Bluestem Breezes
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"You Can't Manage What You Don't Measure"

This article arrived in my inbox last week from K-State Livestock Specialist Sandy Johnson. Johnson recently attended the Range Beef Cow Symposium in South Dakota. While I haven't attended this conference, the advice given to me from past attendees is always that this is a conference worth attending. Here are a few of Johnson's takeaways from the Symposium:

Julie Walker, one of the meeting hosts and Extension Beef Specialist from South Dakota State University, challenged beef producers to make sure they know their annual cow cost and breakeven cost (cost per pound of weaned calf).

"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.'"

Chip Ramsey, manager at Rex Ranch, was part of a producer panel tasked with the topic "Increasing Profitability by Managing Cow Costs". He talked about understanding the costs associated with managing for extreme drought. Variable costs increased $300/head in 2012 when they sent cows off the ranch to be fed. He calculated how much hay they would have to have on hand to have fed cows on the ranch and accounted for storage loss and carrying costs. Based on his calculations they would need to experience a drought like they did in 2012 once every 9.3 years in order to carry the additional hay inventory to feed cows at home. While they may carry more hay in the future than they have, they could not afford to carry that much hay and he cautioned about managing for the extreme.

Ramsey also highlighted three ineffective cost saving management strategies: 1) Poor hiring decisions coupled with sink or swim training philosophy; 2) Not spending the time to plan and or budget; and 3) Supplementing too little at crucial times. The example he gave was .25lbs/hd/day protein supplement for 40 days that improved pregnancy rates in May calving two-year olds by 15%. Ramsey said, "We're really in this business, not to lower cost but to increase margin to pay the bills".

Don Schiefelbein farms with 8 brothers and 2 nephews in Minnesota. They started out trying to lower costs but they did not have sufficient revenue to support the growing family. His Dad emphasized that if they were always worried about how to cut up the pie, they were missing the point, rather they should focus on growing the pie. Schiefelbein said, "Ignorance purchases on price, knowledge purchases on value. Do not be a low cost producer, be a high net revenue producer." They have now increased both revenue and expenses to the point where the operation has less debt today than 15 years ago.

These are just a few highlights from the meeting that relate to cow costs. Remember gross revenue is not a proxy for profit, whereas net revenue is income minus expenses. You can access audio, slides and proceedings from the entire 2.5 day program at www.rangebeefcow.com under newsroom. If you didn’t get to attend, take some time this winter to take advantage of this material.

Further information on cattle management is available by visiting the Extension Office (215 Kansas, Courthouse, Alma; kamayer@ksu.edu; 765-3821). For Bluestem Breezes archives, check out wabaunsee.ksu.edu.