



**Places to Save, Places to Spend at the Ranch**  
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First, let's describe some issues facing the cow-calf producer. Cattle producers struggled during the year faced with record high feedstuff prices, record high energy prices, and record high fertilizer prices. According to Priorities First (Field, 2006), the top seven issues that ranchers were concerned about 24 months ago included herd nutrition, pasture and range management, cost of harvested forages and supplemental feeds, production management, genetics, herd health, and biosecurity/quality assurance. What are ranchers concerned about today? Fuel costs, feed costs (especially minerals), price of calves (especially heifers), uncertainty in the markets, and the effects of Wall Street/Auto Makers on the rest of the economy are at the top of the list relative to current concerns.

If you put these concerns on top of the challenges that the cow-calf producer already faces, you end up with predicted profitability declining again in the coming year as compared to previous years. Challenges include:

- "if we look back at the last 30 years, cow-calf producers have only been profitable about half the time" (NCBA, 2003)

- Average profitability was -\$1.50 per cow from 1980-1999 and \$86.00 per cow the last ten years (Cattle-Fax, 2006)
- Current market conditions suggest breakeven conditions (\$0/cow). Field, 2007.
- In 2007, average profitability was ~ \$100 per cow; in 2008, average profitability is predicted to be ~ \$25 per cow (Cattle-Fax, 2008)
- In 2008, as compared to 2007, cow calf returns decreased by ~\$75, winter stocker returns will increase by ~\$10, summer stocker returns will decrease by over \$50, and feedlot returns, which were already negative in 2007, will decrease to ~ -\$150. (Cattle-Fax)
- As fed cattle prices dropped to the worst year ever, it was also the worst year in ten for cow-calf producers; cows and bulls were sent to market. (LMIC, 2009)

With all of these challenges and concerns, what are the production choices? Do we, as an industry increase output, decrease input, or emphasize both? To answer the question, let's look at a theoretical example. If it costs \$400 annually to maintain a cow, weaned calves weigh 500 pounds and we wean 90% of our calf crop then breakeven cost would be \$0.89 per pound or \$445 dollars per head ( $\$400 / (500 \times .90) = \$.89/\text{lb}$ ).

Based on the breakeven calculation, what if you could lower cow costs from \$400 to \$375, increase weaning weights from 450 to 575 pounds, or increase reproduction from 90% to 93% in all these cases, breakeven cost of production would go down. McMurry (2008) has reported that weaning weights have been on a gradual increase over the past thirty years, but at the same time, we also increased mature cow size. If you could improve cow efficiency by 10%, we could increase cow return by \$143. So, what about decreasing input costs? Feed costs in many operations may represent 70% of the total annual cow cost. It has been estimated that 50% of the herd to herd variation in profit exists due to feed costs. Given that mature cow size has increased, it is not surprising that feed costs have increased. Increasing cow weight from 1100 to 1500 pounds requires an increase of 6 pounds of feed per day, or about a ton of feed per year, or \$100 increase in cow production costs. McMurray (2008) supports these estimates by documenting a \$77 increase in production costs per year by feeding a 1500 pound cow vs. an 1100 pound cow.

So, with higher feed, fuel and fertilizer costs, beef producers need to consider alternative approaches to feeding and managing their herds. Extension specialists have recommended that producers: 1) get rid of unproductive cow, 2) have forage tested, 3) evaluate and body condition score cows, 4) think about ways to extend forage supplies, and 5) get the most value possible from calves. The top five ways low cost producers have coped with high prices include reducing harvested and supplemental feed costs (by reducing harvested and wasted feeds as well as balancing rations), better pasture management, using the right adapted genetics, reducing labor costs, and implementing a strong herd health program.

A survey was conducted with ten ranches to seek their advice on future management practices. Most ranches were located in Montana, but Wyoming, New Mexico, and Colorado were also included. Ranchers were asked how they will save money and where they will spend money this year. Results are presented in the table below.

<b>Opinions of Ranchers on Places to Save and Places to Spend</b>		
<b>Ranch Location</b>	<b>Places to Save</b>	<b>Places to Spend</b>
Big Timber, MT	<ul style="list-style-type: none"> <li>▪ Reduce hay, stay on range</li> <li>▪ Sell cows above 1350#</li> <li>▪ Postpone capital expenditures—rent and hire machines rather than own</li> </ul>	<ul style="list-style-type: none"> <li>▪ Protein, mineral and vaccines</li> <li>▪ Testing and monitoring—PI calves, soils, feed and range</li> <li>▪ Improve what I have</li> </ul>
Hall, MT	<ul style="list-style-type: none"> <li>▪ Market cull cows in timely fashion</li> <li>▪ Earlier preg testing and selling before market goes down</li> <li>▪ Cut fertilizer cost by using more clovers</li> <li>▪ Reduce amount of supplemental phosphorous</li> </ul>	<ul style="list-style-type: none"> <li>▪ Test feedstuffs</li> <li>▪ Continuing education – these people will survive, others will not</li> </ul>
Hall, MT	<ul style="list-style-type: none"> <li>▪ Drive diesel pickups at 68 rather than 80 MPH</li> <li>▪ Home reading and self educating</li> <li>▪ Use straw with second cutting to make a ration</li> </ul>	<ul style="list-style-type: none"> <li>▪ Spend time and money on maintenance and serve to double the life expectancy of equipment</li> <li>▪ Testing hay to determine quality.</li> </ul>

Malta, MT	<ul style="list-style-type: none"> <li>▪ Labor: Better utilize the resource; lay off help in winter.</li> <li>▪ Depreciation: Don't spend on depreciable assets</li> <li>▪ Capital Expenses: Including equipment, vehicles and breeding stock</li> <li>▪ Sell more heifers rather than keep replacements</li> </ul>	
Wyoming	<ul style="list-style-type: none"> <li>▪ Fuel: Wiser use of vehicles, farming practices, less internal trucking</li> <li>▪ Graze more cattle on stockpiled feed, shorten feeding time</li> <li>▪ More sorting to BCS and feed accordingly</li> <li>▪ Mineral supplementation. Are we wasting some; what level of phosphorus is critical?</li> <li>▪ Question everything</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tarp hay for less wastage</li> <li>▪ Analyze feed and forages</li> <li>▪ Keep good people</li> </ul>
Wyoming	<ul style="list-style-type: none"> <li>▪ Phosphorus supplementation</li> <li>▪ Heifers will be wintered longer to maintain condition</li> <li>▪ Variable rate fertilizer application</li> </ul>	<ul style="list-style-type: none"> <li>▪ Health maintenance</li> <li>▪ Animal Identification – EID's and electronic cattle management</li> <li>▪ Employee benefits and wages – they are important to keep good people</li> </ul>
Grass Range, MT	<ul style="list-style-type: none"> <li>▪ Graze meadows instead of harvesting</li> <li>▪ Reduce amount of chemical/weed spray</li> <li>▪ Reduce amount of fertilizer</li> </ul>	<ul style="list-style-type: none"> <li>▪ Extra feed to winter calves</li> <li>▪ Increase vaccine to maintain calves</li> <li>▪ Increase in AI expenses due to breeding more heifers</li> </ul>
Dillon, MT	<ul style="list-style-type: none"> <li>▪ Streamline mineral program</li> <li>▪ Identify health problems and be strategic with vaccines</li> <li>▪ Minimize supplement needs by matching reproductive needs to pasture quality.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pasture renovation – both range and domestic</li> <li>▪ Purchase pasture cattle</li> </ul>
New Mexico	<ul style="list-style-type: none"> <li>▪ Consolidate ranch notes to one loan</li> <li>▪ Forego bull battery change; use same bull battery on two ranches</li> <li>▪ Halt replacement heifer operation; buy cows that fit our country and strategy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expand brush control through EQIP</li> <li>▪ Improve roads with the expectation that we will get across country quicker (spreading labor) and hauling more cattle rather than driving (less work day obligations)</li> <li>▪ Install cattle guards and gates on major ranch roads</li> </ul>

With all this input, what do I personally think? Five places to save: cut hay waste, feed more crop residue (such as straw), weigh and sort cows, body condition score and sort, and supplement wisely based on forage

analysis. Five places to spend: mineral supplementation (P, Cu, Zn, Se), forage analysis, pregnancy testing, implants/ionophores, and herd biosecurity. In addition, it will be important for producers to balance rations,

remember that health and nutrition go together, use straw in rations, price supplements based on both nutrient and non-nutrient costs and know the weight of your cows.

QUOTE FROM A MONTANA RANCHER: **The ranchers that are willing to learn are going to be the survivors. I expect the ones with a lot of family wealth for generations will survive a few tough times until they burn up the wealth.**