

Details Matter



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Decreasing cost where it matters, while improving efficiency is tough to beat.

Even in times of economic and production challenges, some cattle producers make money.

Even in times of economic and production largesse, some producers lose money.

Years ago, I had a chance to visit with a man whose company was the largest single manager of institutional farmland in the United States. Think here of vast tracts of the most valuable arable land in the U.S. The company's main headquarters was littered with computer screens and dials, blinking lights of different colors and computer print outs. He told me one of their keys to success was studying what the most successful operations did not do, rather than what they did do.

For example, as dog-eared and tiresome as it might seem, various analyses over time suggest higher-profit cattle producers focus more on managing cost than necessarily increasing unit production or value.

"...while both production (weight) and weaning percentage do impact profit, they are much less important in explaining differences between producers than costs," according to the most recent cow-calf enterprise analysis of Kansas Farm Management Association (KFMA) members. "In fact, 66% of the average difference in net return to management between high-profit and low-profit farms is due to cost differences. The other 34% is due to differences in gross income per cow, which is primarily because the high-profit farms sold a larger number of calves and sold slightly heavier calves."

That's from "Differences Between High-, Medium-, and Low-Profit Cow-Calf Producers: An Analysis of 2015-2019" (*Agmanager.info/livestock-meat/production-economics*), penned by Dustin Pendell, agricultural economist at Kansas State University (K-State) and Kevin Herbel, K-State Extension agricultural economist and KFMA administrator.

"High-profit operations had a \$268 per cow cost advantage over low-profit farms (22% advantage) and a \$188 (16%) cost advantage over the mid-profit farms," according to the K-State report. "High-profit operations had a cost advantage in every cost category compared to low-profit operations and every cost category compared to mid-profit operations, except for pasture."

Similar studies over time point to the fact that some low-cost, high-profit producers spend more than their peers in particular areas such as genetics and preventative animal health.

Production and price matter, of course. As mentioned, on average, high-profit operations in the K-State study had larger herds and slightly heavier calves.

But production has its limits — environmental, biological, and economical. Consider data from Standardized

Performance Analysis in recent years, suggesting average weaning weights over time are stagnant to declining.

Then, there's price.

High-profit farms in the K-State analysis received a slightly higher price for calves as compared to the low-profit and mid-profit operations. High-profit operations generated over \$138 (20%) more revenue per cow than the low-profit operations.

Arguably, value-added pricing continues to tilt the scales more steeply in favor of some producers, those who understand how to add value and how to retrieve added dollars for the extra value.

Combine gross income and cost advantages: net return per cow was \$406.10 more for high-profit operations in the K-State study compared to low-profit ones. Net return per cow was \$235.65 more for high-profit operations compared to mid-profit operations. That's not the same as saying cow returns were positive; they were not for this time series. In this case, though, losses were substantially less for high-profit producers.

"Even though cow-calf enterprise returns are highly variable over time due to hard-to-manage macro-economic factors, the variability across producers at a point in time is even larger. These larger differences across individual operations can potentially be managed and therefore represent opportunities," Pendell and Herbel explain.

For instance, John Locke is CEO of the Locke Division of J.D. Hudgins Inc. He's also a Ranching for Profit (RFP) instructor. He was a presenter at this year's Beef Improvement Federation Young Producer Symposium. He explained relatively few ranching operations are profitable if all costs are tallied, including labor. In fact, according to data from Ranch Management Consultants (RMC), industry average return on assets (ROA) is -1.5%. Among other things, RMC provides RFP instruction and training. ROA is +4.2% for members of the RFP Executive Link program. For the top 20% of operations in Executive Link, ROA is +9.7%. You can read more about Locke's presentation on page 96.

Choosing efficiency

Among all of the options available to increase current production with the same level of inputs or to maintain current production with fewer inputs in commercial cow-calf operations, crossbreeding continues to offer the greatest economic leverage and production risk insurance. That's especially true when you consider the value of managing maternal heterosis.

Research from the U.S. Meat Animal Research Center (US-MARC) indicates that heterosis yields 25% more lifetime cow productivity and 38% more cow longevity. All told, crossbred females are estimated to be 30% more productive

over their lifetimes, due to increased fertility, calf survivability, increased weaning weights and cow longevity. Specific gains revolve around the genetic diversity between the parents involved.

In their seminal work at US-MARC, researchers Larry Cundiff and Keith Gregory explained heterosis can be used to increase the weight of calf weaned per cow exposed to breeding by 20%. Crossbred cows remain in the herd 1.3 years longer and have a 30% greater lifetime production than straightbred cows.

Consider a three-year crossbreeding research study conducted by the American Hereford Association, in partnership with Lacey Livestock, Harris Ranch Feeding Co. and Harris Ranch Beef Co. in California.

The first year, Lacey Livestock randomly bred 400 Angus-based cows to 10 Hereford and 10 Angus bulls under typical, extensive Western range conditions. The next two years, they randomly bred 600 Angus-based cows with 15 bulls of each breed. As much as possible, when purchased, bulls were above average for the major expected progeny differences (EPDs) of each breed, based on Lacey Livestock criteria. The final analysis included 297 Angus-sired steers and 284 Hereford-sired steers.

- Pregnancy rates for Hereford-sired females (black baldies) averaged 7% higher than those of the Angus-sired heifers.
- Feed conversion (as fed and dry matter) and cost of gain were consistently and significantly superior for Hereford-sired calves compared to the predominantly straightbred Angus.
- Overall net return for the Hereford-sired calves was approximately \$30 per head in a vertically coordinated beef marketing system. That does not include the maternal advantages of the baldy female.

Scott Greiner, beef Extension specialist at Virginia Tech University provides, a widely referred to summary in "Crossbreeding - It's Cool Again."

"The primary advantages of crossbreeding beef cattle are heterosis (hybrid vigor) and breed complementarity," according to Greiner. "The power of crossbreeding results from the advantages of the crossbred cow, due to her advantages in fertility, weaning weights, and longevity. In fact, 60% of the advantage of crossbreeding is realized through the crossbred cow. In addition, individual heterosis exhibited in the calf results in increased livability coupled with an increase in growth rate. Breed complementarity provides the opportunity to capture the strengths of various breeds, and enables selection of individual animals within those breeds for specific purposes." **HW**

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