**Going Forward in the Cattle Business**

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By the time anyone reads this article (about a month after it is written), I anticipate the 2016 fall calf run to be getting underway and producers realizing much lower prices than they have in several years. I also anticipate prices to continue declining through October and November which will mean even lower revenues for producers that delay marketing.

As the market heads into fall, spring calving herds are looking to wean calves and either sell them immediately or precondition them for a couple of months. Alternatively, most fall calving herds have marketed last year's calf crop and are in full swing with calves hitting the ground.

Nothing in the past can be changed, but the decisions we make in the present impact the future. This article is not about prices and may have more questions than answers, but it is about management decisions that guide planning for the future and survivability of an operation.

As producers stare lower prices, lower revenues, and lower profits in the face, what can be done to maintain or improve profitability the next several years? To maintain or improve profitability, changes will have to be made. It is important to note that changes do not come without risk. Some changes expose producers to more risk than other changes. Also, important to note, some changes expose producers to less risk than they are currently taking. All decisions contain an element of risk, and the decision to do nothing or to change nothing is a decision that brings its own set of risks.

Now, what can be done to maintain or improve profitability? Three considerations to evaluate include: 1) cost management strategies, 2) value added marketing, and 3) utilizing resources to their highest value.

First, evaluate cost management strategies. In a competitive market, producers do not set the price for which their product is sold, but they do decide how much they spend on producing their product. In the case of cattle, some costs can be completely cut or reduced while some costs should not be cut. The balance in managing costs is to first reduce costs that do not negatively impact production, secondly if a cost reduction will negatively impact production then the reduced cost must exceed the revenue that is lost from the production loss, and lastly some costs should not be cut.

The largest cost categories are usually the easiest to reduce costs. The largest cost categories are generally feed, depreciation, and labor. One method of reducing feed costs for most operations is to reduce the dependency on mechanically harvested forage. The ability to extend the grazing season can greatly reduce feed costs. Reducing feed costs works in tandem with both depreciation and labor costs. If the grazing season is lengthened and fewer days of feeding are necessary then repairs and maintenance on machinery is reduced and the life of the machinery is extended. Additionally, reducing the amount of hay produced results in fewer hours of labor harvesting and fewer hours spent feeding. An example of a cost that should not be cut is costs associated with a health program.

Second, producers should evaluate strategies to add value to the animals being produced. Some value added practices include castrating, weaning, vaccinating, preconditioning or backgrounding, marketing cattle in larger lots, and even marketing freezer beef. Many of the value added practices require that a marketing option be available for that management practice. However, these marketing opportunities are available to producers. It takes some producers more effort than others to participate in some of these marketing opportunities, but if it is more profitable then it is worth consideration.

Lastly, producers should utilize resources to their highest value. This can be a tough one because of the complexity of the system. This is a question where producers should consider changes and try to calculate on paper how it would impact their operation in the most ideal and least ideal situation. Producers should determine what cows fit their environment and management style and select bulls that produce heifers for that environment. Things that might be evaluated to determine resource value

maximization include forage diversification, artificial insemination, and enterprise diversification. An example of enterprise diversification may be a cow-calf producer purchasing stocker steers to make a load lot with the home raised steers.

The take home message is that prices are declining and profits will decline tremendously if changes are not made on an operation. Producers should evaluate and make changes where potential profits can be made.