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BeefTalk: Cut Expenses Smartly, Not Quickly

Don't let knee-jerk reactions get in the way of good planning.

By Kris Ringwall, Beef Specialist

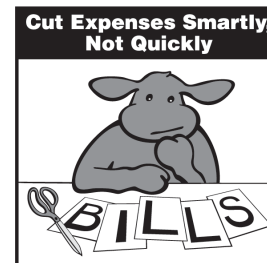
NDSU Extension Service

In difficult financial times, proper management decisions are critical and could make the difference between remaining in the cattle business or not.

Forward or backward are two options. Once the clutch is engaged and the accelerator pressed, action is necessary. Is the operation in "drive" to move forward or in "reverse" to move backward? Let's hope cattle producers are moving forward, but slowly, however.

The heart of this discussion is knowing what expenses to keep and what to cut. There are no simple answers, no magic formula for all producers.

Images



Cut Expenses Smartly, Not Quickly

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(2016-05-19) The "cupcake incident" brings back memories. [FULL STORY](#)

At the forefront are those immediate expenses a producer must pay. And, like any business, the expenses become bills. There will be mumbling when paying this monthly stack of bills. The important thing is to be prepared because operational expense cutting must be projected months in advance and activated when appropriate.

A close conversation with the lender is critical at this time because the knee-jerk reaction is to try to cut immediate expenses in hopes of stalling the inevitable discussion with whoever controls the funds. As a result, those immediate expenses are generally more related to the short term and may influence the immediate well-being of the cattle.

Cutting common production practices such as fertility testing bulls, vaccinating calves, providing appropriate pasture supplements or herd movement within grazing programs can create major immediate and long-term issues.

Placing an infertile bull with cows will turn into a serious error come fall because the cows may turn up open. Every open cow is estimated to be 550 pounds of beef not sold and adds to all the cow expenses as a total loss in the expense column.

Extrapolating from the North Dakota Farm Management education program

(<http://www.ndfarmmanagement.com>) database and associated search tools such as FINBIN

(<http://www.finbin.umn.edu/>) from the Center for

Small-business Savvy: Small-business Savvy: Which Fits You, Entrepreneur or Small-business Owner? (2016-05-19) Don't get caught up in titles. [FULL STORY](#)

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Farm Financial Management, University of Minnesota, I would anticipate gross margins for cows to be somewhere in the \$600 area. That's the amount a cow-calf producer could spend and still break even.

Again, evaluating FINBIN, this year's calves could have in excess of \$650 for total direct and overhead expenses. Obviously, costs must be cut. Open cows will not help a producer get under the \$600 available cash goal. Open cows certainly will mean fewer calves next year, plus no calf to pay for this year's grazing. Infertile bulls eliminate the opportunity to have a profit.

And dead calves do not help, either. How common is overeating? Skipping a C and D clostridia vaccination, as well as other vaccinations for well-known disease agents, is not wise. I doubt you can find a cattle producer who has not experienced the emptiness left when finding the shiny, best calf lying dead over the hill. The shine is gone, and the mother, obviously with a milk-engorged udder, is standing by.

Those fast-growing, well-fed calves are always good candidates for overeating. Maybe that is why the disease became known as overeating. The vaccine is cheap.

I remember as a young child when Dad came into the house quite upset because several cattle had died. I distinctly recall walking down the grove of trees to look at the bull. The dead bull had blood oozing from all the available orifices, which is a typical symptom of black leg. It's a disease that is so common, but certainly not

expressed today, because most producers vaccinate for black leg. The vaccine is cheap.

These are memories one does not like to have or share. But remember, is the operation in a forward-moving gear or in reverse? Moving backward, setting aside technology that saves lives, is not a good decision. Failure to fertility check bulls is not a good decision.

Even as fall approaches, discontinuing veterinarian services to assess pregnancy and failure to implement fall vaccination programs only will lead to a downward cycle. Calves always need to be prepared for market the best we can.

Yes, cutting costs is a very difficult process for cattle producers. The identification of the major costs within the operation is critical. This does not need to be a multiday effort because even with paper, pencil, a quick review of financial obligations, some addition and a little division, the answer will start to emerge.

But remember, cost cutting needs to be planned and projected into the operation, not a reaction to writing a check and a quick elimination of services. If needed, seek some solid financial advice, move forward slowly and think clearly.

May you find all your ear tags.

For more information, contact your local NDSU Extension Service agent

(<https://www.ag.ndsu.edu/extension/directory>) or

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NDSU Agriculture Communication - May 19, 2016

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Attachments



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