

## **Post Rock Answers**

**Week of: 4/23/18 – 4/27/18**

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### **What is That Open Cow Really Costing You?**

Sometimes it is difficult to make those tough culling decisions. For various reasons, open cows can slip through the cull gate and wind up with an extra year on any given operation. From young females that showed promising mothering ability and just lost a calf in odd circumstances, to old cows with bags that make it hard for producers to tell for certain which one is the dry cow. However, today's markets and costs of production are different from what generations before us dealt with. Producers are very much so playing a high risk game.

I think back to when I was growing up and listening to Dad and Grandpa visit about production cost and even in some of my junior college course work focused on production plans (Honestly, this wasn't long ago) but numbers ranged from \$475 to \$550. These annual cow cost figures are probably familiar to many of you reading this. Unfortunately, it appears that the time period of such reasonable input costs has come and gone. The Livestock Marketing Information Center released their updated report of annual cow costs and just fifteen years back reported numbers were lower still. However, since then we have seen an increase of nearly 225 percent.

No cloud comes without a silver lining, and markets have increased as a whole as well. Nonetheless, in a cyclical business we can expect profit margins to become increasingly tight if inputs do not decline proportionally. This is problematic because as average reported cow costs climb to nearly \$900, Dr. Ted Schroeder of Kansas State's Center for Risk Management, actually reports that the relationship between the futures and cash markets has become increasingly loose structured.

According to Schroeder, cash trade made up fifty to sixty percent of all market trades not long ago; now it is hovering around a quarter of all trade. Negotiated cash price and formulated price slides are becoming more and more popular. He reiterates that this trend is not necessarily a bad thing, but that the pace at which it is occurring can cause confusion and volatility in the markets. Due to the fact that the predetermined cash prices are not uniform across the country, producers are seeing a wide array of profit margins and therefore reporting and determining prices becomes increasingly challenging.

As many of you know, in skinny markets or times of uncertainty it falls on us as producers to leave nothing to chance. That is why controlling and moderating input costs is so imperative to the sustainability of each given operation. Soaring inputs allow less leeway in culling cows and making sure that we are not putting extra resources into females who fail to bring us any return.

For more information regarding annual cow costs, market insights, or other aspects of your cow herd financials stop by and Post Rock Extension District office or contact [barrett8@ksu.edu](mailto:barrett8@ksu.edu).

*Mankato 378-3174, or Osborne 346-2521. Join us on Facebook at "Post Rock Extension" along with our blog site at [postrockextension.blogspot.com](http://postrockextension.blogspot.com). Follow us on Twitter @KSRE\_PostRock. Also remember our website is [postrock.ksu.edu](http://postrock.ksu.edu)*