Cattle Shelter, Fences, Corrals, Silo Costs Reviewed Here

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Hughes, and he wondered how some 200 head cattle lots with high capital investments can pay for themselves in light of the relatively small profit margins in this type of feeding.

Farmers who have the capital to afford what Hughes referred to as a "Cadillac style operation" still should consider the fact that they ought to get a return on their investment at least equal to what they could get for leaving the money in the bank to draw interest and, in addition, they should get a return for their labor.

Farmers who do not have the capital for "Cadillac style" farming, but who borrow the money, should take into account the high cost of borrowing money. Some farmers pay as much as 15 to 18 per cent interest to buy machinery and equipment, it was noted.

Hughes cited examples of two farmers that he knows about One farmer with a 50 to 60 cow dairy herd has outstanding debts totaling about $250,000 and has recently realized that he's not making out very well; Hughes indicated he's not sure if there is a solution for this type situation In getting into this situation, Hughes said, the farmer kept buying all the latest type of expensive equipment without regard to whether it would pay for itself and how it would benefit his operation.

The other farmer with about a 100 head dairy herd has inexpensive type machinery and equipment and maintains a relatively small overall investment, but this farmer reported a $47,000 net profit last year, Hughes said.

Hughes also said that farmers cannot expect to get much of their investment in buildings and machinery back when they sell a farm The important factor in determining price in this area is the land itself, he said.

In speaking specifically on silos, Hughes said the silo must fit into the overall farming system and it is only part of the system The farmer must think in terms of how the silo will fit into the system and help make profits, he said.

While corn silage is the cheapest source of feed, the farmer must analyze his future building plans in relation to what he now has.

When going into a new system or an addition to the system, Hughes said the farmer must be sure that added costs will not exceed added returns.

There is a trend in farming toward substitution of capitol for labor and building a silo is one way of doing this. But the farmer must be sure that the silo actually will reduce labor requirements.

In deciding if he wants a new silo, the farmer should also consider alternative uses for his money. Referring to Burdette's comments earlier in the evening, Hughes noted that $1,500 spent on a corral, with all the management benefits that a good corral can provide, could turn out to give a bigger return than a new $10,000 silo.

In anlayzing the cost of a new item, including a silo, the farmer must evaluate it on the basis of its yearly cost. For a silo, this should include annually five per cent for depreciation, three to nine per cent for interest, one to two per cent for repairs and about one per cent each for taxes and insurance This indicates 11 to 18 per cent of the initial cost as the annual cost of ownership and this annual cost goes up to about 18 to 25 per cent when additional necessary equipment is added, according to Hughes.

He noted that conditions change faster today than before and the five per cent depreciation figure representing 20 years, may actually be too low. A 10 to 15 year depreciation schedule may be better, he said.

Noting that costs for an 800 ton silage storage can range from just over one dollar a ton to over five dollars a ton, Hughes said each steer consumes three to five tons during a feeding cycle. This can result in a cost per animal of $15 or over for silage storage alone And the difference between this cost and the lower cost storage facility can mean the difference of large sums of money annually when figured over the number of head the farmer feeds each year, Hughes explained.

Some farmers may want to spend some of their profits for "some of the Cadillacs of operation" This is all right if the farmer has an adequate profit level. But "if getting enough net profit is a problem" Hughes would advise the farmer to keep costs to a minimum.

He also stated, "If you have a high cost operation, it's nobody's fault but your own."