

Inventory like a pro

UNDERSTANDING and managing a farm's inventory should not differ much in concept from that of a grocery store. While the products will be quite different, the end goal is the same. The grocery store stocks fresh and packaged foods, snacks, and drinks. Dairy and beef farms stock fermented or dry forages, grains, and feed premixes. In the realm of amounts, grocers inventory thousands of different items, each identified by a SKU (stock keeping unit), while dairy farms and feedlots inventory tons of various feedstuffs.

Though dairy producers and feedlot managers tend to record and talk in terms of tonnage (yield), dairy or beef cattle performance is not closely related to on-farm volume. Tonnage simply tells us quantity. The grocery store has a grasp on quantity but goes further with SKUs identifying product details, price, margin, vendor, and other information tied to the product. The store inventory management software associates SKUs and meaningful inventory trends, which can then be understood with SKU detail in combination with quantity.

Farms identify inventories mostly as year, crop, cutting, stack, or animal group premix but too many times lose track of further, and meaningful, feed details. Tracking feed sources (feed mill, variety/hybrid, year, field, or grower), nutrient content of feeds, and ultimately the energy value per pound of feed can lead to inventory optimization opportunities.

There are numerous potential benefits to better understanding a farm's inventory. There are also many software programs available to assist with advanced feedstuff identification and tracking to realize these benefits. However, a simple spreadsheet can be used to start tracking inventory like the pros. Organizing inventory details allows for better future decisions, while also offering retrospective performance tracking for fields, varieties, or hybrids.

Document future value

The immediate and best understood benefit to managing inventory is to ensure there are enough tons to feed the herd. The next benefit, for accounting

purposes, requires valuing tons for the balance sheet. A third and often unrecognized benefit to advanced inventory management is improved animal health, performance, and farm profitability.

Health and performance can be improved by dedicating the highest nutritive quality hay, grain, or silage to animals in need of the greatest nutritional value such as transitioning or high-performing cattle. Nutrition is simplified when the farm's best-quality feedstuffs are identified and directed to those animals that need it the most, but valuing feedstuffs can be challenging.

The first step in valuing a feedstuff is to understand the feed's nutrition facts. Nutritional detail is necessary to capture both accounting and herd performance benefits. The nutrient content (protein, fiber, and starch) and nutrient digestion potential (fiber and starch digestibility) should be known to appropriately value feeds. There are millions of dollars in profit opportunities for farms that better assess value by incorporating a metric that accounts for feed digestibility. A past *Hay & Forage Grower* article, "What determines forage marketing benchmarks?" in the March 2016 issue, can help you better understand exactly what goes into your favorite forage value index.

On a livestock farm, the profit or margin of a feed is derived from animal performance. Translate a feed's nutritional value to a margin potential by periodically ranking the highest to lowest value feeds on the farm. Then after understanding the margin potential for the feed inventory, better manage the inventory by allocating the greatest margin potential feeds to the animals capable of returning the greatest economic returns for your farm.

Growing year, irrigation, seed genetics, soil fertility, and agronomic and harvest management all impact crop value. Growing year cannot be controlled, but the other factors can be managed. Track year and cutting, field or grower, seed genetics (hybrid or variety), and agronomic and harvest management detail (for example, plant density and soil fertility) so that feed margin potential can be related back to different agronomic

strategies or seed genetics.

Consider on-farm plots to specifically evaluate seed genetics or develop a field and grower tracking program capturing both yield and feed margin potential. Remember that margin potential depends on both yield and nutritional quality. Feed samples can be collected from trucks or wagons at intervals from representative fields to then be paired with later yield information.

Make future decisions by combining the farm yield and quality performance with university hybrid trial results and seed company recommendations. Some producers and nutritionists also find over time that different growers or fields outcompete others and return feed with greater margin potential. Try to identify these trends.

Think like a grocer

Feed (forage, grain, and premix) inventories represent thousands to millions of dollars on a farm's balance sheet. Monitor both quantity and quality of your most valuable inventory feedstuffs. Do this daily to weekly for mineral and grain premix inventories, while commodity feeds can be assessed weekly to monthly. Evaluate farm-grown feeds (dry hay, grain, and forage) monthly to annually, depending on the management team's capacity. Work with your farm's consultants to develop the strategy and frequency that is optimal for your farm.

Finally, step up inventory management by thinking more like a grocer. Create a theoretical SKU for your feed by gathering more transactional detail at feed delivery or harvest and then use that insight to make more informed decisions in the future both in purchasing and for feed allocation. Work with your advisers, and consider recording and organizing agronomic, harvest, and seed genetic information by field and crop in a spreadsheet, or in a designated software program to assure your best animals have exactly what they need to perform at their optimal potential. ●

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