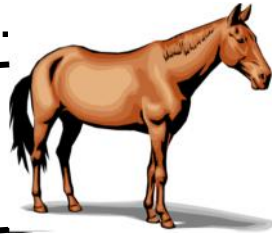


Notes from....



Serrano Creek Ranch Equestrian Center

25201 Trabuco Road, Lake Forest, CA 92630
Office Phone 949-768-5921

APRIL 2011

Email: <SerranoCreekRanch@msn.com>

With the end of the world coming in 2012, the stable will be making a few changes in preparation for the end times.

In the boom times, the stable had a waiting list of over 2 years. During then the only marketing we did was have an answering machine, that we may listen to. . . if we felt like it. Fast forward to today, we now need to begin a genuine marketing effort just like any business should.

While the stable is on solid financial footing and could do just fine to wait out the economy, we have a mission to be a recreational asset for the City. That means we need to make sure that as many of the residents have an opportunity to share in the equestrian experience as possible . It also won't hurt that we will provide a steady stream of rent payments to a city that is facing financial shortfalls from so many of its income sources. Additionally, the stable allocates its overhead over the number of horses boarded. By keeping the stable full, the overhead costs per horse are thus kept at historical levels. For the interim the stable currently covers the overhead that would have been paid if the stalls were occupied. All this in an attempt to keep rates affordable.

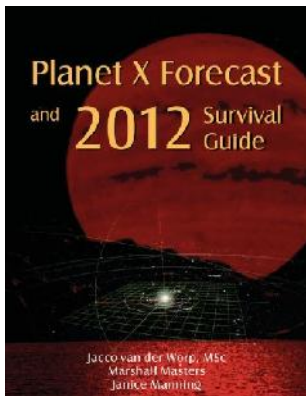
The stable is a wonderful gem for the community, but it must be known about and accessible. In today's economy, waiting for customers to knock on your door is a not very successful strategy. To fulfill our mission

in serving and promoting equestrian activities, it's time to get out there and make the public aware of the pleasures of horses.

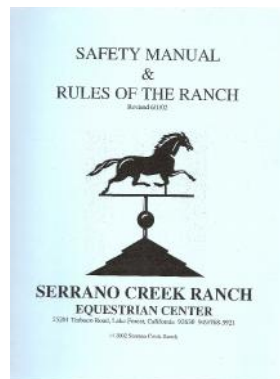
As an example, the compost business has become quite successful because of we have taught the general public (using very basic soils science), that manure is an asset, and not toxin. Many city residents, who otherwise would have never set foot on the grounds, are passionate buyers of the compost. As we enter the third year, sales are up 20% over 2010, and 45% over 2009. Through an aggressive marketing campaign in the first years, today's new customer is calling because they have been to one of our past presentations, or have seen their neighbor's garden blossoming from a prior year's purchase.

I believe if you can get the opportunity to tell someone about the wonders of compost, or horses, then they'll become a lifelong gardener / equestrian. All passionate recreations begin by chance. Be it sailing, golf, fishing, or horses, its that first experience which sets the tone to see if you like it or not.

It thus makes sense that upping the beginner lesson program provides a gateway into the stable. Like all forms of recreation, each has its own language and skill set. The sooner one can at least partially master both; the more likely it will become a passion. I've reviewed many lesson programs throughout the county. From my experience in teaching soils science



+



=

JANUARY 2013

| Sunday | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday |
|--------|-------------------|---------------------|-----------|----------|--------|----------|
| | | 1 New Year's Day | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 MLK Holiday | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

in a way that is informational, relevant, and enjoyable, I strongly believe that there is room at the top for a dynamic beginner lesson program.

It is now clear that the feed sales don't justify the entire floor area of the old store. So the thought is what could a portion of the space be used for instead? Hence the idea of building a classroom was born. If done right with proper technology, we can follow the same lecture/ lab format that is practiced in every other school. As a rabid believer in visual presentations and text books, I am confident that the stable can provide a learning environment that blends classroom as well as saddle time to provide a solid and successful experience. We hope that if all goes well, this summer the new school will be open. Some portion of the student will be smitten enough by the horse bug and will become boarders.

The room can also be used by our vet's and trainers to put on specialized programs as an adjunct to their normal practice. As the school becomes successful (note the salesman's optimism), money generated from it will be used to build another arena between the bullpen the front turn out. The idea is that this new arena can be used for additional turn outs, lunging (so there is less need to lunge in the front arena during busy times), and trail course setups. The bullpen will be shrunk slightly and shifted somewhat towards the center of the stable. This will afford the maximum space for the new arena.

30,000 in California alone. Those girls eat a lot to make the block of cheese!

2) Because of the profitability of grain prices, alfalfa acreage is being switched to more profitable grains such as corn and soy. Less acreage means less hay. The expected conversion is around 5% of last year's.

3) International demand for hay from the western states is very, very strong. The Arab states, with water rationing and pockets full of petro dollars, are purchasing much of the available inventory. Add to this a weakening dollar, and hay demand from this sector is way up.

4) It seems that some sort of "problem" exists in the Imperial Valley (where our alfalfa is grown) that involves the "fire bug". Several arson fires have recently taken out 90,000 tons in this month alone. How do I know all this? The stable now subscribes to the Hoyt Report. Think of this publication as a combination Wall Street Journal / People Magazine for the hay industry.

By way of example, our last load was 68% higher than what has been just 5 months ago! According to my sources at the The Hoyt Report (meaning I'm a reader) these prices are here for awhile. If you want to follow the hay market, the USDA publishes a weekly report on various hay qualities, and locations. Look for Chino hay light retail bale. http://www.ams.usda.gov/mnreports/ml_gr311.txt or check Hay & Forage Magazine's article <http://hayandforage.com/ehayarchive/0329-california-dairies-pay-hay/>

The stable guesses the future hay price and sets it rates accordingly. For the past two years, costs have been stable, and thus the feed rate has stayed the same. Jumps of 68% obviously can't be absorbed, and must be reflected in the feeding rate. What all this means is that you can expect to see an increase in the feeding prices starting in the May billing. The exact amount will be determined by our next hay delivery, and other predictors. But expect to see an increase between 25-50% on the feed portion of your bill. The stable will cover a portion of the increase with the idea that prices may retreat from the current highs. If prices fall even more than expected, obviously rates will be lowered to the then rate. If rates continue upward, unfortunately rates will have to be readjusted again. Your answer— don't drink milk.

And now some bad news . . .

Several conditions have conjoined to dramatically raise hay prices in the last few months.

1) A big bump in international grain prices has caused many dairy operations to purchase more hay and less grain to feed their herds. This demand has swallowed up all the stored hay, and now there is a bidding war for what little is left. Wholesale milk prices are up, and this has resulted in dairy cows increasing by some