

So you want to be a breeder?

Good ideas are a start. A business plan is a must

By LAURA SANDS

Montana cattle producer Warren Levang admits it—he just can't leave well enough alone.

"We update our vehicles, computers and use of biological types of cattle," he says. "We were long overdue to create a new and updated breed to meet the demands and changes of the 21st century."

So Levang, who is part salesman, part dreamer and mad scientist, set out to do just that, developing the Black Maximizer breed in the early 1990s. Today the breed is producing thousands of calves a year, and Levang, after investing years of his life and some \$300,000 of his own money, is starting to reap the rewards. Sales projections for 1999 calves and semen will top \$500,000.

Developing your own breed takes more than just nerve. It also takes a business plan. Most new businesses will fail. And the reason, say business experts, is because they were not well thought out or well capitalized.

Levang developed a solid business plan and stuck to it. He got advice from skeptics on the financial and genetic end. "That balance was really important," he says. "I tend to get too enthusiastic."

Levang's first big hurdles were to get enough cow numbers to keep perfecting his product, funding research, collecting the data to back his claims and maintaining operating capital until he was ready to start selling his product. All that takes cold hard cash.

So Levang operated on the cheap when he could, using his own sweat equity, making calf-share agreements with other producers and subcontracting for services to keep labor needs and overhead low. But his strategy also included getting money from other investors, which have ranged from professional

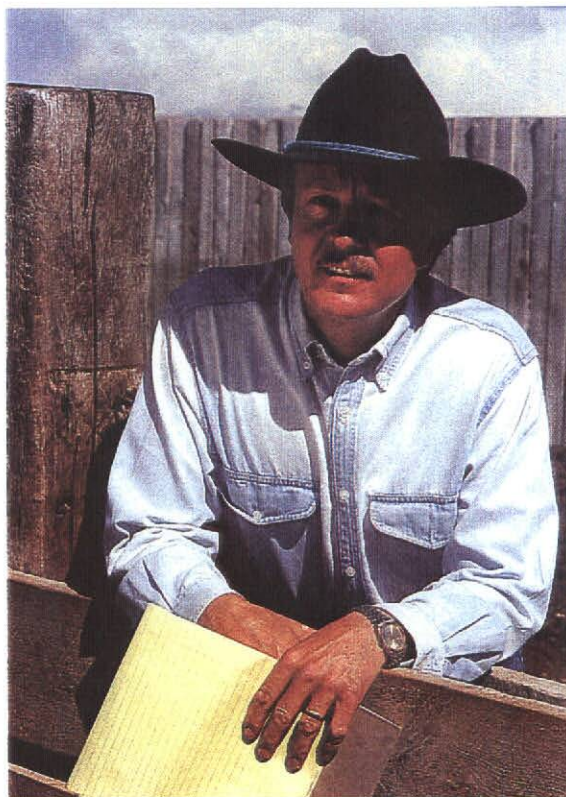


PHOTO: ADAM JAHIEL

IT TOOK WARREN LEVANG eight years of hard work before his new breed started paying off. "I could have sold all the cattle and gotten my investment back and more," he says. "But I wanted to see it through."

athletes to local business people familiar with Levang's cattle.

He also viewed his cow-calf and breeder customers as "early investors." Using what he calls his "opposite pricing concept," he has kept his prices low for early buyers, encouraging sales. "When other breeds were introduced, they had astronomical prices for early cattle," he notes. When supply increased and prices dropped, early investors often found their cattle lost value.

"I am trying to reward ground-floor investors, who I highly appreciate, so they will be rewarded as demand increases," he notes.

Levang also treats this group as his marketing arm. Word of mouth has been critical to his growth, and if buyers are referred to him, he always pays a percentage to the initial contact. Conversely, Levang also will sell some \$60,000 worth of cattle for his early customers this year because his own supply won't meet demand.

It does help to be a salesman at heart, he admits. "I have been told that I make other breeders look shy," he says. "But I think honesty and enthusiasm about your product makes a difference."

This year, after eight years working on Black Maximizer, Levang's business is in the black. "It's almost a shock to look at the accounts receivable," he says. But no one should underestimate what it takes to start from scratch.

Levang did have a good banker and income from other investments such as real estate. But, he says, he should have had more money in savings than he did, especially since the cash needs of the business coincided with children entering college. And, he notes, the family's income is also helped by a working wife. "This was a family affair," he adds. "Everyone helped."

Capital needs aside, you still have to have a product to sell. As Levang perfected and developed the Black Maximizer, he wasn't afraid to copy from the most efficient meat industry—poultry. In a sense, Levang tried to apply the efficiencies of that industry to his cattle. His goal is to make a product that has identifiable value for all segments of the meat industry—cow-calf producer to packer.

He also initiated independent third-party testing and feedlot analysis, which has helped him build credibility. Though he initially did the testing as a way to contract out jobs he didn't have time to do himself, Levang realized that the tests also have value to any skeptical buyers. "That paid off more than I realized at first," he says. "They don't have to take my word for it."

Partly as a result of that data, the foundation herd for Black Maximizer had almost immediate value. Levang could have sold "the business" for several million dollars to investors who wanted all the bulls. But one could say that the naturally enthusiastic Levang is having too much fun to sell.

"It really would have been the easy way out," he says. "But I really wanted to build a breed. I want to see where it will take us." ◀