

## ECONOMICS

### Three historical principles lead to successful planning

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**In most years,** winter pasture would be planted by Sept. 1 and some fields would be turning green at the start of October. However, throughout south-

ern Oklahoma and northern Texas in 2011, this may not be the case because of the drought. As I write this article in early September, I remain optimistic that there will be at least some winter pasture available this year for cattle grazing.

In a normal year, the most economical use for winter cereal pastures, typically, is to graze it with stocker calves to convert the highly nutritious and palatable forage into valuable pounds of beef gain. However, this year might be an exception due to prolonged drought in the Southern Great Plains. This means there will be very little to no standing residual forage going into the winter. In addition, hay is limited in the region because hay fields produced only about a third of the average number of bales or the fields were simply grazed into late summer due to the need for forage at that time. Therefore, hay is hard to find and expensive to purchase even when it is located.

To make things worse for cattlemen, by-product feeds such as corn gluten, wheat midds and soybean hulls are in shorter supply than in recent years because of the drought. In addition, demand during the past two months for these products has been nearly four times higher than in previous years.

All three of these normal inputs for cattle are in short supply and, at the same time, demand has increased. This creates higher prices for these inputs and opens the door to the next best alternatives, such as winter pasture.

If winter pasture is available in the coming months, then what is the potential cost savings for a rancher to turn the cows over to a custom grazer? There are at least two ways to look at this. First, what is the cow producer's alternative for a low cost feed ration? Secondly, what is the custom grazer's alternative for utilizing grown forage?

We've covered the cow producer's alternatives, but we also need to determine a ration cost that meets the nutritional needs of a cow. If a cow consumes 3 percent of its body weight (including waste) and we have 212 days till spring green-up, then a 1,200-pound cow is going to consume 7,632 pounds ( $1,200 \times .03 \times 212$ )

of forage during this time. At \$150 per ton, this hay will cost \$572.40 per cow ( $7,632 \div 2,000 \times 150$ ).

Most of the hay being brought into the region will not meet the total nutrient requirements of the cow, especially during lactation. This is where by-product feeds or cubes are needed. Hay quality, cow weight, milk production, calving season and weather will all have an effect on how much and what type of supplement is needed. An estimate for supplement cost is \$85.50 per cow. This brings the total wintering costs to \$657.90 per cow or \$3.10 per day per cow ( $657.9 \div 212$ ).

Last year, winter pasture for custom stocker cattle grazers brought around 50 cents per pound of gain. This year, with the higher feed, seed and other input costs, custom stocker grazers probably will be charging around 65 cents per pound of gain. Steers on winter pasture should be able to achieve 2 pounds of gain per day on average throughout the grazing season. This would figure to \$1.30 per steer per day.

Traditionally, more steers can be stocked per acre than cows so we need to adjust our daily costs to per acre figures. Throughout the grazing season, a typical stocker steer will average approximately half the weight ►

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of an average sized cow. Therefore, where the carrying capacity of the forage is one cow, two stocker steers could be supported.

Considering all these things, a custom stocker grazer can make \$2.60 per day ( $2 \times 1.30$ ) running stocker steers this year or has the opportuni-

ty to make \$3.10 (the cost it will take to feed a cow using hay and supplement this winter) per day by running cows. Under the current scenario, a cow producer could save \$106 per cow ( $3.1 - 2.6 \times 212$ ) compared to feeding hay this winter. A breakeven price between stocker steers and

cows would be 78 cents per pound of gain ( $3.1 \div 2 \div 2$ ) for steers compared to \$3.10 per day for cows. Within every situation, opportunities exist. In this case, some cow producers may use unconventional methods to find a cheaper alternative to feed the herd throughout the winter. ■