

Teague's Tactics

From his feedlot and ranching experience, Gary Teague shares a thing or two about managing costs.

Story by
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The definition for an entrepreneur is quite straightforward: A person who organizes, operates and assumes the risk for a business venture. But as any entrepreneur will attest, it is by no means a task as simplistic and orderly as the definition makes it sound.

Gary Teague entered the world of entrepreneurship 16 years ago, when he and wife Laura started Teague Diversified Inc. in 1994 by leasing and operating a 2,000-head feedlot while attending graduate school at Colorado State University (CSU).

Today, Teague Diversified has grown to include a 25,000-head custom feedlot, 2,500 cows and several ranches in Nebraska and Colorado.

What's been most important to Teague along this journey? "It's all about family and relationships," he says. The Teagues are proud to have their three children each play a part in the family enterprise, and they have learned what it means to be passionate about the land and the livestock they raise.

"I've learned it is success over time that matters," Teague says. "We strive for sustainability, not the quick fix."

"Between the markets and Mother Nature, this is a tough business, and so many factors can take money out of your pocket," he says. "So you've got to manage risk and manage inputs."

To that end, Teague has focused on low-cost production and says, "I spend a lot of time managing costs."

He's also a firm believer in managing price.

"Some people argue there are no options for output price," Teague says. "But I'll challenge that you've got all the options you want to explore."

It's that can-do spirit that has helped Teague and his family build their reputation in the beef business. Here, he shares some of the tactics that have helped him find opportunity in a sea of challenge.

Look for undervalued cattle. There's a saying that one man's trash is another man's treasure — and Teague knows that to be true. As a feedlot operator first, Teague took a unique approach to start his commercial cow herd. He pregnancy-checked all the cull cows

that came into his feedlot and started buying the ones that were bred — paying a nickel over market price for them.

He now has a ranch in Nebraska with a commercial cow herd — and not a cow on it is younger than 14 years of age. While that may not sound desirable to some, Teague says, "That was one of the best things we ever did."

He reports that those are his toughest cows. "All of our replacements are out of cows over 10 years old, and 100% of our 2-year-old cows have been bred two years in a row," he says. Teague attributes that track record to those progeny being from mothers who were proven performers.

Think efficiently. Teague is a proponent of using resources to their optimum efficiency.

As examples, he suggests using simple rotational grazing, calving later (April, May or June) so cows can graze; and overall keeping cow size in mind.

"Scales have been a big driving factor in our industry," he says. "But picking 'big' genetics scares me long term. We've got to keep efficiency in mind."

Along with that, Teague says producers need to realize that having more cows is not always the answer.

"Running fewer cows was a hard lesson for us," he admits. "But we've recognized that to be successful, you've got to have the philosophy of what makes the most sense for the time and adapt."

As an example, Teague says he's learned that sometimes managing more yearlings is a better option. "Yearlings can put gains on cheaper and produce more beef than cows," he says.

Manage input costs. Teague counts feed, labor, cost of funds and fuel as the four big costs beef producers need to pay attention to.

Of feed, he says, "Anytime you run machinery to put up feed for your cattle, you cost yourself money." Thus, rather than put up hay, Teague usually opts to buy it and uses the land he could produce hay on to graze more cattle. He also strives to use cornstalks as much as possible for winter grazing, and says extending his grazing season has "changed the

economics of our ranch."

Teague recognizes that flexibility is also important with these tactics. If hay is extremely expensive, he will put up his own hay. As well, if the performance of his cows or pastures is being compromised due to drought or a change in conditions, he will wean the calves early.

"We can feed them for less than the cost of damaging our resources," he explains.

Regarding labor, Teague aims to have his managers use their mind, thinking smart and efficiently, to manage cows as cheaply as possible.

On cost of funds, Teague emphasizes that people need to realize, "Borrowed money costs something. ... If I don't need it, I don't buy it."

Finally, on fuel, Teague has learned to pre-price as much as possible to help curb costs.

"If fuel costs less today than I think it will next summer, I'll pre-price," he says. "There are years I've saved \$400,000. There are times I'm wrong and I could have saved more,

but there are times I could've spent more, too."

Manage output price. There are options when it comes to the price you are paid for your calves, Teague says. As one example, he says, "There are some things beyond our control, but you can pick the day you sell your calves."

He is a proponent of using the futures market and forward-contracting to better manage commodity volatility that has become the norm. Teague calls this "the cheapest, easiest thing to do," and says, "Life's too short; you've got to manage your risk. If you don't, you'll lose money."

His rule is to price his feed (through forward contracts and the futures market) when the decision is made to feed. He also prices the cattle when the decision is made to feed.

"If you're betting on what's to come, that's stressful," he adds. "At least don't do that with all of your cattle involved."

Teague also advises adding value where possible in the beef supply chain. As examples, the proper steps for cattle health — a vaccination program, weaning protocols,



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exposure to feed and a mineral program — can help manage risk. Likewise, Teague Diversified Inc. strives to participate in several cattle marketing opportunities where premiums are paid, including traditional grain-fed, natural and branded programs.

Be proud. "Money is hard to come by, so you've got to do the right things," Teague says. To him, the keys to success include taking care of your family, taking care of your land, and taking care of your cattle.

"The way we get paid is by taking care of the grass and soil and the better job we do of taking care of our animals; they will take care of you," he says.

"I help feed the people of this world," he concludes. "I do it while taking care of my family, land and livestock and in the most low-cost manner I can. I am proud of what I do."

His message to other beef producers is: "Be proud of what you do," Teague says.

Editor's Note: Gary Teague shared his remarks at the Range Beef Cow Symposium held in Dec. 2009 in Casper, Wyo. For additional coverage of the symposium, visit www.rangebeefcow.com.