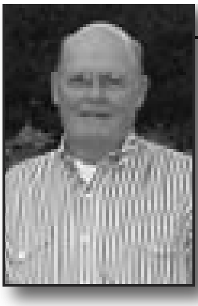
Are You In Sync?



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A few days ago, the highway paving crew showed up at 8 o'clock sharp. The day before, they had parked their heavy equipment in front of our house. The road crew spent about 45 minutes getting organized for the day. The lubricant man had come the evening before to fill diesel tanks and apply grease to all moving parts. About 8:45 they set out as if in a parade or procession with each worker and piece of equipment in sync to provide a new pavement surface to Highway 33.

When I saw it happen, I wondered, "How many serious beef producers are that organized?" The consequences of being out of sync may not be as obvious as that of the paving operation, but they still can have dire financial consequences.

How do you keep your production in sync? Have a management and marketing plan and to work that plan. Timing is extremely important in a beef cattle operation. A few time-sensitive tasks include over-seeding pastures, fertilization, weed control, ordering semen, breeding soundness exam for the bull, pregnancy testing, determining which hay will be fed first, vaccinating, etc. Dr. Jim Neel publishes a list of management practices each month to remind producers what they either need to be doing or preparing to do. He sends them to Extension agents and we post them on www.tnbeefcattleinitiative.org.

So, do you have a plan in action? We are approaching breeding time for fall-calving cows. It will only be a few months before it will be breeding time for spring calving cows. Are you ready? What is the product you expect to market? A calf right off the cow, a preconditioned calf weaned 45 to 60 days, or a backgrounded yearling? If marketing with other producers, will your calves match in size, color and grade?

How far are you looking ahead? With the large increase in cow slaughter taking place in the drought-stricken Southern Plains, cattle supplies are expected to be smaller for the next two to three years. As a result, prices are projected to be as high as or higher than we have seen in 2011. Corn prices are expected to continue to be as high as we have seen this year. A large crop next year, some reduction in exports, or possibly reduced demand in the U.S. could bring lower prices. That reduced demand is most likely to come from smaller livestock numbers. The broiler business is already cutting production, due to rising feed costs and subsequent losses. Cattle on feed numbers will be lower in 2012. The debate over use of corn for ethanol versus feed/food will heat up as food costs rise. Exports, which should receive much credit for the high prices in 2011, will likely continue to support prices in 2012.

So even though costs of production are higher, the cow-calf and stocker business should be profitable for the next two to three years. It will take that long for the drought-stricken areas to recover assuming rainfall is more plentiful in the months ahead. With the high price of feed grains and co-products, more cattle will be grown to heavier weights on grass before going into feedlots for finishing. Some of these will be owned by the people eventually putting them on feed.

Consider taking spring 2011 calves into 2012 before marketing. Our research indicates based on historical prices and cost of gain that it has been profitable about nine out of 10 years. Going from seasonally low prices in the fall to typically stronger prices early in the year has made that post-weaning strategy profitable. For stocker operators, the value of gain for calves purchased in the October to December period has been about $10 per hundred higher than calves purchased in August or September.

It will be extremely important to manage costs in the months ahead. High-priced crops will drive the demand for purchased inputs. So, those prices will also likely rise. Data from the Kansas Farm Management Association Records indicate that more than three-fourths of the average difference in net return to management between high and low profit cow-calf farms is due to cost differences. The other 22.8 percent is due to differences in gross income per cow. Furthermore, the relationship between depreciation and machinery cost and total cost per cow was greater than between feed cost per cow and total cost. It is easy to spend on machinery based on the high received from an increase in gross income. As Chuck Danehower, West Tennessee Farm Management Specialist has said, "It is the decisions made in good times, not hard times, that gets one into financial trouble." In summary, get your operation in sync. Begin with the end in mind and plan your production with a marketing plan and end point in mind. Δ

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