#03-July 2021

Recommendations for Young Producers

Cow-calf producers have many decisions to start their operation, including production system, management style, type of record-keeping, and finances. The CDN COP Network's 115 producer participants provided their recommendations for start-ups and young producers in 2021. This is a summary of those recommendations to aid young producers on the path to success.

Production

Thirty-five percent of CDN COP Network Producers (CCNP) recommended focusing on production when starting a cow-calf operation. Recommendations included working with their environment instead of fighting against it, invest in quality cattle such as bulls or artificial insemination technologies, and ensuring cattle have the correct nutrition and infrastructure (Producers X, 2021). Start-up producers will have to evaluate their climate, ecoregion, capital, and market to match their most successful operation style and enterprise(s). For example, producers may choose to calve in the summer on grass when the ground is primarily dry, to lower infrastructure needed and sick calves in damp and heavy snow winter conditions. By matching production systems to location, producers can be more productive with their resources.

Possible operation choices:

- Breed of cattle
- Calving period
- Winter feeding system (confined versus extensive)
- Summer grazing system
- Enterprises
    - Replacement or seedstock
    - Retained ownership (Backgrounding and/or finishing)
    - Hay production
    - Pasture production

Enterprises can be selected based on available land and its potential productivity. For example, the producer may have arable land for hay production, saving cost through homegrown feed production. Without an arable land base, producers will have to weigh the cost of renting land

Brought to you by Canfax Research Services in collaboration with the Provincial Coordinators and funded by BCRC

versus purchasing hay for winter feed. Correct production decisions will ensure a producer uses their available resources efficiently for their unique operating system and location.

Resource management

Twenty percent of producers recommended that producers focus on the management of resources for cow-calf production. After choosing a production system, a start-up producer must manage their tasks to use resources efficiently. A handful of CCNP recommended that when starting, spend time on management to ensure resources are used efficiently and productively, such as managing your land to produce self-grown feed to save on overhead costs (Producers X, 2021). Along with managing resources, producers have four stages of the cow to manage (Jaeger, Pirelli, & Weber, 2004):

1. Lactation, breeding, and pregnancy
2. Mid-gestation and weaning
3. Perceiving
4. Calving

In the above periods' nutrition, housing, reproduction, and health management will be adjusted to meet the cattle needs. A nutritionist or feed testing can determine the quality of their forage and if additional supplements are needed. Establishing a relationship with a veterinarian to assist with recommendations in vaccination programs can mitigate loss in cow and calf performance (Jaeger, Pirelli, & Weber, 2004). Producers who choose to calve in the winter months may need more infrastructure such as shelters or barns to reduce calf death loss. Producers should weigh the trade-offs of practices, for example, calving start dates with the required infrastructure versus the gain in calf weight when making these production and management decisions.

Preparation for a drought

Drought conditions can set young start-up producers back when developing their cow-calf operations. However, young producers can minimize significant setbacks to future goals and plans by developing a drought strategy.

According to Peine (2021), the most important strategy is to extend our forage through utilizing a protein supplement. In a drought, feed prices tend to be higher due to hay supply shortages. Through extending available shortages, producers can limit the amount of purchased feed, minimizing input costs.

Another option is to wean calves earlier to reduce cow inputs needed (Peine 2021). By weaning calves earlier feed inputs, requirements are lowered compared to extending the cow's lactating period. Producers will have to evaluate the trade-off between selling lighter calves or needing more feed for cow-calf pairs.

By establishing a plan and parameters to compare trade-offs, producers can minimize the cost impacts of drought to their cow-calf operation. Lastly, building a financial reserve for years of drought can reduce culling, especially once producers have an established herd that is difficult to replace. For more information about financial strategies, refer to the **Financial Practices** section.

Networking

There was a strong recommendation by 34% of CCNP to get involved with other producers from the industry to seek mentorship, advice, and share resources (Producers X, 2021). Networking also including seeking out professionals such as accountants, nutritionists and veterinarians for their operations to support management and production practices. Through learning from experienced professionals and producers, start-ups can more clearly choose the practices and management styles to best match their operation to achieve success.

Financials

Thirty-two percent of producers advised managing financials. Advice included not overextending your finances, building your operation slowly, watching your overhead cost, planning your income, and learning new cost-effective methods to lower your cost, such as year-round grazing (Producers X, 2021). Twenty-six percent of the CCNP recommended managing start-up operations at a slow pace to ensure there is available cash for overhead costs and those producers don't get overwhelmed by debt and production (Producers X, 2021). Two CCNP recommended that young producers seek out government and program funding when starting projects such as a new water system or a sorting and chute system as it will save you from the cost of borrowing (Producer AQ & Producer AB, 2021).

Young producers are steadily faced with an increased financial requirement and more competition to purchase land (Bruhim, 2019). Financial practices can aid in evaluating the cost of production and revenues generated from the whole operation and individual enterprises. In addition, basic financials can help prepare for year-end, plan for GST/HST/CPP payments, identify gaps in cash flow, and more (Beef Cattle Research Council, 2021b).

Producers will decide between accrual or cash accounting systems when producers create their four basic financial statements – balance sheet, net worth statement, income statement, and cash flow statement. Accrual accounting will record accounts receivable when earned, even if you get paid later. Cash accounting instead records the money when it changes hands (Beef Cattle Research Council, 2021c).

For young producers creating their own farm benchmarks can help determine the farm's success. To start, producers could describe their cost of production on a unit basis, such as cow-calf unit costs of production or cost per cow wintered.

$$Cow\ calf\ Unit\ Cost\ of\ Production = \frac{Total\ production\ costs}{Total\ Pounds\ of\ calf\ weaned}$$

Producers then can use index numbers to trend series over a period of time by using a select base year to calculate their costs and revenues:

$$Index\ Number\ = \frac{value\ in\ specific\ year}{value\ in\ base\ year} \times\ 100$$

Producers will then have their own operation benchmarks to compare their financials. It is important to note that increased production does not always mean increased profits (Ranching 4 Profit, 2018). Consider the two operation examples:

	Operation one	Operation two
Calving	March	March
Acres/ cow	10	7
Avg. cow weight	1,400 lb	1,100 lb
Wean weight and time	600 lb in Oct.	400 lb in Aug.
Calf price	$1.50/ lb ($900/calf)	$1.80/ lb ($720/calf)
Weaning rate	90%	90%
Weight weaned per cow	150 lb	360 lb
Weight weaned per Acre	54 lb	51 lb
Income per cow	$810	$648
Income per acre	$81	$93

Source: (Ranching 4 Profit, 2018)

Operation one has larger cows with a more extended lactating period and weaning in October. Operation two has lighter cows with a shorter lactating period and weaning in August; because of this, we can assume about 20% less forage is consumed, reducing the acres needed per cow. Operation one is more productive when observing the weight weaned per cow and acre, but operation two is more profitable per acre. Instead of just looking at production, producers can evaluate their profitability and production efficiency through the Gross Margin per unit (Ranching 4 Profit, 2018).

To get the Gross Margin per cow or acre subtract the direct costs from the income per cow or acre. Thus, the Gross Margin can evaluate production and economic efficiency, and some producers prefer the method.

Gross Margin = the contribution an enterprise makes to cover overheads

Goals

Twelve percent of producers in the CDN COP Network recommended that start-ups prioritize and achieve attainable goals for their operations' production and financials (Producers X, 2021). Producers can use the 5% rule to make incremental improvements to their operations. With establishing goals, producers will have to keep records to compare their progress over time.

Goals for cow-calf production systems can include and are not limited to:

- Increase grazing season by X days
- Increasing weaning or sale calves' weights by X% by Y time
- Lower the rate of open cows and heifers by X% by Y time
- Increase stocking rate by X% by Y time
    - Through land improvements
    - Through grazing management
- Maintain optimal body condition score on cows through the year
- X% of cows calved within Y days

Profit Target

Along with goals, 4% of producers recommended setting a profit target within their financials (Producers X, 2021). Establishing a profit target in the short-term (1-2 years), mid-term (3-5 years), and long-term (>6 years) aids producers in developing a financial plan. Instead of accepting profit or loss after taking away the overhead cost from the Gross Margin, set a profit target and add the overhead costs to determine the amount of Gross Margin needed (Ranching 4 Profit, 2019).

Profit (loss) = gross margin – overheads
Gross margin = profit target - overheads

Based on the Gross Margin, the producer will decide the units needed between their enterprise(s) to meet their profit target. Keep in mind that the salary or living costs are included in the overhead costs. Next, it's essential to determine your profit target to establish a goal. For example, first, you may want to pay off debt, secondly, build reserves, thirdly, owner dividend. Every producer will have a different rank and list of items for their profit to go towards. With this mindset, producers can structure their operations to profit in the long term instead of accepting the left-over profit, which is often break even (Ranching 4 Profit, 2019).

Record-keeping

Record keeping is the first step to tackling goals and the first step to production records for young producers. Producers from the CDN COP Network recommend having a daily log planner or journal to keep records to use for year-end paperwork (Producers X, 2021). Management goes hand in hand with record keeping and the tracking of inventories available and used. Past records and performance are often the basis of management decisions. For example, pasture turn out and rotation dates can better utilize available grass and possibly extend the grazing days. In addition, matching management practices with production goals will help young producers better manage their resources while possibly increasing production.

To have an accurate record of animal performance and pasture productivity details, producers can use a written daily log of activities, calendars, or a calving booklet. Paper records were the most common method mentioned, but with experience, producers may prefer digital records. Establishing cow-calf production records will allow producers to make better culling, replacement, and overall herd decisions. If producers then want to sell seedstock, there is a history of records to show buyers the history of a bull or replacement heifer and progeny.

Along with animal and land performance information, a list of farm contact and member information can help save time (Beef Cattle Research Council, 2021a). For more details on the types of records to be recorded check out the BCRC Record Keeping and Benchmark modules.

Passion

Twelve percent of CCNP expressed that new producers must have a sense of passion for cattle before entering the cow-calf industry to ensure a young producer does not experience burnout (Producers X, 2021). Cow-calf producers have to ensure their cattle are healthy and happy. A passionate producer Is more likely to take the necessary steps to learn and ensure their cattle are in their best condition.

Conclusion

Young cow-calf producers have many decisions to make when starting their cow-calf operation. Producers first need to choose a production style that best matches their environment and region. Secondly, network with experienced producers and professionals to better select practices and management styles to best suit their operation. Then, develop a financial plan to hit profit targets from their operation, manage resources to use them efficiently and effectively to maximize production and, have records to evaluate their success to meet goals. Finally, have a passion for the cattle industry will ensure this is an industry that the young producer will enjoy. Producers need to use their available resources efficiently and evaluate the trade-off between operation practices and financial decisions.

References

Beef Cattle Research Council. (2021a). *Record Keeping and Benchmarking: Getting Started*. Retrieved from beefresearch.ca: http://www.beefresearch.ca/resources/recordkeeping/getting-started.cfm

Beef Cattle Research Council. (2021b). *Record Keeping and Benchmarking: Level 1*. Retrieved from beefresearch.ca: http://www.beefresearch.ca/resources/recordkeeping/level-one.cfm

Beef Cattle Research Council. (2021c). *Record Keeping and Benchmarking - Level 2*. Retrieved from beefresearch.ca.

Bruhim, J. M. (2019). Determining the Optimal Start-up Strategy for a Cow-Calf Producer to.

Jaeger, J. R., Pirelli, G. J., & Weber, D. W. (2004). *Beef Cow-Calf Management Guide.* Oregon State University.

Peine, J. (2021, April 23). *Decision tips for cattle producers during drought*. Retrieved from progressivecattle.com: https://www.progressivecattle.com/topics/management/decision-tips-for-cattle-producers-during-drought?fbclid=IwAR0qRVDmB2QBaZoNj2AxJLsmdbJRkRVRmk1--U7N2k1YRGgRmF9Vu5t_BmE

Producers X. (2021). Canadain COP Network future farm summary notes.

Ranching 4 Profit. (2018, April 10). *Measuring Production Efficiency*. Retrieved from https://www.youtube.com/watch?v=mxUljWfN8Ew

Ranching 4 Profit. (2019, July 27). *Profit target*. Retrieved from https://m.youtube.com/watch?v=RuMDBTFA-2M&list=PLxxTKGRjt1zqvKIkRkQjxZhZ9JnWYS1yD&index=5