

# IRM - An Opportunity to Proactively Reduce Costs and Improve Profitability

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## Introduction

Floods, snow, \$5.00 corn, \$.50 calves, and a \$55 fed cattle market—What is this, a list of reasons not to be in the cattle business? No, just a description of 1996. In addition to these factors, there has been consumer frenzy regarding outbreaks of *E. coli* and bovine spongiform encephalopathy (BSE) in the United States and Europe, respectively. All of these represent reasons why cattlemen need to cut costs and maintain better records in order to stay afloat during this portion of the cattle cycle. What are your costs? Do you know how much it costs to maintain a cow in your herd? As cattlemen, we tend to forget about those poor-performing cows and calves, as evident in a recent Cattle-Fax (1997) survey. Survey data collected from over 2,400 producers across the country provide a generous account of important financial and performance measures when compared to similar factors analyzed using the Standardized Performance Analysis (SPA; Table 1). Still, it is not enough to simply collect accurate information about a given operation. The data must be used to generate a game plan, which will allow a producer to minimize losses during the valleys of the marketing cycle and to maximize profitability as the cycle begins to turn upward.

## What is IRM?

Integrated Resource Management (IRM) is not SPA. Standardized Performance Analysis is a tool utilized in an IRM program. Integrated Resource Management is a concept developed by the National Cattlemen's Beef Association and the United States Department of Agriculture-Extension Service. The concept represents a team management approach designed to enhance the competitiveness, efficiency, and profitability of

the beef business. Using SPA (which is only a component of IRM) cattlemen can analyze their operations, make decisions, and take action to ensure maximum profitability. Integrated Resource Management is based on the principle that "*You can't manage what you don't measure.*" Standardized Performance Analysis allows us to accurately and consistently measure our production and financial performance, but IRM should allow producers to manage for greater profit and sustainability.

Using the IRM concept, a team of specialists pool their expertise and technology to solve a producer's problem(s) on the ranch. All team members take an integrated approach to solve the producer's problems. This team of specialists may include (but is not limited to) veterinarians, county extension agents, other cattlemen, university researchers and specialists, accountants, and allied industry representatives such as animal health and nutrition suppliers. However, it is important to recognize that the producer "selects" the team. He or she must feel comfortable with everyone on the selected team.

## IRM in Other States

Integrated Resource Management means something different to every state. Each state utilizes different tools to obtain its goals in accomplishing a successful IRM program. Different states utilize an array of tools: SPA, Quicken, on-farm field trials, feed analysis, or any combination thereof. Idaho utilizes SPA data in combination with IRM teams and on-farm field trials for a successful IRM program. Likewise, Kentucky utilizes IRM teams and pilot demonstrations to address concerns facing producers in that state.

Missouri and Nebraska both take advantage of SPA as an IRM tool. In addition, these states have standing IRM teams that solely involve university personnel. Furthermore, Nebraska utilizes SPA workshops where producers are divided into groups based upon the number of years they have participated in IRM. At these workshops, cattlemen complete their annual analyses and receive assistance from their IRM teams.

Iowa takes another approach to IRM. Daryl Strohhahn (1996) at Iowa State has developed a regionally acclimated spreadsheet program that uses SPA guidelines (ISU-IRM-SPA) to meet the needs and concerns of producers throughout Iowa and Illinois. Iowa producers not only complete the annual analysis, but forage and feed samples are collected and analyzed to assess feed quality as well. The data is compiled and analyzed by state specialists who assist producers with interpretation of results. Furthermore, regional discussion sessions are organized, which allow producers in a similar region to discuss their individual results and, perhaps, find methods

of reducing costs in their own operations. During such meetings, producers need not reveal “bottom-line” values but, rather, the meeting provides an open forum to discuss the cattle situation, marketings, and management strategies to improve each other’s profitability. Many states, such as Texas and Alabama, have similar sessions to share information. Most programs, however, conduct meetings on a statewide rather than regional basis.

### Florida’s IRM Approach

Just as other states have their own versions of IRM, so does Florida. Florida combines many of the available tools, including SPA analysis, local and state expertise and statewide meetings.

The initial step in Florida’s IRM program is an informational meeting outlining and describing IRM. Next, an individual rancher’s meeting is scheduled to explain minimum requirements, what is expected of the participant, and the fee structure involved. Once the initial steps have

**Table 1.** Cattle–Fax survey data versus national SPA data

SPA Measure	Survey Data <sup>a</sup>	SPA Data <sup>b</sup>	Difference
Total cost, \$/cow exposed	308	410	(102)
Percentage weaned <sup>c</sup>	88	84	(4)
Weaning weight	549	514	(35)
Lb weaned/cow exposed <sup>d</sup>	482	434	(48)
Calf breakeven, \$/cwt	69	90	(21)

<sup>a</sup>Cattle–Fax Survey; March, 1997.

<sup>b</sup>National SPA Report Card; Cattle–Fax; April, 1997.

<sup>c</sup>Percentage weaned = [(number of calves/number of females exposed) \* 100].

<sup>d</sup>Pounds weaned per exposed female = (total pounds of calf weaned/total number of females exposed).

**Table 2.** Average of Illinois herds that completed SPA in 1994 and 1995

SPA Measure	1994 <sup>a</sup>	1995 <sup>a</sup>	Difference <sup>a</sup>
Feed cost, \$/cow exposed	307	263	44
Non-feed cost, \$/cow exposed	154	152	2
Total cost, \$/cow exposed	461	415	46

<sup>a</sup>Source: Illinois SPA—Rich Knipe; 1996.

been completed it is time to start preparing production and financial records in order to complete the rancher's SPA analysis. After the results have been analyzed and a report card is generated by Cattle-Fax, the results are discussed with the producer. It is at this time that problem areas can be identified, as well as areas in which the producer has excelled. An IRM information source or team (i.e., county agent, veterinarian, banker, accountant, feed dealer, etc.) is established as a resource for the producer; although, the producer decides who and how many are part of that IRM team.

Florida cattlemen may reduce costs by participating in statewide IRM and informational sharing sessions instead of SPA training workshops. "IRM Certification" is an alternative tool a producer can use to aid in his or her decision when considering potential members for an IRM team. This certification would include (but is not limited to) veterinarians, county extension agents, other cattlemen, university researchers and specialists, accountants, and allied industry representatives such as animal health professionals and nutritionists. This can be accomplished by having a statewide IRM training session and publishing a list of those in attendance who were trained in the IRM approach. Ultimately, the producer decides who will be the members of his or her IRM

team. Lastly, it is essential to repeat this process annually to assess the progress of the cattle operation. In Illinois, 12 herds that participated in the state's IRM program for two consecutive years, decreased total cow costs by \$46 from 1994 to 1995 (Rich Knipe, Illinois Extension, Personal Communication; Table 2).

### How Do I Increase My Profits?

Regardless of the marketing cycle, it is imperative that a producer maintain and use better records. The cattle cycle may exhibit a positive outlook for the next two to three years but, eventually, it will turn again. In a recent Cattle-Fax survey (1997), high-profit producers exhibited less debt and decreased miscellaneous expenditures. The high-profit producers surveyed credited the decrease in expenditures to more accurate record keeping. In the same survey, high-profit producers exhibited lower purchased/raised-feed costs because many used the services of a consulting nutritionist. According to the same survey, these high-profit producers utilized the expertise of a nutritionist on their IRM team. The nutritionist had outlined an annual nutritional plan based upon animal requirements and available resources. In addition, these high-profit producers utilized alternative feeds, when feasible. Furthermore, it

**Table 3.** High-profit producer profile

SPA Measure	Below Average <sup>a</sup>	Average <sup>a</sup>	Above Average <sup>a</sup>
Annual cow costs	X		
Breakeven calf price	X		
Feed	X		
Interest	X		
Bulls		X	
Pasture		X	
Herd health		X	
General operating expenses	X		
Weaning weights			X
Reproductive performance			X
Lb weaned/cow			X
Herd size	X	X	X

<sup>a</sup>Cattle-Fax Survey; March, 1997.

was found that high-profit producers spend \$122 more on future herd sires than low-profit producers. These cattlemen do not sacrifice genetics and reproduction in order to “save a buck.” In addition, high-profit producers spend \$1/acre more on monthly leases and an equal amount on herd health, resulting in higher weaning weights and a greater calf crop percentage (Table 3).

Further characteristics exhibited by high-profit producers include elimination of any unneeded and unused equipment, lower labor costs, and development of a purchasing plan. These producers make purchases in bulk to secure volume discounts at predetermined times of the year.

### **Conclusion**

With increasingly competitive national and global markets, cattlemen have new incentives to

thoroughly understand both the business and production aspects of their operations, including the costs of production. Cattlemen need to assess production and financial results together, to identify opportunities for better management of available resources. Tools like IRM teams, SPA, Quicken, and on-farm demonstrations can help beef producers integrate, manage, and use production and financial records to be more effective as cattlemen in today’s competitive and ever-changing industry. Most importantly, cattlemen need to set goals and strive to reach those goals; but they need to be attainable.

### **References**

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