Beef Talk

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Is the Y in the road grass or grain?

The cattle business has many components and is divided into various enterprises in which individual producers opt to participate. The cow-calf segment always has been the starting point, with subsequent divisions or new enterprises branching off the cow-calf business.

Several enterprises, such as grass and feedlot, are well-known. One could add bull and heifer development, as well as the seedstock business.

As a producer stands at a Y in the road and evaluates a future direction, the challenge is choosing from a list of well-established enterprises and those added to the list that part ways with a grass- and grain-based industry. These so-called new, but not entirely new, enterprises are grass-based only.

Therefore, the choice — or Y in the road — is where many producers find themselves in the cow-calf business. Do we stick with the status quo and remain grain-based? Do we try to figure out a middle-of-the-road approach involving grass and grain, or do we jump ship and build on grass-based enterprises?

To make the challenge more difficult, grain-based enterprises have oodles of economic, financial and cash data that help guide a producer's thoughts. Meanwhile, grass-based enterprises have very little data.

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Grow margin, lower costs

As I have noted before, the future of beef starts with beef systems that generate a per-cow gross margin of $600 per cow. The system needs to hold direct costs to less than $400 per cow and overhead to less than $100. For those aspiring entrepreneurs, the challenge is to grow the gross margin and lower all costs.

For most, the catch in shifting a beef enterprise is holding on to the gross margin while managing and reducing costs. A quick way to go out of the beef business is to lower the gross margin, essentially reducing revenue, and simultaneously maintaining the current cost structure.

Even to those who are not cow-calf producers, that makes no sense. The ballpark goals for gross margin and direct and overhead costs are derived from data available from the Center for Farm Financial Management at the University of Minnesota (*www.finbin.umn.edu*).

The grass and grain discussion has and will continue to be a difficult topic.

Regardless, the shifting dynamics of available feed for cattle is real. These dynamics are driven by price. If one is selling, the value received is key to net return. When one is buying, the cost is key. To maintain sanity, it is best to focus on one change at a time.

Shifting the system

The Dickinson Research Extension Center has shifted calving back 60 days (see "Beef Talk" edition presented in the July *Angus Beef Bulletin EXTRA,* available online at http://bit.ly/pMoly6 or by scanning the quick response (QR) code embedded here). When should we wean the calves is the question for today. If the center weans at the same time, which is early November, the center needs to make up $150 per cow as we switch to grass beef production and later calving.

The reason is simple. Calving 60 days later with calves that continue to gain 2.5 pounds (lb.) per day takes 150 lb. of calf out of the existing business plan if the calves are valued at $1 per lb. The answer will be found in a different enterprise and may take cow-calf producers into uncharted territory.

Producers involved with backgrounding for the last 10 years through FINBIN averaged more than

$115 of gross margin per calf by keeping the calf an extra 115 days following weaning. The center needs $150.

Thinking through the above pieces of data is useful as long as a person keeps in mind that, as an operation shifts to later calving, several things change. Some changes are known and some are not.

Nevertheless, there still are enough data points to provide some sufficient pondering. The center can wean the calves at the traditional time (Nov. 1) and give the 60 days of lost mama time to the backgrounding enterprise. Given that, those 60 days really are 180 days because the calves need to be backgrounded for six months from Nov. 1 until grass turnout on May 1.

This assumes that the calves are heading to grass and are sold or retained on one's own pasture. Extrapolating the available gross margin and assuming that calf growth will result in more gross margin due to increased value, 115 days of backgrounding can generate $115 worth of gross margin. If that is true, then 180 days of backgrounding might generate $180 worth of gross margin. Again, if that is true, we made the right choice.

More thoughts later, but at least the ending is a positive thought.

May you find all your ear tags.

Your comments are always welcome at *www.beeftalk.com.* For more information, contact the NDBCIA Office, 1041 State Ave., Dickinson, ND 58601, or go to *www.chaps2000.com* on the Internet.