

Finding Efficiency With Forages



PHOTO BY ROBERT HOSTO, 2010 ANGUS JOURNAL/INAA PHOTO CONTEST WINNER

With the increasing cost of grain, a focus on forages allows cattle producers to “do more with less.”

by Kindra Gordon

Today's U.S. beef industry is certainly in uncharted territory. Cattle prices are at historical highs, but so are production costs. Because of this, Jeff Geider, director of the Institute of Ranch Management at Texas Christian University in Fort Worth, says, “Higher prices for livestock will not guarantee profitability. It all depends on what it cost to produce them.”

Looking to the future, Geider concedes he can't predict where input costs and prices in the industry will go, but he does believe it will be a “new age for forages.” Geider bases this prediction on



the premise that the value of gain on forage will remain more competitive than gain on grain-based feedstuffs.

“Prolonged periods of feeding grain- or hay-based supplement will impact production costs,” he explains. To adapt to these economics, Geider says cattlemen will need to find ways to do more with less. He suggests improving and extending opportunities for grazing is a key way to do that.

Geider points out, “Most other countries have forage-based livestock production; maybe there's something we can be learning.”

Accept the change

As a first step toward

adapting to the future, Geider says, “Change is one of the biggest hurdles we face.” He adds, “Facing the challenges ahead begins with accepting changing realities. We can accept it or fight it: You have a choice.”

If you choose to adapt and adjust, Geider advises taking a total resource management approach.

“This entails taking a detailed — and realistic — inventory of all of your resources to determine where your farm or ranch fits with where the industry is going,” he explains. The inventory should include human capital and liquid capital, along with developing detailed budgets that analyze each enterprise and a clear management plan that allows for adjustments.

Geider clarifies two points. Foremost, he says, not all farm or ranch operators

Looking long-term

The good news is that demand for beef is growing, says Texas Christian University's Institute of Ranch Management Director Jeff Geider concerning the future of the beef industry. But to meet that demand — and be sustainable — livestock managers must find ways to be competitive domestically and internationally.

Geider anticipates high grain and feed prices, as well as higher land lease values, are here to stay.

"This is quite frightening, but I think realistic," he says.

"Higher land leases may mean you need to utilize your property differently."

To determine the economics of a farm or ranch business, the

opportunity cost must be considered, he says. "Cattle need to sustain themselves and pay a lease rate. Otherwise you are subsidizing your cows."

With that in mind, he says, "Livestock producers must focus on being as efficient as possible." He adds, "We can't all be stocker operators. We need cow-calf operations in the industry, but they are at a disadvantage because they can't adjust to market changes as quickly as a stocker operator, feedlot or packer."

He continues, "This means cow-calf producers need to be more forward-thinking and plan years out versus just looking six months ahead."

are at the same place with their resources, experiences, etc. Thus, the business plan and goals for one entity can be very different for another.

Second, he emphasizes that what is wanted and what is realistically possible based on soils and growing conditions, human resources and financial resources must be evaluated.

Strategies for sustainability

Ultimately, successful cow-calf operators of the future will need to be both economically and environmentally sustainable, says Geider. "I submit you can't be environmentally sustainable if you're not economically sustainable."

To achieve this, Geider suggests livestock managers focus their total resource management system on four levels: soils, forage production, livestock management and economic sustainability.

With those factors in mind, Geider points out to cattle producers, "You don't raise cattle; you raise grass."

Start with the soil. "Soil fertility is the foundation for all production," Geider emphasizes. "It determines what, where and how we can develop forage-based production systems. If you don't take care of the biology in the soil, the rest of this becomes moot."

Once this point is truly realized, Geider says it will greatly influence how the forage that is produced is harvested — namely that managers may realize that haying is counterintuitive. He explains, "Grazing offers the recycling of soil nutrients, while haying is the mining of soil nutrients and something we need to rethink."

Focus on forage production. As the new age of forages unfolds, Geider stresses that farms and ranches will need to determine what forages are adaptable to their environment. He encourages taking an innovative approach, including considering:

- ▶ nontraditional forage species — both native and introduced — that may be integrated to complement livestock grazing, extend grazing periods or increase plant succession;
- ▶ proper utilization of forage-stocking rates;
- ▶ integration of multispecies livestock grazing; and
- ▶ grazing schemes — such as rotational systems and deferred grazing — to optimize production.

Enhance livestock management. As producers strive for continued efficiency in harvesting forage produced, Geider also suggests managers improve efforts to:

- ▶ Match the cow to the environment, and consider smaller, more efficient cows. Geider says, "I adamantly feel we need to decrease [the] size of cows. As a rule of thumb, a cow should wean half her body weight in seven to eight months. If that is the case, ask yourself, can a 1,400-pound (lb.) cow wean a 700-pound calf in seven to eight months on forage?"
- ▶ Match the cow's production cycle to the forage growth curve. Geider points out, "This will impact supplemental feeding needs and can potentially lower the unit cost of production (UCOP)."
- ▶ Produce livestock that have the ability to express their genetic potential from forage-based grazing systems. "I am not saying the U.S. industry should move to all grass-finished cattle, but we need to find a balance and utilize forages more," Geider concludes.

Calculate economic efficiencies.

Increasing outputs with the same or even fewer inputs is a reality that livestock managers will need to achieve to remain viable in the future, Geider says. To address

economic feasibility within the operation, he suggests analyzing these strategies:

- ▶ Transition wherever and whenever possible to forage-based animal growth.
- ▶ Allocate assets to optimize returns through weed and brush control and fertilizer applications. "This allows the potential for growing more grass and increasing stocking rates," Geider points out.
- ▶ Decrease overhead and the reliance on non-revenue-producing capital assets. "Sit down and push the pencil on equipment and capital assets that do not return efficiently to the operation," Geider says.
- ▶ Implement sensitivity analysis to project the percent changes in inputs and the corresponding impact on outputs or revenue. "Consider different 'what-if' scenarios. This may help increase the operation's flexibility to adapt to highly volatile markets," Geider says. "Volatility can be a good thing if you learn how to capitalize on the upswings." As an example, he points out that a proactive approach can help in managing both purchase costs and selling price. "Most of the time you can make more money buying than selling if you buy it right," he says.
- ▶ Structure the business to be highly liquid in times of increasing capital requirements. Geider says, "Reacquaint yourself with your balance sheet. Focus on a detailed budget and breakeven for each of the farm/ranch enterprises — and adjust or eliminate the enterprises that aren't making money."

