WHAT IS YOUR RATE OF RETURN?

When choosing a grain or supplement for a feeding program, the question most often asked is “what is the price?”. Price dictates everything we do from purchasing groceries to buying the fuel for our vehicles. Price in many cases can be an excellent way to choose feed products but, it can also be the very reason that a feed program doesn’t maximize its performance or profit. With this in mind let each producer start asking a different question: “what is my rate of return per dollar invested?”.

This question puts a much larger responsibility on the part of the producer but has the opportunity to increase the profitability of the livestock operation. It is a process that will require continual data collection of consumption, waste, costs, and gains of each animal or group. This can be a time consuming process but is one that will be well worth the investment.

As an example, let us consider two farms feeding two different theoretical feeds. Both farms will be feeding a group of feeder goats. The first farm’s feed (farm A) will be purchased for $0.26 per lb or $13 per 50 lb. bag. The second farm’s feed (farm b) is purchased for $0.18 per lb or $9 per 50 lb. bag. In this scenario, both farms will be paid $2.10 per pound of live weight when the kids go to market.

Farm A feeds his kids 2 pounds of feed costing $0.52 per day ($0.26 per lb.) and averages 0.55 lb of gain per head per day. His investment of $0.52 per kid per day in grain results in $1.155 in growth a day creating a profit average per kid per day of $0.635 for the producer.

Farm B feeds his kids 2 pounds of feed as well costing only $0.36 per day ($0.18 per lb.) but averages 0.45 lb of gain per head per day. His investment of $0.36 per kid per day in grain results in $0.945 in growth a day. This creates a profit average per kid per day for the producer of $0.585.

In the end, Farm A had a better rate of return per day by $0.05 per kid in spite of his higher feed costs up front. In this we can see the dilemma purchasing feed on price only can create. If producers consistently seek out feed with cost as the sole focus, they may miss an opportunity for better performance and therefore profit. Farm B may have paid less but with the loss of performance, lost additional profit as well. Does this mean producers should buy the most expensive feed? Absolutely not! Rather each producer should focus on collecting data to be used to quantify the rate of return for the dollars invested. If paying more for a product will result in more profit in the long run, then a producer should pursue it. Before ordering feed again, take time to consider your rate of return.

-Gregory Meiss