

It Is Important To Control Costs To Produce Beef



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This year's drought has caused several cattlemen to leave the business. In just four counties I am aware of six herds (195 bred cows and 85 cow-calf pairs) that are no longer in existence. While this may not seem like a large number of cattle exiting, just think of the impact that this will have in the local economy!

Although I have not spoken directly with these particular producers, I do know the drought had a direct impact on their decision. The cost to hold those cattle over until pasture conditions improved was the driving force.

In these times of high corn and hay prices, it is important to calculate break-even costs of production. By definition, break-even cost is the total cost of production divided by the total pounds of calf produced, whether marketed or retained. Another way to describe break-even is that it is the minimum sale price needed to recover all cash costs in a given year.

More profitability is a constant quest for beef-cattle producers. There are two basic ways to increase profit – get paid more for the product you're marketing, or decrease the expenses incurred in developing that product.

Dramatic production cost differences exist among U.S. cow-calf producers and these differences are due to the enormous variety of inputs, resources, production practices, and management used by cow-calf producers. However, there are several factors to consider to lower cow-calf production costs. The following are factors that you can consider as opportunities to lower your production costs.

Purchased Feed Costs: a) Develop a purchasing plan for feed (amount to spend, type of feedstuffs, quantity, quality, etc.); b) Minimize the need for the use of purchased feeds; c) Have feed analyzed for nutrient composition; d) Use purchased feeds based on nutritional needs of cow-herd and replacements (lactating, gestating, dry, growing, etc.); e) Buy purchased feeds in volume and at seasonal low prices when storage is feasible; f) Identify alternative feeds and by-product feedstuffs; g) Compare alternative feed prices and nutrient costs; h) Develop feed rations based on feed and forage analyses; i) Minimize feed losses during storage and feeding; j) Compare alternative feed, storage, and feeding costs; k) Buy feedstuffs by weight and quality (%DM, %TDN, %DP, etc.) instead of bulk measurements (bale, roll, trailer load, etc.); l) Use limit feeding techniques (fat, salt, rolling out hay, etc.) when practical; m) Consider incorporating cool- and warm season forages (grasses/legumes) in your grazing plan to reduce dependence on purchased feeds and nitrogen fertilizer; or n) Consider whether forage species or forage variety selection can lengthen the grazing season and thus lower purchased feed needs.

Raised Feed Costs: a) Develop a plan that describes your anticipated raised feed needs (best and worst case scenarios); b) Minimize the use of raised feeds when growing forages is economically advantageous; c) Compare the costs of raising, harvesting, and storing alternative raised feeds; d) Compare your cost of harvesting raised feed with custom harvesting rates; e) Compare your cost of raised feeds with alternative purchased feeds (buy feed if it is cheaper

than self raising and harvesting feed); e) Minimize harvest, storage, and feeding losses; f) Consider weather, labor availability, and machinery readiness to minimize harvested feed

Losses: g) Consider feed storage facilities to minimize feed losses; h) Consider the use of feed panels/rings to minimize feeding losses; i) Borrow, share, and/or rent machinery and labor with neighbors; j) Use limit feeding techniques (rolling out hay, etc.) when practical.

Grazing Costs: a) Develop a grazing plan to better utilize your inputs, resources, and forages; b) Soil test to determine fertilizer nutrients and/or lime needs; c) Evaluate alternative fertilizer formulation prices and spreading costs to reduce the cost of fertilization; d) Where possible, incorporate legumes into perennial pastures to lower nitrogen fertilizer inputs and improve forage quality; e) Split fertilizer applications if it will minimize fertilizer losses; f) Consider leasing additional land when lease rates are cheaper than fertilization costs (compare dollars per AUM or dollars per unit of dry matter forage production); g) Perform weed control practices (chemical or mechanical) only when it is economically advantageous; h) Where feasible, improve forage utilization with improved grazing methods (creep, limit, rotational, intensive, etc.); i) Adjust fertilization and stocking rate levels based on calf and fertilizer prices; j) Utilize crop aftermath and woodland browse when possible; k) Consider stockpiling certain forages for use as standing hay; l) Consider drilling/overseeding cool-season forages (grasses and legumes) to lengthen the grazing season and reduce purchased and/or raised feed needs; m) Provide animals having the highest nutritional requirements access to the highest quality pasture.

Cattle Costs: a) Develop a cattle management plan (production, reproduction, nutrition, herd-health, feeds, forages, marketing, etc.); b) Adopt a controlled breeding season to improve/reduce management and labor costs; c) Consider adjusting cow-herd inventory and stocking rate due to lower beef prices and/or higher input costs; d) Review cow-herd records and cull open, defective, low producing cows and especially older cows to lower production costs; e) Retain only the essential number of replacement animals to achieve the desired herd inventory. Developing replacement animals is expensive; f) Evaluate buying versus raising replacement animals; g) Try to keep cows productive over a longer time period; h) Consider leasing high quality bulls, cows, and replacement heifers; i) Perform preventative herd-health practices to reduce "emergency" costs and losses; j) Compare prices of herd-health animal products; k) Reduce cow frame size over time if needed to lower total feed requirements; l) Sort cows into groups based on nutritional needs to improve/reduce management and feed costs; m) Use caution when selecting inputs to increase weaning percent or weights during low beef market price years. The cost of some inputs will exceed the revenue generated by their use.

It's important to recognize that each operation is different and the environment they operate in is different. No one approach is right for everyone, but a plan needs to be formulated for each operation that makes the most sense and provides the best opportunity for the operation to be profitable. Δ

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