

Getting the Most Return from Your Forages

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What truly drives profitability in a beef operation? What separates a profitable producer from an unprofitable one? Long term studies tell us the “average” cow-calf producer loses money rather than making it. But just because the “average” producer is losing money, doesn’t mean you have to. By definition average means that for every producer below that amount there is one above it. Research conducted has shown that while the “average” producer may be losing money, 25% of producers are consistently profitable year after year. What’s their secret?

Feed Costs

Our modern beef industry was built upon four things: cheap land, cheap feed, cheap fuel, and cheap fertilizer. As the price of each of these has increased, it has significantly raised the costs of feeding a cow throughout the year. A recent study by Iowa State and Illinois University collected both production and cost variables from a wide range of beef producers. The operations ranged in size from 20 to 350+ cows.

Production variables included:

- Calf Weight
- Calf Price
- Cull Weight
- Cull Price
- Weaning Percentage
- Calving Distribution

Cost variables included:

- Feed Cost
- Operating Cost
- Depreciation Cost
- Capital Charge
- Hired Labor
- Family Labor

Want to take a guess which variables were distinctly different between profitable and unprofitable producers? You might be surprised.

Variation in Returns Explained	
Feed Cost	52.2%
Depreciation Cost	12.2%
Operating Cost	5.1%
Calf Price	3.2%
Calf Weight	2.4%
Capital Charge	1.4%
Weaning Percentage	1.2%
Herd Size	1.7%
All Others Combined	20.6%

Source: 2001 Beef Research Report – Iowa State University

More than half, 52%, of the disparity between whether a producer was making money or not was a result of their different levels of feed costs. Depreciation was the next most distinctive variable between profitable and unprofitable producers. Production variables such as calf weight and price were only 2.4% and 3.2% of the difference in profit levels. Herd size accounted for less than 2% of the variation in returns. Does this mean the other variables are not important? Of course not. But how much can you change weaning weights? A 20% improvement would be a big change, and it

never comes for free. But some producers feed costs were as much as 200 to 300% larger than the profitable ones.

So how does a producer reduce feed costs? Maintaining a cow throughout the year can be broken down into two main categories: summer and winter. Summer grazing costs are driven by the price of land, fertilizer prices, and forage management expenses. But the most critical factor is forage utilization. Why do so many producers spend thousands of dollars to grow more forage, when they are only utilizing half of what they already grow? If you had to choose between spending \$40/acre on fertilizer to grow an additional 1000# of forage, or invest 20 minutes a day in moving a polywire to boost your pasture utilization from 50% to 70%, which would you choose? Nearly half the grass we already grow never goes through the belly of a cow. Forage management and utilization drives summer feed costs.

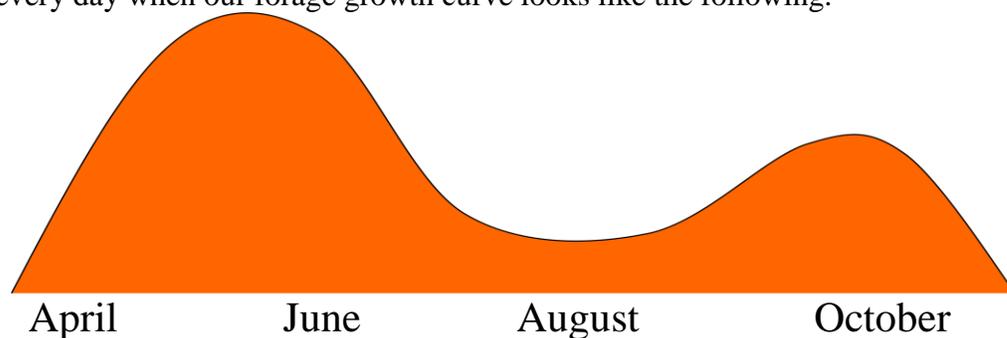
In Missouri the cost of maintaining a cow for the 90 days of winter can easily surpass the cost of the other nine months of the year combined. This year's University of Missouri Beef budget for a fall calving cow lists the 90-day winter feed costs at \$170/cow while the feed costs for the other 275 days are only \$91. It's easy to see that every day a producer can keep a cow grazing and not consuming harvested feed is one more day closer to being profitable.

Extending the Grazing Season

There are many ways to extend the grazing season such as stockpiling forages, planting winter annuals, fall fertilization, grazing crop residues, doing a better job of matching stocking rates to forage growth, and improving utilization. Once again it requires management. Winter grazing is not determined January 1st, it is being determined during September and October while most producers are still practicing open grazing. A little management long before winter arrives will mean the difference between breaking even or making \$100/cow profit. Ruminant animals can always harvest forage cheaper than you can with mechanical harvesters. Learn to let the cow do the work for you.

Stocking Rates

One of the most difficult problems for a livestock producer in Missouri is learning how to feed a cow every day when our forage growth curve looks like the following.



One solution is to harvest excess forages and feed it back when needed. Another solution is to vary the stocking rates of the operation to match the growth curve. One of the greatest mistakes most cow-calf operations make is the intense desire to stock at the maximum number of cows and stay at that level all year. The most profitable operations are often the ones that can vary their stocking rates throughout the year. For instance, rather than having 100 cows, they only maintain 75 and background their calves during high forage production periods or even add a stocker enterprise to utilize excess forage. We've all heard the saying only stock as many animals as you can run in a drought year. But one by one we all fall victim to the desire to own more cows. Why not use stockers as a means to vary the stocking rate? Another option is to consider altering calving time to better fit the forage growth curve.

Nutrient Management

The nutrient removal of hay has been widely publicized in recent years. At current fertilizer prices even conservative estimates place the fertilizer value of 1000# bale of fescue hay at close to \$20. This must become a consideration for producers as fertilizer prices continue to rise. But nutrient management isn't just about hay removal. Anyone who has attended a grazing school has seen the data that under a continuous grazing system it takes 27 years to get a cow pile dropped for every square yard of the farm. Utilizing a 2-day rotation that figure drops to only 2 years. What impact does that type of nutrient management have on the profitability of the operation?

Shade is a highly debated topic. However, I think most will agree that shade is needed at least part of the time, but not all the time. So on days that shade is not required, can producers take management steps to keep nutrients being deposited out in the fields rather than under the shade trees on a 65 degree day.

Marketing

The marketing system before us is being significantly altered by rising feed costs. As grain prices increase, so does the value of gain. The price slide for heavier cattle becomes flatter which makes our forages worth more as they are exchanged for additional gain. Aligning our marketing plan with our forage production curve can dramatically improve profitability.

Markets bid on livestock based upon what it will cost to add the additional weight to the next weight range and what price they expect to receive for it. As you learn to watch the markets you will find they behave very rationally. There are only two variables that matter – market expectations of the future and the cost of gain. As the cost of gain goes up or down it influences the “slide” or difference between weight categories. Hence, the only way to actually make money adding additional weight to livestock is to do it cheaper than the feedlot. That's why our forages give us the advantage. They allow us to put additional weight onto livestock cheaper than feedlots. As the price of grain goes up, so does the value of our forages. But to be successful, our marketing system must be aligned with our forage system to take advantage of the extra forages and cheap gains. Otherwise, if we are forced to buy expensive feed, the feedlot can buy that gain cheaper than we produce it every time.

Learning to use the seasonal pricing patterns to your advantage can also be very helpful. Although markets fluctuate up and down based upon expectations, they normally follow distinct seasonal patterns throughout the year. In Missouri we have the unique advantage of being able to have green forage to utilize 365 days a year. This allows us to take advantage of seasonal pricing swings that other parts of the country can't. Management decisions such as when calving begins and when forages are utilized should be based upon what the market will pay for that forage at different times of the year.

Conclusion

How many times have you heard someone say that farming is a lifestyle and we don't do it to make money anyway? I agree it is a great lifestyle and a great way to raise our children. But it is also a business, and should be treated as such. The “average” producer may be just breaking even, but some producers are consistently profitable each year. What is their secret? In each of the above paragraphs the secret is MANAGEMENT. It's not buying the new silver bullet or raising the biggest calves or even growing the maximum amount of forage, it all comes down to using what you have to its “optimum” potential. What separates profitable producers from unprofitable ones? It's the ability to match their livestock production system with their forage production while utilizing the best forage harvester ever created – the ruminant animal.