It's Tax Time – How Profitable Are Your Cows?

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It's that dreaded time of the year – next week the IRS will have expected most Americans to have submitted their taxes. Maintaining records for deductions is necessary for cow-calf producers just as are production records such as calving histories and medical records.

While keeping track of production records is certainly important, be sure the financial side of your operation isn't being neglected or overlooked. Analyzing the business and management side of your cow-calf operation can have a tremendous impact on your future and your bottom line.

So how does one remain profitable? First each cow-calf operation must set goals. Setting goals and working to achieve those goals ensure continued improvement within the beef herd. The following example describes a reasonable set of production goals:

- A 90 percent or higher calf crop, born within a 75-day calving period
- Each cow must produce a calf every 12 months
- Calves must achieve heavy weaning weights (over 500 lb)
- Adequate nutrition at reasonable cost
- Obtain a good selling price

Besides setting goals, cow-calf producers should be aware of several interrelated factors that influence the profitability of a cow-calf operation:

- Financial records, budgets and taxes
- Herd health
- Nutrition
- Forages
- Reproduction
- Genetics – percent of cows weaning a calf, weaning weight of calves
- Marketing – prices received for calves, culls

Keep in mind that factors are more interrelated than simply adding together their impact – think of each as a link in a chain. For example, your herd may have the best genetics but even the best genetics cannot reach their potential when nutrition is limited. The bottom line is that cow-calf profitability is impacted by several interrelated variables and excelling in a few areas will not economically compensate for subpar performance in others.

Now cow-calf producers must also consider profitability is continuously impacted by increased fuel, fertilizer and other inputs prices required for production. Thus when costs negatively affect the producer's profitability, it is best to determine what will bring the largest return of profit and cut costs where needed.

Cutting costs may not be easy, but to begin consider the following: cull "problem" cows and bulls (open, attitude issues, low weaning weight, etc), lengthen the grazing season, early wean calves, and plan early to meet winter forage needs.

Assessment of your production, business and management side of your cow-calf operation may highlight additional ways to cut production costs. Only with an exact knowledge and familiarity with your production costs is cost management possible. Δ

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