

Marketing Update

More Cows, Less Grass

Hopefully you recognize this title as part of the Red Angus marketing theme that goes hand-in-hand with "Less Corn-More Choice" (April, 2008 ARA Marketing column). In today's cattle industry characterized by ever increasing costs of production, measures of increased efficiency (as the undertone of these two ad campaigns imply) will continue to seize our attention.

Driving down the highway involved with Red Angus marketing efforts, gives me ample time to ponder about how many profit oriented ranch families, many of which are perhaps fourth and fifth-generation, can continue their accustomed way of life. No matter how we define profitability, it is obviously a primary goal of most cow/calf enterprises. Though many issues and factors play a role, long term staying power really boils down to this formula:

Commercial cow/calf profitability = value of outputs - cost of inputs.

Historically, the Red Angus Marketing staff and this "Marketing Update" have concentrated on means by which to enhance the "value of outputs": enhancing the value of Red Angus sired calves and yearlings largely through participation in the Feeder Calf Certification Program (FCCP) and getting greater value for Certified Red Angus fed cattle through high quality grid marketing opportunities. These efforts will continue. However, recognize that numerous university economic studies have found that cost factors are more influential in driving returns to labor and management than production, reproduction or producer controlled marketing factors, and feed costs have the largest impact. The unprecedented increases in input costs seen over the last year, certainly warrants some departure from tradition.

Value of Output

Output in the minds of many cow-calf producers is synonymous with average calf weaning weight (WW). Indeed, coffee shop braggin' rights often lay claim to the heaviest calves, with no regard to how much it cost to get them. Even though many Standardized Performance Analyses (SPA) indicate virtually no relationship between average calf WW and return on investment, average WW remains one of the few tangibles that many producers can grasp. Indeed, through the years, one of the easiest ways to increase WW has been to emphasize selection for growth rate or milk production through crossbreeding and/or through direct selection within breed. Perhaps the easiest way to increase WW has been to simply make calves older at weaning by calving earlier. Both of these ploys have had little regard for increased cow size, milk production, maintenance requirements and associated increased costs of production.

Weaning weight does have significance in the output side of the profitability equation if it is placed in the context of "whole herd weaning weight" or "total pounds of calf weaned from the whole herd". This can be put into perspective only through understanding of the missing ingredients - stocking rate and cow size.

The age-old discussions about matching cow size and genetic potential for milk production to the environment implies that larger, more highly productive cows are a better match for environments characterized by higher rainfall and more lush abundant feedstuffs. In contrast, smaller, more moderately productive cows

are better matched to drier, sparser-vegetation environments.

Again, the missing ingredient is stocking rate. In the land based cattle world, grass is the basic unit of production. Measuring grazing forage in terms of animal-unit-months (AUM's) provides a way to determine total capacity (stocking rate) and to manage production levels for your land resource. For simplicity, let's call an 1100# cow with a calf at her side par at 1.4 AUM's.

Mature weight and milk production of cows are two key factors of AUM usage. It is possible to increase the number of cows and calves by moderating the mature weight and milk production of the cows. Many Red Angus seedstock producers have been selecting for lower Maintenance Energy (ME) EPD which should result in lower mature cow maintenance costs over time.

Let's use an example of a ranch that can carry 300 pair per month (300 AUM's) during the grazing season and look at various cow sizes and stocking rates to help put these relationships into perspective.

Cow Weight	1400#	1250#	1100#
AUMs per pair	1.78	1.59	1.40
Range Capacity (AUM)	169	189	214
Calf WW	630	565	500
Calves weaned	148	166	189
Whole herd pounds	93,240	93,790	94,500
Calf price	1.07	1.12	1.18
Calf Revenue/head	\$674	\$633	\$590
Total revenue	\$99,767	\$105,045	\$111,510

I have made numerous assumptions, which may or may not be applicable to individual ranching enterprises. I would encourage you to input your own numbers based on historical data from your own situation. In this example, even though the 1400# cows weaned calves that were 130# heavier on average, they weaned 1260# less total "whole herd pounds" due to a lower stocking rate. Admittedly, total herd fixed costs on a per cow basis would be cheaper for heavier cows; however, in this simplistic example the increased number of 1100# cows returned an additional \$11,743 over the herd of 1400# cows, again largely due to differences in stocking rate.

If ownership of the calves were retained through the finishing phase as calf feds, approximately the same total feedlot expenses (feed, yardage, etc.) would be incurred finishing the 189 likely smaller framed calves from the smaller cows versus 148 likely larger framed calves from the larger cows.

In addition, the feedlot cattle from the smaller cows would likely finish with less time on feed (Less Corn, More Choice if they're Red Angus cattle), perhaps providing more timely marketing before the summer slump in calf fed cattle prices (assuming spring calved calf feds marketed in April and May at 13-14 months of age). Yes, the individual carcass weights will be lighter from the smaller framed calves, however, again, "whole herd carcass weight" may even be greater and the smaller individual carcass size is more consistent with consumer desires.

I envision many spring calving commercial cow/calf producers calving later in the year closer to green grass to reduce winter supplementation needs and carrying the calves over through a stocker program to be able to sell more pounds of cheaper gain on grass reducing expensive feedyard gains. Again, Red Angus cattle are a perfect match to these production systems with "Less Corn, More Choice."

Full appreciation of the value of output requires understanding the relationships between cow size and stocking rate. Who knows, maybe "more cows, less grass" can keep you in the cow business over the long haul. ■