Volatility will be the word for day for the next few months. The world markets are changing rapidly and by the time this article is printed, many additional changes will have occurred moving the goal posts yet again. With the war in Ukraine, rising inflation rates, skyrocketing fuel costs and commodity costs; all markets and supply chains are seeing dramatic swings and delays. Over the next few months we may see new record highs set in corn and soybeans, and producers will be faced with very difficult decisions in their efforts to maintain their bottom lines. It is in times like these many producers will need to adjust strategies on farm to control the costs per head per day in their operation.

The effects of the war between Russia and Ukraine are complex. Russia is the world’s top wheat exporter. Russia and Ukraine combined account for roughly 29% of the global wheat export market. Ukraine is China’s top corn supplier, replacing the US in 2021. As the war ratchets up, sanctions increase, and world supply dwindles, our US supply will only increase in value. This is resonating into every facet of American lives and isn’t likely to stop anytime soon. This leaves producers in a real tough position in spite of the fact that goat meat is bringing high prices in the market as they try to plan ahead for the summer. Thankfully, there are a number of things producers can do to protect themselves to some extent in the coming months.

Produce, store, and purchase forage! Forage is the first line of defense to control many producers’ costs of production. As all costs of production continue to rise nationally, producers of many species will start leaning more heavily on stored forages to reduce and offset some of the rising costs from grain supplements. Additionally, the national drought outlook continues to increase the chances of drought across much of the US. With the likelihood of drought for many in the west and spreading into parts of the Midwest, many producers will be faced with poor growing conditions and therefore reduced pasture forage production. Where possible, each producer should plan to store up or purchase extra forage as they are able with the intent of creating a buffer for their farm individually. Although many in the US graze their livestock for most of the year, storing up additional hay reserves will likely still prove to be a valuable investment. Regardless of the producer or productive situation, each forage should have a forage analysis completed to further improve a producer’s ability to control their costs. Forage analysis provides valuable information for the producer that can improve feeding strategy on the farm. Identifying the quality of forages through testing will allow better forages to be saved and fed at higher productive periods such as lactation or late gestation, whereas poorer forages could be fed in periods of low productive need such as dry off or maintenance periods. The intentionality of forages fed can reduce the supplement necessary to meet the same expected levels of production in the herd of years past.

Regardless of the quantity of forage stored, many producers will still be faced with grain supplement need in their production. This inevitability makes it even more important that producers are cognizant of the supplement they choose. Many purchase grain supplements on cost and availability. Cost selection makes sense as supplement costs can quickly cut into profitability. That said, the rate of return on the cost per head per day is considerably more important than the upfront cost per ton. As an example, let us consider two different theoretical feeds. Feed A costs $520 per ton or $0.26 per lb. Feed B costs $360 per ton or $0.18 per pound. Both feeds are fed to identical groups of goats at a rate of 2 lb. per head per day. When the goats are sold at current market prices, they will bring around $4.50 per lb. of liveweight.

Farm 1 feeds his kids 2 pounds of Feed A 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 $2.475 in growth per day creating a profit average per kid per day of $1.955 for the producer.   
  
Farm 2 feeds his kids 2 pounds of Feed B, costing only $0.36 per day ($0.18 per lb.) and averages 0.45 lb. of gain per head per day. His investment of $0.36 per kid per day in grain results in $2.025 in growth per day. This creates a profit average per kid per day for the producer of $1.665.

At first, Feed B looks like the way to go but in the end generates $0.29 less profit per kid per day. It is substantially cheaper per head per day, but the rate of return is poorer and, in the end, costs the producer potential profit. This does not mean buying a more expensive product will always result in better rates of return, however it does mean producers should look at all supplement options with an eyes wide open mentality, judging on the productive rate of return first. Although all costs are rising, cheaper does not always equate to addition profit potential.

The goat meat prices are up substantially helping producers carve a out a profit in the current market space in the face of production costs on the rise at the same time. As we all seek to maintain profitability in the coming months, take the time to be certain inputs such as stored forages are locked in and that the best possible supplements are selected. If done correctly, this year’s profits could be one for the record books.