

Featured Farmer: Lani and Bill Petrie, Glen Krebs Kapapala Ranch, Ka'u, Hawai'i

Lani Petrie

Kapapala Ranch was established in 1860 in the district of Ka'u on the Big Island and has operated, continuously, for the past 152 years. The first lease was signed by King Kamehameha the IV granting grazing rights to William Reed and Charles Richardson. Later, Reed's step-son, Willy Shipman, became a partner. They ran the ranch until 1877, when it sold to Charles Bishop, whose tenure lasted only six months.

Charles Brewer (C. Brewer) became the new owner and the operation was run for 99 consecutive years under C. Brewer. Brewer was building the sugar mill at Pahala in 1877, and saw the need for meat and the necessary food staples to support a community. The Ranch supplied fresh meat, milk, butter, eggs and vegetables to an ever growing community. The Ranch also raised horses, mules, and oxen to provide transportation of goods to market, men and supplies to the fields, and visitors to the summits of Mauna Loa and Kilauea. Honuapo, the bay north of Naalehu, was a place where ships docked letting off visitors, naturalist, historians, etc. Kapapala Ranch became a stopping point for guests as a half-way point between Honuapo and Kilauea. It is said, during that era, no one was ever turned away and the Ranch fed and boarded travelers passing through the district.

The turn of the century saw great expansion of the Plantation. Chinese immigrants were brought in for developing the extensive water system that would flume cane to the mill. That same water development would insure the Ranch a steady supply of water. That same water still, today, provides ample water to livestock. Times change, and after World War II, the internal combustion engine allowed the Plantation to seek land further from the Mill than it had ever been able to do before.

Although C. Brewer owned the Plantation and the Ranch, competition for land became fierce between managers. Sugar was king and the ranch lost thousands of acres of production which ultimately drove its production costs into the "red zone." By the late 1960's Kapapala Ranch was in poor repair and Brewer was looking to sell it by the early 70's.

In 1975, Parker Ranch purchased all of Brewer's ranch holdings by purchasing the three ranches' that comprised Hawaiian Ranch; Kapapala, Keauhou, and Kalualu. Parker was in need of cattle for its feed yard and slaughter house on Oahu. It did not take Parker long to real-



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My Dad and Mom, Gordon and Jon Cran at the ranch entrance.

ize that their cost of production in Ka'u was untenable and the first parcel for sale was Kapapala Ranch.

My father, Gordon Cran, had worked as a hired man on ranches his entire life and at age 50 Richard Smart, owner of Parker Ranch, offered Kapapala to him for purchase. Gordon had worked at Kapapala from 1950 to 1954 as the foreman, and had a good knowledge of the land. Cran and his family have worked the Ranch from 1977 to 2012 and will celebrate 35 years of operation this coming July.

Today, the Ranch operates on 34,000 acres of State leasehold land. The north end borders with Hawaii Volcano National Park, The State Forest Reserves are mauka and west of the boundary, Highway 11 is the east boundary and a short piece of State land lies to the South just above Pahala. The land is lava

mostly from Mauna Loa eruptions, but there are pockets of soil from dust eruptions from Halema'uma'u. Approximately 15% of the total acreage has soil, or moisture retaining capabilities which we manage intensely. The remaining 85% is run as an extensive "open range" operation

We are predominately a cattle (cow-calf) operation, meaning we do not raise animals past weaning. The calves are weaned within 7 to 8 months of age and sold to commodity buyers. We also raise meat goats. Their primary purpose is for brush control. We sell the males for meat which helps pay for the brush clearing that they do.

The Ranch operates with 5 full-time employees and 3 to 5 part-time employees. Since my Dad's passing in 2007, Mom and I remain partners in the ownership of the Ranch. Family is vital to our sustainability, and my husband, Bill, is irreplaceable and so are the three immediate families that participate in the operation day to day.

Production Strategy

In our operation, CASHFLOW is king. Production decisions are all built around 12 month per year cash flow requirements. We can drain our bank account down for awhile, but not for very long, therefore we have managed the operation for a calf crop that brings us income in November, December, and January and a second calf crop that brings us income in June, July, and August. The goats and the cattle in the "open range" country provide interim income through-



out the year.

Knowing our production cost is paramount to us, not only staying in business, but being profitable. These past several years have been challenging with the ever rising fuel and energy costs, but if you treat profit as another expense account you are always managing for it. We take the real value of the business and attempt a 3% to 5% return on our investment as a minimum, but strive for two digit returns.

Fixed Costs, in ranching, are 80 to 90 percent of Total Costs. We constantly strive to manage our costs by maximizing Units of Output. Example: If you have \$100,000 of fixed cost and you are selling 100,000 pounds of product, your production cost is \$1 per pound. If you can sell 200,000 pounds of product with the same \$100,000 of fixed cost your resulting production cost is now \$0.50. A slight exaggeration, but the point is the same. Since 2008, most businesses have come through some exhausting experiences. Although the market has improved, we are striving to get our production cost down low enough to survive another down turn like we just went through.

We are not currently marketing “added value” products, but Bill and I have collectively 30 years experience in that arena. Food Safety issues have taken all but the big players out of the game. In the US today, three meat processors slaughter 80% of the entire meat supply in our country. USDA’s food safety can be overcome by smaller processors, but we must remember that “added value” has “added costs.” To be successful, it is important to know your costs. We apply the same rule of maximizing Units of Output to decrease the cost of production.

The cattle are the prime source of income and productivity, but our goat operation targets brush management through biological control. We manage the goats intensely where we have the ability to get a return on our investment. The better areas of the ranch that are being encroached with invasive plants get our utmost attention with the goat herd. We estimate a 30% kill on guava within 1 to 3 years of grazing and are still trying to find tangible ways to measure their performance. The latest idea is measuring how much more sunlight reaches the ground. So maybe 30% died, but with the stress to the remaining plants, we have a 75% increase in sunlight to the ground.

Marketing Strategy

I feel that fuel and energy costs are driving our industry to a new level of “what is the bottom line”. We need to know what we can raise on the grass we produce. Shipping live animals to other market places seems to be running out of perpetual steam. Currently, the Hawaiian Cattle Industry can export live animals to the mainland for finishing, but when does the cost of fuel



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and corn make that prohibitive. Secondly, when do the animal rights people stop us, just as they stopped the live shipment of pigs into Honolulu?

As costs keep rising and the risk of live cattle shipments heighten, we are analyzing “Inventory Turnover” as a means to drive productivity up. Sheep and Goats are small ruminants that can “turn-over” in 18 months. From the time you decide to breed a ewe or doe, you have a marketable product in 18 months. With a cow, and a calf retained in a grass finished program in Hawaii, you are looking at 36 to 44 months before your investment turns.

Future of the Operation

The future of any operation involves looking to the next generation. Is there desire? Is there talent? Can the operation afford them? When I left, dutiful to my parents desires, to go to college I had the desire. The talent I acquired, in time and patience from my Father and other employers. But when I was prepared to come back to the family business, there was not the money to pay one more person.

In looking to the future, we have a son that has the desire and the talent which will develop over time. We are working with him, now, to develop the income stream that will be necessary to support another family member with a living and, most important, self-gratification. If you don't like what you are doing you will never do it well.

Sustainability comes also from working closely with your industry and industry organizations. None of us can run our business and stay on top of what happens politically, socially, and environmentally. We get busy managing our economic situation and can, at the drop of a hat, become vulnerable because a new law just passed, a batch of meat was recalled, people don't want to see animals transported!! The Hawaii Farm Bureau, the Hawaii Cattlemen's Council work hard and have staff in place to look after very important issues that we face as businesses. Being a part of your industry and your community associations is vital.

HOT TIPS from Kapapala Ranch

The first “hot tip”, is to run your business on accrual accounting. We need to have our income and expenses measured in windows of time. If we have a calf crop calving in December but all the costs associated with them happened nine months prior and the income will not come for nine months hence, we need a means of reconciling the costs to the income. Accrual accounting is the only way to truly measure the businesses performance.



Glen Krebs, middle talking to goat herders Daniel Armas (left) and Miguel Espiritu (right) while Lani's son Alex listens in from behind.

Secondly, we need to identify enterprises within our business and associate the costs and income to each. We track the expenses for the cattle separate from the expenses to the goats. We are working towards separating the different cow herds into enterprises, also, so we can more accurately evaluate the cost of production for each.

The last “hot tip”, always give more than you take. Give to your family, your neighbors, your duties to your business, your community and you will be greatly satisfied with the job you have been put on earth to do.



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“Your profession is not what brings home your paycheck. Your profession is what you’re put here on earth to do with such passion and such intensity that it becomes spiritual in calling”

Vincent van Gogh (1853-1890)

Mahalo nui loa Lani Petrie for this interview, and to Lani Petrie and Ashley Stokes for photographs.