

# Cutting Costs

*Producers need to be cautious of how they're spending money.*

Story by

**FRED MINNICK**

James Coffey is a fifth-generation Angus producer, and his Branch View Angus ranch has never seen costs skyrocket like they have this year. The 37-year-old board member of the Kentucky Angus Association says the protein industry is facing more challenges today than “they have in my lifetime. The cost of energy is changing everything. Every product that has a transportation or energy component is going up at an unbelievable rate.”

Ethanol is pushing the price of corn. Other grain crops follow corn and, as a result, are at or near historical highs, he says. Diesel fuel, fertilizer, all feedstuffs and mineral supplements are all near historical levels.

“There is some good news in that cattle prices are staying fairly high, but not increasing at the rate that inputs are increasing,” Coffey says.

Branch View, which has some 200 cows, 80 heifers and 70 bulls, typically buys 5,000 bushels (bu.) of corn per year. Coffey says that cost will be close to \$40,000, up \$30,000 from years past. Branch View feeds about one ton of mineral supplement a month. That is now \$25 per 50-pound (lb.) bag compared to \$13 per bag just 18 months ago. Even baling twine that was \$22 per bundle is now \$32 per bundle.

## **Adapting to the marketplace**

But, like all good businessmen, Coffey and other Angus producers have found ways to adapt to the marketplace. To mitigate some of these increases, Branch View is raising 20 acres of silage corn, up from 10 acres last year, and works 50 acres of alfalfa solely for feed use. Coffey says this should decrease the ranch's reliance on purchased corn and eliminate demand for purchased hay.

“With corn and feed prices you can certainly grow it a lot cheaper than you can buy it,” he says. “I had all our feedstuffs tested for nutritional content and our fields for fertility to ensure that we are not overfertilizing or overfeeding nutrients.

“At this time I, like most producers, am unable to pinpoint feed efficiency,” he continues. “But we cull extremely hard for cattle that do not gain and meet target weaning and yearling weights. We simply do not have, nor can we afford, facilities to measure individual feed efficiency. But I

am a firm believer that the beef industry's focus should be to get an animal to 1,300 pounds at the fastest rate possible. Days on feed has a huge impact on the profitability of a single animal or an entire feeding operation.”

Downs, Ill.-based Trueline Angus Inc. has had to look at its feeding operation, too, after being hit with high husklage (residue from combining corn) costs: \$25 per ton in trucking. Ken Myszka, who manages Trueline's 185 mama cows, says they switched to the ethanol plant byproduct dry distillers' grain (DDG).

“The DDG is still a little on the pricey side, as far as the purchasing power of it, but you have to look a little bit deeper,” Myszka says. “What's my labor cost to feed it? What's my cost to store it? What equipment do I need? How much time does it take? When you factor in all this cost, shucklage (a byproduct of seedcorn processing) and husklage become cost-prohibitive.

“I can feed DDG in 10 minutes for let's say 160 animals,” he continues. “Whereas my husklage or shucklage takes me over an hour to fill my bins. You start factoring in all these costs, and the cost of the dry distillers' grain comes way down. And the same with pelleted bean hulls. Now, pelleted bean hulls have gone through the ceiling as well. We like to feed the pelleted bean hulls, but you kind of have to change with what you can get.”

## **Managing fuel and everything else**

It's nice to have green grass, but not if it consumes all of your diesel.

“One thing we've done this year is we've just mowed our pastures one time. Normally we would mow those pastures repeatedly,” Coffey says. “It's like a yard you want to keep mowing and keep it vegetative so you sacrifice a little bit of that lush growth for just letting them graze. A tractor runs 5 gallons or more an hour, and that adds up pretty quickly.”

Branch View has also been more diligent with its fertilizer. There was a time 250 lb. of fertilizer per acre didn't even get a second thought. But now, they are more diligent and applying closer to the minimum rather than the maximum application.

It's the same story with everything else. Coffey is cutting back on little things like travel, tractors and stuff you just don't really need.

“I think you have to think about every expense prior to spending the money,” he

says. “I'd like to put in concrete feed pads, but I'm looking at \$4,000 or \$5,000 — probably not something I'm going to do right now.”

Texas AgriLife Extension Services recommends keeping solid records and consistently looking at your costs.

“You've got to keep records so you know where you are spending money and what your annual cow costs are,” says Jason Banta, AgriLife Extension beef cattle specialist at Overton. “It doesn't have to be an expensive software program, it can be on a Big Chief tablet. But if you have a computer, you can make a simple spreadsheet.”

## **Cut the fat, not muscle**

While Coffey believes producers need to spend judiciously, he would never recommend cutting programs that matter, such as vaccinating and the AngusSource® program.

“It's a good time right now to try to be as lean as you can, but you don't want to start cutting core processes that ensure the health of your cattle and quality of your cattle,” he says.

Myszka agrees with Coffey. He is shooting for a quality end product and is not cutting corners.

“We're shooting for quality versus quantity,” Myszka says. “We're paying the extra dollar to make sure that they have the proper feed. We want to make sure that we're conditioning good, we're keeping the animals healthy so that we don't lose it on the back side, that we don't have animals that are all of a sudden going to become sick, their conditions are going to be down, and then we're going to be in trouble. So you're penny-wise and dollar-foolish in that case. If we start trying to cut costs then lose in condition, we're sacrificing on health.”