



# Symposium Looks at Changing Industry

*Highlights of the 2011 Range Beef Cow Symposium.*

by **Troy Smith**

Continuing a tradition started in 1969, the 22nd Range Beef Cow Symposium was Nov. 29 through Dec. 1. Organized by the animal science departments of Colorado State University, University of Wyoming, South Dakota State University and University of Nebraska, the educational event for cow-calf producers is held every other year, with the location rotating among the four states. Mitchell, Neb., was the site of the 2011 symposium, with about 600 people in attendance during the course of its three-day run.

Among the speakers leading discussion of a variety of beef production topics was Jim Robb, director of the Denver-based Livestock Marketing Information Center (LMIC). Sharing his observations and outlook for the future, Robb said the cyclical beef industry of 10, 20 or 30 years ago no longer exists. The old cattle cycle is not the economic driver it once was. If it were, U.S. ranchers might be retaining record numbers of heifers for breeding. They aren't.

"Heifers held as beef cow replacements on July 1 were down 4.5% from a year ago, and cow slaughter has been huge," Robb said. "We need to add 300,000 head to stabilize the U.S. herd and even more than that to grow it."

Robb said the U.S. beef cow inventory of 30 million head, represents a 1.6% reduction from the year ago tally. He blamed drought in southern and southwestern states for hastening the decline.

However, Robb cited global

factors likely to make coming years favorable for producers in the cow business. He said the world population is expected to increase by a third, by 2050, accompanied by a doubling of animal-based product consumption. That potential increase in consumption represents opportunity for the U.S., which, despite its smaller cow herd, remains the largest beef producing country.

## **Higher prices, increasing costs**

In another symposium presentation, Kansas State University agricultural economist Ted Schroeder said a contracted, restructured beef industry is the likely result of long-term, demand-driven production of corn ethanol. Long-term, he expects to see higher prices paid for cattle and beef.

In the short-term, noted Schroeder, expanded ethanol production has resulted in increased costs and reduced revenue for cow-calf producers. With competition for supplies, the price of corn has increased. Forage prices have increased, too, as more acres are allocated to growing corn.

"A \$1-per-bushel increase in the price of corn results in about a 15% to 20% increase in hay price," explained Schroeder. "For the cow-calf producer, that means the annual cost of maintaining a cow increases by about \$15."

Replacement heifer development costs also increase with higher grain and forage prices. However, prices received for feeder calves decline because there is reduced demand by feedlots faced with higher costs of

gain. Schroeder said that same \$1 increase in corn price, and associated increase in hay price, means feeder buyers will likely pay \$60 per head less for a 750-lb. steer.

According to Schroeder, the long-term adjustment to reduced profitability is a contraction of the nation's cow herd. The least profitable producers are likely to exit the industry, and the remaining more-profitable producers are likely to become larger. Their profitability should increase when, because of fewer overall cattle numbers, demand drives prices for cattle and beef higher.

Tom Brink, of JBS Five Rivers Cattle Feeding, told symposium attendees that the next five years may deliver profits unlike any cow-calf producers have seen in decades. However, Brink expects continuing structural changes within the beef industry. He noted, as an example, significant growth in the stocker segment.

Brink also talked about how high corn prices and higher costs of gain in feedlots have resulted in increased placement of yearlings rather than calves. Smaller price spreads between calves and yearlings have resulted in favorable purchase-to-sale relationships for the stocker segment. Brink looks for a growing preference for yearlings for feedyard placement with animals weighing 750 lb. or more comprising nearly half of all placements. He looks for calf placement to decline by 20% during the next couple of years.

Since more calves are purchased and grown by stocker operators before going to feedlots, calves undergo

at least one additional change of ownership during their lifetimes. According to Brink, that could make it difficult to maintain beef-marketing programs tied to ranch of origin. He thinks breaks in the linkage between packers, feeders and cow-calf producers, along with relaxation of animal age restrictions associated with beef export markets, could diminish opportunities to garner premiums for age- and source-verification.

Still, Brink says it's "a pretty good time to own the factory," predicting good times for cow-calf producers, provided their cost structures are favorable and they can sell calves at prices equal to the market average or higher.

## **Forage utilization**

University of Nebraska animal scientist Terry Klopfenstein said beating the average is good advice for stocker operators too. He discussed several key elements to consider when designing a calf-growing program. Heading the list is the need to adopt a system that fits available resources. Klopfenstein said producers usually gain an advantage when they can make effective use of grazed forages.

He called the availability of cornstalks or other crop residues for grazing a "tremendous resource" that can be complemented by supplemental byproduct feeds. Klopfenstein said ethanol byproducts can be especially cost-effective for strategically supplementing protein and energy. He also advised use of growth promoting implants and ionophores. Klopfenstein



said there is significant opportunity to make money by adding weight to calves, providing producers find ways to minimize costs and then market cattle to best advantage.

“The goal,” he said, “is to be better than average.”

#### **Cow size vs. available resources**

Looking at the cow side of things, South Dakota State University animal scientist Ken Olson discussed the industry trend toward larger beef cows. Olson said cow-calf producers must consider whether cow biological type (size, growth potential and milk production) matches available forage resources for grazing. If mature size is too big, cows will struggle to maintain acceptable reproductive rates unless additional harvested feed is provided. The cost of that feed could mean even more pounds of weaned calf would be needed to pay for the additional feed.

“To pay her feed bill, a bigger cow has to produce a bigger calf. For every 200-lb. increase in cow mature weight, she has to produce 50 lb. more weaning weight,” Olson said, noting that higher milk production also increases nutrient requirements and demands a little additional weaning weight in return.

“Bigger cows may not fit limited range resources and certainly must wean a bigger calf,” concluded Olson. “They will probably require more management, such as improved grazing management, strategic supplementation and adjustment of calving and weaning dates.”

During his symposium presentation, animal physiologist Andy Roberts, questioned if feed efficiency data should be used for evaluating the cow herd. A researcher with the U.S. Department of Agriculture (USDA)-Agricultural Research Service’s Fort Keogh Livestock and Range Research Laboratory in

Miles City, Mont., Roberts said current measures of feed efficiency — such as feed conversion, gain to feed, residual feed intake and residual gain — may not be most appropriate for determining cow efficiency.

Instead, Roberts suggested cow longevity — reproductive rate — may be a better measure for cow efficiency. He questioned attempts to apply measures of feed efficiency in a feedyard to evaluate cow efficiency in range production settings. Calling the environments too different, Roberts noted how the range environment’s seasonal and annual variations in forage quantity and quality can result in greater differences between biological and economic efficiency in the cow-calf phase compared to other phases of beef production.

As an example, Roberts said cows that consume more calories during the growing season and gain sufficient weight to exist on less harvested feed inputs during winter may require less total economic input than cows with greater biological efficiency that consume less during the growing season but require more calories from harvested feed later. Roberts advised cow-calf producers to focus on available management strategies to improve efficiency in their own individual herds.

During his comments before the symposium audience, University of Nebraska Extension Educator Aaron Berger said controlling input costs remains a critical part of managing a ranching operation. Yet, Berger said only about 15% of producers really know what their costs are. Some might think they do by figuring up what it costs to run a cow for a year. However, Berger said it’s preferable to know the cost of producing a pound of calf or a ton of hay by calculating unit cost of production (UCOP) — the

ratio of total costs divided by total pounds produced.

Berger called UCOP an invaluable tool for enterprise analysis. Most ranches are made up of multiple business enterprises, such as the land, cow-calf production, stocker/yearling production, replacement heifer development or hay production. And, yes, Berger said “land” is a separate business enterprise for which the other enterprises should pay the equivalent of a fair market value lease rate. He said all direct and indirect costs for each enterprise should be considered but separating the ranch into enterprises and allocating costs can be challenging. For example, the tractor used to pull the hay baler may also be used to feed hay to one or more cattle enterprises.

“In working with producers, I encourage them to initially make their best guess as to the amount of time a piece of equipment is used within a respective enterprise and then break out related expenses accordingly,” said Berger. “In subsequent years, simple records, such as the number of hours the tractor has at the start and end of haying season, might be used to refine these numbers.”

When using UCOP and enterprise analysis, it is not uncommon for producers to discover that one or more ranch enterprises are consistently losing money. While the process of financial analysis may not be as much fun as tasks associated with production, Berger says the payoff can be huge.

“It’s ironic that a producer may be investing hundreds of hours of time and large amounts of money, year after year, in an enterprise that consistently loses money, but (that same producer) may be unwilling to invest several hours each year to

analyze enterprises on the ranch,” Berger said.

#### **The next generation**

According to University of Nebraska Agricultural Economist Dave Goeller, another task that ranchers often neglect is planning how to transfer their ranches to a succeeding generation. Goeller advised symposium attendees to decide if they want to pass on a viable ranch business or just a collection of assets to be portioned out among the heirs.

Without a succession plan, explained Goeller, heirs will still inherit the assets, but it is unlikely someone will be able to successfully continue the business. He admitted that planning is often complicated and time-consuming, but those are the very reasons why planning should not be delayed.

Goeller said numerous tools are available for this process, including life insurance, partnerships, limited liability companies and shared appreciation agreements. He also encouraged producers to determine what is “fair” to heirs that may have remained on the farm or ranch and those that have not been involved in its operation. Explaining how giving all heirs equal shares in an estate isn’t always fair, Goeller urged consideration for contributions some heirs may have made to maintaining and building the farm or ranch business. **HW**

**Editor’s Note:** For complete coverage of the Range Beef Cow Symposium, visit [RangeBeefCow.com](http://RangeBeefCow.com).