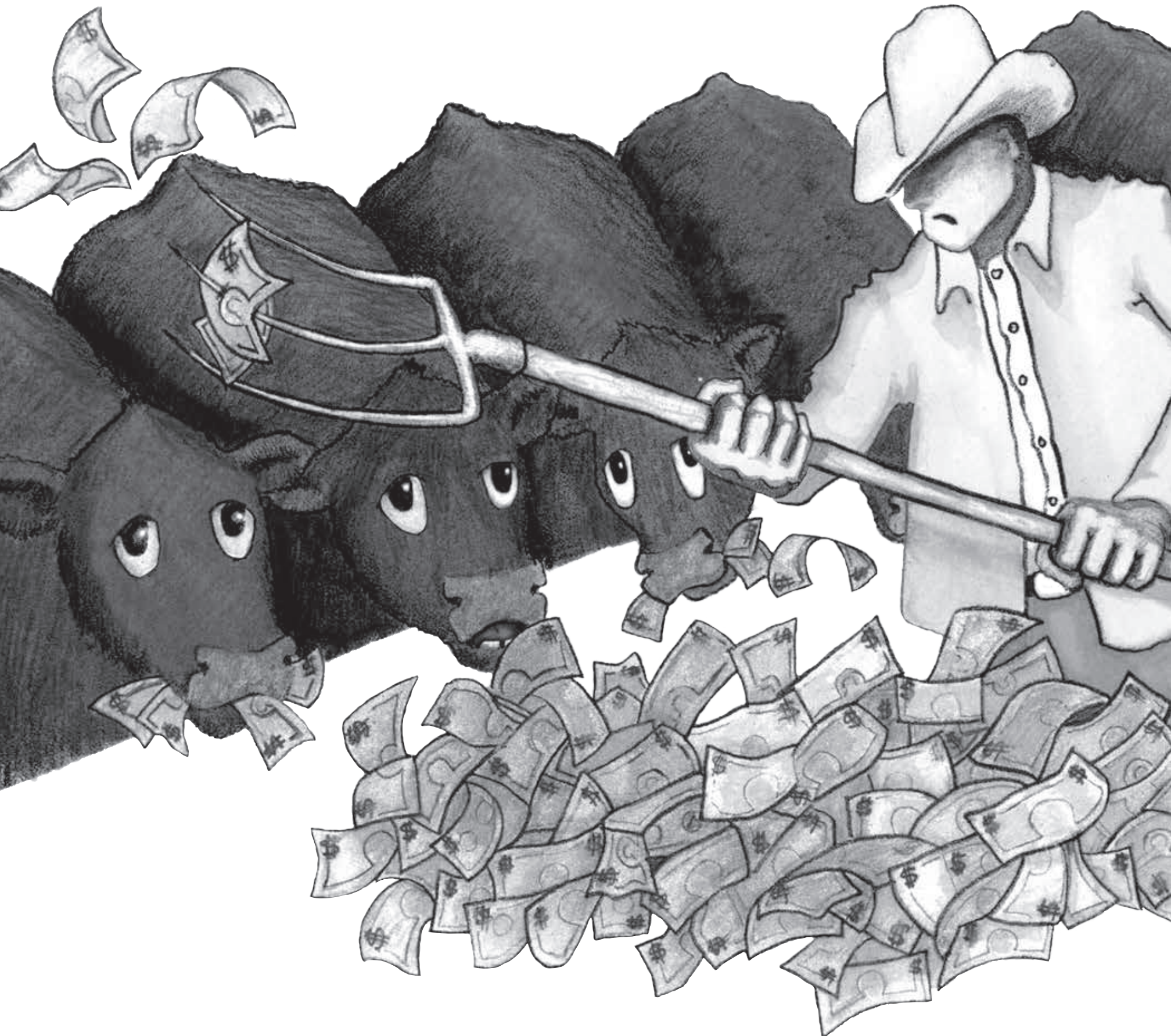


# Managing





# Cow Costs

by

**TROY SMITH**, *field editor*

What is your annual cow cost? What is your breakeven cost in terms of dollars per pound of weaned calf? Those were questions South Dakota State University (SDSU) Extension Beef Specialist Julie Walker posed to cow-calf producers attending the Range Beef Cow Symposium (RBCS) Dec. 3-5 in Rapid City, S.D. Walker said it's not something that very many producers like to do, but many of them need to do a better job of accounting for production costs — all of them.

"Managing production costs is not just about spending less money. Being a low-cost producer doesn't necessarily make you more profitable," said Walker. "Lowering costs may also decrease production, decrease product quality or both, resulting in lower revenue. It takes time to measure and record details, but it enables you to make the best management decisions. The old saying is true, 'You can't manage what you don't measure.'"

Walker urged producers to create an enterprise budget for their cow-calf operations. She recommended a budget including expenses associated with feed, reproduction, animal health, labor, other direct costs and overhead. It should also include an accounting of cull credits.

"Feed cost is the big one, and it always will be," said Walker, adding that too many producers fail to include all costs associated with owned pasture or range and home-raised hay. "Be realistic. You have to include opportunity costs. What could you rent the pasture for? What could you sell the hay for?"

Another often-overlooked item is grazed crop residues on owned cropland. It, too, has an opportunity cost equal to the rental value, or the value of residues baled and sold.

Reproduction costs include money invested in replacement heifers or cows, breeding bulls and artificial insemination (AI). Walker reminded producers to remember depreciation and interest costs, as well as salvage value, when calculating total yearly cost for breeding bulls on a per-cow basis.

Calculating other cost categories is fairly straightforward, but Walker urged producers to write it all down on paper or use a computer.

"Some producers say, 'I work through it in my head,' but it's easy to double-count some things or leave out others," she warned.

Instead of managing cow costs, Walker thinks producers should manage profit,

which includes both expense and revenue. She advised producers to think about whether they are selling their product or marketing it.

"*Webster's Dictionary* defines marketing as the process or technique of promoting, selling and distributing a product or service," stated Walker. "Another way to improve profitability is through better marketing. Do you know how your cattle perform? Do you collect data? You need to know more about your cattle than the buyer does."

Walker advised producers to take advantage of available programs for gathering information about how their cattle perform in the feedlot and the merit of the carcasses they produce. It can be done, she said, by enrolling representative groups of cattle in those programs.

## View from the ranch

A panel of ranch managers associated with three successful operations shared their management philosophies and the practices they have implemented to manage costs and enhance revenue.

Chip Ramsay, manager at Rex Ranch located near Whitman, Neb., called the crossbred cow and the heterosis advantage important in managing costs and optimizing production. Late-spring calving matches the cow reproductive cycle to the forage cycle, making optimum use of grazed forages and significantly reducing the need for hay.

Ramsay said a disciplined, written grazing plan emphasizes ample postgrazing recovery time for rangeland, enhancing the vigor of native grasses and allowing for higher stocking rates. Data-based genetic selection has resulted in cattle that are well-adapted to the environment.

"Developing low-maintenance replacement females has resulted in a 25% decrease in supplemental feed costs," said Ramsay. "Enhancing the human resource may be the most important thing we try to do. We hire good people and reward them for results."

Reducing operational costs became a priority for James Sewell, manager of TA Ranch near Saratoga, Wyo. He explained how reduction of costs associated with equipment — including all vehicles, farm equipment, fuel, repairs and depreciation — was targeted.

"We determined the minimum amount of machinery and vehicles needed to

run the ranch, and sold the excess," said Sewell, noting that six tractors, five balers, four hay processors, one swather and one loader were eliminated. Not only were costs reduced, the sell-down of equipment resulted in cash flow representing about \$150 per cow.

The elimination of all but necessary equipment coincided with a shift to managing forage for an extended grazing season and less dependence on harvested forage.

"We still put up hay, but we have reduced the amount by half. We probably can cut it down more," added Sewell.

A partner in Blair Bros. LLC, located near Vale, S.D., Ed Blair said better cost management resulted

from selling irrigated farm ground that had been used to produce feed for the ranching operation. Careful analysis showed the farming operation required too many inputs.

"Now, we contract for hay. We're always in the market and will buy when the price is right. We load up if it's cheap enough," stated Blair. "We also use short-duration rotational grazing. We started with replacement heifers and eventually went to that for the cows, too. We've seen a positive effect on range conditions that has allowed for increased stocking rates."

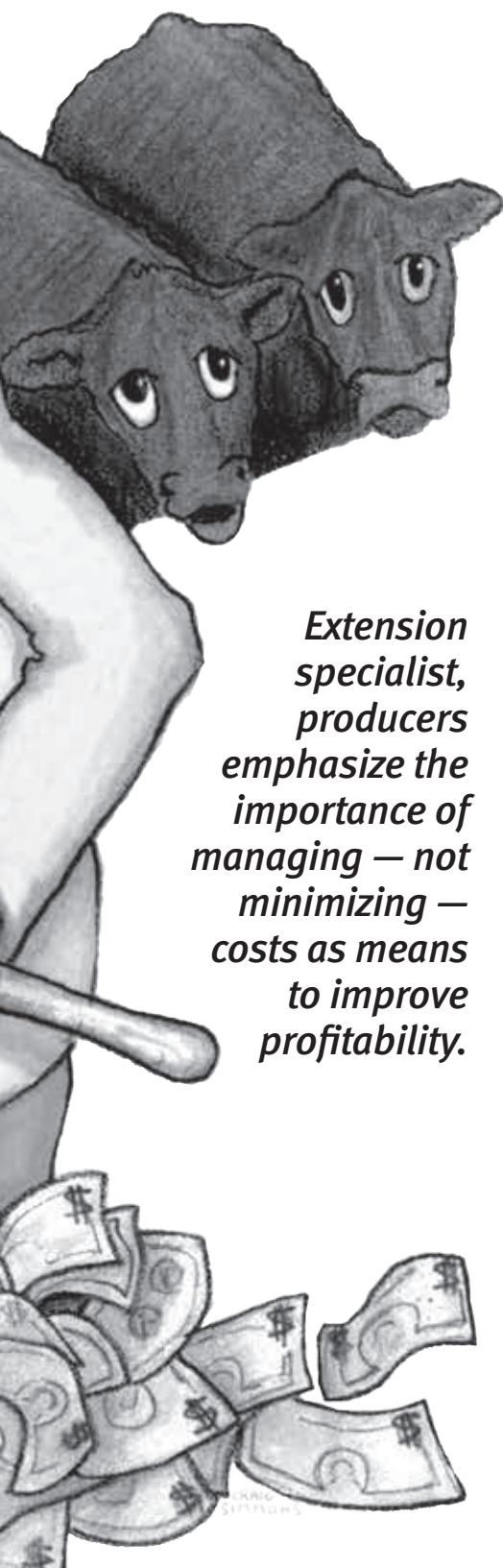
Blair said other management strategies include grazing of rented crop residues and early weaning, during drought, to reduce nutrient requirements for cows. Low-stress preconditioning, weaning and cattle-handling techniques help maintain animal health and reduce treatment costs.

"Whatever we buy, we try to buy it right," added Blair. "It pays to shop around."

Walker, Ramsay, Sewell and Blair spoke Tuesday at RBCS XXIII. Visit the Newsroom at [www.rangebeefcow.com/2013](http://www.rangebeefcow.com/2013) to listen to their presentations and view available PowerPoints and proceedings.



**Editor's Note:** The RBCS is a biennial educational symposium offering practical production management information. It is sponsored by the Cooperative Extension Service and animal science departments of the University of Wyoming, South Dakota State University, Colorado State University and the University of Nebraska. Comprehensive coverage of the symposium is available online at [www.rangebeefcow.com](http://www.rangebeefcow.com). Compiled by the Angus Journal editorial team, the site is made possible through sponsorship of LiveAuctions.tv and the cooperation of the host committee.



**Extension specialist, producers emphasize the importance of managing — not minimizing — costs as means to improve profitability.**