

With this year's drought affecting a major area of Central Alberta and Saskatchewan, cattle producers are under significant pressure. Building on last year's shortfalls, cattle producers face an immediate shortage of pasture and a prospective shortage of roughage for the coming winter. It is critical to be aware of the situation and assess the various alternatives that apply to your own circumstances.

The objective for cattle producers is to "buy feeding days" of forages and/or grazing while maintaining a reasonable level of productivity. Budget projections will involve maintaining all, some, or none of the core productive asset base ... the cow herd. Similar approaches are applicable to feeder cattle operations.

In assessing these alternatives, it's important to view them from the decision-making criteria of *affordability* (cash flow), *profitability*, and *desirability* (including reversibility and longer term goals).

### Step 1: Does It Cash Flow?

A cash flow is a simple statement detailing cash coming in vs. cash going out. It will give an indication of net cash position and requirements for financing. It will also give an indication of the financial risk accompanying each alternative considered. The time frame is short term.

Specific questions addressed in the cash flow analysis include: Are there cash flow resources for the alternative being considered? Will heavy culling generate sufficient cash to meet forage needs? Are there savings or assets to sell or borrowing arrangements in place to cover the costs of renting more pasture, fencing, or buying forage and/or grain?

### Step 2: Is It Profitable?

Will the measures taken to bridge the drought situation be "paid back" through long-term profits from cattle production? Even if the cattle operation may not make a profit this year because

of the effects of the drought, is the operation profitable in the longer term?

If the operation is longer term profitable, proceeding with your drought management plans would only be held back by your "cash flow" or "desirability" constraints.

When assessing your longer-term profitability, keep in mind where we are in the cattle cycle. Because of droughts here and in the US in the last couple years, it is likely that the current cattle cycle is being extended, with the price cycle not peaking for a couple more years.

Income tax is another consideration. A deferral program will be in place for the drought areas this year, providing the option of deferring part of the proceeds of a major reduction in herd size.

Each of these elements can affect longer term profitability.

### Step 3: Desirability

This step relates to the question of whether or not the management steps you're implementing take you down the longer-term path you want for your operation. Will they result in a business structure that is compatible with your income, risk considerations and personal goals?

### Is It Reversible?

How quickly and easily can a decision that is made now be reversed? For example, a cattle producer who has a purebred herd is unlikely to be able to quickly replace animals that are sold due to drought. Some commercial herds may be in a similar situation, in that selection of a group of animals with desirable genetics can take years. Other commercial producers may be able to rebuild a drought-reduced herd within a year or two.

## Goal-based Management

Is the decision one that fits within the context of your longer term farming goals? It is important that your drought-related decisions do not conflict with your overall business strategy (such as maintaining low unit production costs).

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A few specific alternatives to consider, using these assessment factors, include:

- Reduce cattle numbers (consider marketing alternatives; do not just “get rid” of them)
- It may be possible to sell a portion of one’s own herd and take on the custom care for someone else’s cattle. This frees up cash flow while maintaining the use of cattle assets on-farm
- Move cattle to a remote pasture (consider net cost)
- Rotational grazing (increase pasture efficiency)
- Use “written off” or poor condition annual cropland for pasture, greenfeed or silage
- Seed annual cropland to cereals when it rains
- Provide supplemental feed (e.g. purchased forage, calf creep feed)
- Wean calves early (cow enters winter in better condition, reducing feed requirements)

Although the stress caused by the drought is high, and unpleasant decisions may need to be faced, it is important to gather all the relevant facts, assess all the various alternatives, and make informed, rational decisions. This process, in itself, helps to restore a sense of control to a weather-induced situation that is not our making.

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If you have questions or require further assistance on this topic, please call the AgInfo-Center at 1-866-882-7677