

Cattle Business in Mississippi – November/December 2004 “Beef Production Strategies” article

The Blessings of the Cattle Business

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As the holidays approach, it is a good time to reflect on the blessings of the cattle business. Unprecedented market conditions have made beef production a profitable enterprise for many producers across Mississippi. In addition, many farms came through the summer with more forage and better cow condition than in past years. Though some local operations felt the effects of the hurricane season, most were spared what could have been a very tough situation. Across the state, there is much to be thankful for as beef producers.

Planned Change

This time of year brings football to the forefront of many discussions. We have all seen those situations where the quarterback is forced into making a decision he does not want to make when the opposition is breathing down his neck and he does not have any receivers open. In this situation, he often loses the down with no gain, loses yardage, or (worst case scenario) turns the ball over to the other team. With a good offensive line and top-notch receivers, he is less likely to be forced into a bad decision. With a tough defense, he can even afford some little mistakes. The same is true of the cattle business. When markets are good and grass is abundant, we are in a better position to make decisions. It is much easier and less stressful to make changes in the operation when profits are plentiful than when strapped for cash in less bountiful times. Change can be planned and not forced, as is sometimes the case when times get tough.

Start by looking at where efficiency can be improved. Improving the efficiency of the cow herd means looking at reproductive performance, first and foremost, and then evaluating the calf performance history for each female in the herd. If there are females that are not breeding back in a timely manner or are weaning off “dinks” on a regular basis, then they should be heavily scrutinized as potential culls. Favorable cull cow prices make culling females an attractive option for many farms. Determine whether less productive herd females will contribute to the profitability of the operation in lower markets or whether they will be a drain on net returns. A good set of herd records is useful in doing this and makes culling decisions more straightforward and effective.

Investing for the Future

Good times in the cattle business provide the opportunity to build for the future. Now is a great time to be proactive with profits earned over the last year. Making wise investments with current profits can help make the operation more profitable during lean times. Many producers will spend part of their profits before the end of the year in order to save on taxes. When making the decision to spend profits, do not spend just to

spend. Instead make sure that expenditures fit with operational goals and will contribute to the profitability of the operation in the future.

Investing in herd genetics is an area where the effects of current choices will be felt down the line. Additional revenues brought in by capitalizing on high markets can be used for genetic improvement to increase the value of future cattle marketings. Acquiring good bulls may cost a fair amount now, but these types of investments will more than pay for themselves in just a few years. Opportunities exist to purchase sound, genetically superior herd sires that will complement the cow herd and move the calf crop in a positive direction in terms of marketability and profitability. Investing in lower quality, cheaper bulls, on the other hand, will cost more than the purchase price savings in the long run when fewer, lighter, and/or less valuable calves are produced.

Herd genetic improvements also involve proper female selection. As cows are culled from the herd, consider the number and quality of replacements that will need to be introduced into the herd. If herd females are being sold without being replaced, then inventory declines and the total value and income potential of the herd may fall. Forage, feed, and labor resources are just some of the factors that will influence optimum herd size. Look at the potential of the pastures along with cow size and efficiency to estimate carrying capacity. The herd size that will work under ideal forage growing conditions is not necessarily what will work year in and out. Plan for the highs and lows in forage production that will inevitably be faced keeping stored feed options in mind as forage extenders.

The herd female is the profit base of the herd. She must produce revenue each year that will cover not only her annual costs but also her share of expenses associated with replacements and non-productive herd mates. When deciding which heifers to retain or purchase, the goal should be to improve the profit base of the herd with any replacements. This starts with focusing on reproductive soundness and genetic potential. Make it a priority to breed and/or select functional females that can consistently produce the type of calves that fit the marketing plan. To improve the genetic base of the herd, females entering the herd should be genetically superior to females already in the herd.

Another example of an area where present financial bounties can be invested is to facilitate rotational grazing. Rotational grazing is a research-proven management practice that increases control over forage resources. Rotational grazing provides numerous benefits including increased carrying capacity, extending pasture forage availability, better persistence of plants sensitive to continuous grazing, improved pasture forage utilization, and more docile cattle and better cattle management through more frequent handling and observation. Investing cow herd profits in cross fencing for rotational grazing can lead to lower feed costs and increased profitability in years to come.

In addition to improving the profit potential of the operation, investments that will upgrade the functionality of the cattle operation can be valuable as well. Developing and

enhancing cattle lane systems and working facilities can be worthwhile undertakings, particularly when faced with limited labor. Try to anticipate future facility needs to achieve the goals of the operation with functionality and adaptability being important considerations in current plans.

Now is an ideal time to identify those aspects of the operation that need improvement. Whether it is expanding or improving herd genetics, enhancing facilities, renovating pastures, or something else, prioritize the needs of the operation, and address those needs from the standpoint of investing in the future profitability and functionality of the operation. The current financial rewards of the cattle business can then be used to position the operation to be successful in years to come. For more information on beef cattle production, contact your local Extension office.