



Priorities First

Identifying Management Priorities in the Commercial Cow-Calf Business
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Managing Costs and Making Wise Investments

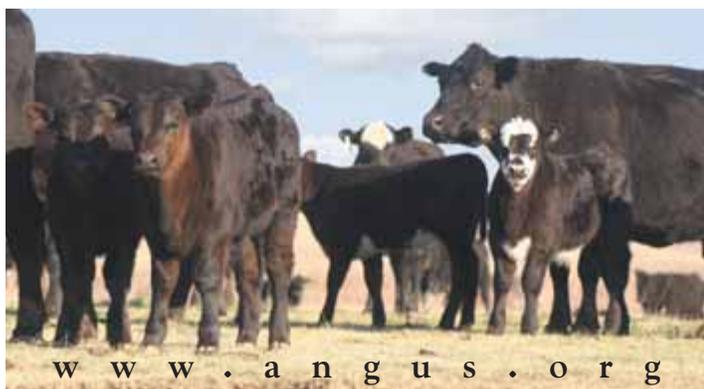
Research reported in the *Priorities First* survey identified key areas important to commercial producers in controlling production costs. Respondents believed strongly that harvested forage and supplemental feed costs must be kept under control. This area was seen as the most critical cost control point.

The need to monitor costs on harvested forages and supplemental feeds parallels with various industry research findings.

High-income producers have less invested per cow in all asset categories.

Cattle-Fax research has demonstrated the lowest-cost, most profitable cow-calf producers actually spent more than low-profit producers in three areas: pasture maintenance, herd health and bull genetics. Research also indicated that extending the number of months cows spent grazing (while proportionally reducing time consuming harvested feeds) could lower annual feed costs. On April 13, 2007, *Cattle-Fax* released additional data on operating returns. According to their data, during the 1980-2006 timeframe

- The top 1/3 of producers generated \$24.1 billion in revenue or \$89.19 per head on a cash cost basis.
- The lower 1/3 of producers generated a net loss of \$9 billion and showed a loss of \$29.56 per head.
- The middle 1/3 of producers was essentially in a breakeven business generating a small per head profit.
- The one note-worthy difference between profitable and unprofitable producers was lower cow costs.



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Priorities First: Identifying Management Priorities in the Commercial Cow-Calf Business, by Tom Field, Ph.D., Fort Collins, Colorado, and sponsored by the American Angus Association, is the first comprehensive effort to prioritize management and economic issues for cow-calf producers. (A detailed summary can be found at www.angus.org or contact the American Angus Association, 816.383.5100 to obtain a printed copy of *Priorities First*.)

In 2002, Oklahoma State University's Cooperative Extension Service released an analysis supporting the *Cattle-Fax* data. The OSU data was based on cow-calf Standardized Performance Analysis (SPA) information and compared the average financial and production statistics for low-and high-cost producers in Texas, Oklahoma and New Mexico. Data was sorted by net income (\$/cow).

SUMMARY OF SPA RESULTS				
SPA Performance Measure	Top 25%	Second 25%	Third 25%	Low 25%
Total Raised/Purchased Feed Cost (\$/Cow)	\$60	\$80	\$86	\$110
Total Grazing Cost (\$/Cow)	76	73	77	110
Total Pre-tax Costs (\$/Cow)	320	356	405	556
Break-even Economic Cost of Weaned Calf Prod. (\$/Cwt.)	80	92	107	159

Adapted from Doye et al. 2002. Oklahoma Cooperative Extension Service, *What We Are Learning From Standardized Performance Analysis (SPA) Data*. F-231.

An analysis of 19 university cow-calf budgets, compiled by the American Angus Association, supports the *Priorities First* findings. The analysis detailed both pasture cost per cow and hay/supplemental costs per cow. Of the five budgets with the lowest pasture percentage of total feed costs (average 25%), the total feed cost per cow averaged \$255. In comparison, the five budgets with the highest pasture percentage of total feed costs (average 57%), the total feed cost per cow averaged only \$218. Thus, a 32% increase in pasture percentage resulted in a cost savings of \$37 per cow.

SUMMARY OF 19 UNIVERSITY COW-CALF BUDGETS
■ 5 Budgets with lowest pasture percentage of total feed costs (average 25%) = \$255/Cow
■ 5 Budgets with highest pasture percentage of total feed costs (average 57%) = \$218/Cow
■ 32% increase in pasture percentage resulted in a cost savings of \$37/Cow

Cost Control Objectives

- Herd nutritional needs should be met through grazing.
- Harvested forages and other supplemental feedstuffs should be secondarily used.
- Always keep a critical eye on costs.