And we employ the brand on our horses, equipment, saddles, bridles, clothing for employees and stall decorations.

A brand has a tremendous amount of relativity to the success of your program. Create a fan club that makes people want to have it, by association of a club. We're searching the market to come up with unique stuff so it makes people excited to wear the Babcock brand. We're looking for trendy wear, this includes horse equipment, hats, shirts, jackets, caps – you name it.

Internet marketing is also very important to Babcock Ranch. The formation of a very good site is key to Babcock Ranch success. In 1998, my son C.T. Babcock, drew me kicking and screaming into the world of the web. He created our first website and from it, we acquired one of our early, best customers. This fellow was the head internet explorer for Microsoft. He became a great customer and a good friend and that would not have happened without the use of the web. Since then, I have been convinced – without a doubt – that a high quality web page such as we currently have, can generate a large percentage of your horse business income. I believe our website to be as factual and as informative as any online website for horses. It's interesting because we get a tremendous amount of hits that include young children. It's a great feeling when those kids come to my ranch and they know as much, or more, about my horses than I do.