

## **A Comparison of the High Profit Beef Cow Herds To The Total Herd Group**

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**W**ith the current high level of prices in the beef cattle industry, there is renewed interest in the management of beef cow herds to produce the greatest level of profitability. Individual producers need to fully understand their own level of inputs and how this affects the potential profitability of their own herds. One way to review these items is to take a very serious look at how high-profit beef cow herds generate their above average profits and how those numbers relate to the larger or average group of beef cow herds.

Data for this study was compiled through the Carrington Area Farm Business Management Program in conjunction with the North Dakota Farm Business Management Education Program. The data for this study was collected from area program members, for the years 1994 through 2003, and summarized using the FINPACK farm analysis software program. In a very few instances where some high profit group numbers were unavailable in the database, the average of those annual figures present was used after careful consideration and correlation with high-profit numbers in local and regional reports.

The number of producers involved in the study in any one year varied from a minimum of 18 to a maximum of 27 producers. A total of 223 herds containing 24,976 cows were involved of which the high profit 20 percent were represented by 45 herds and 4,770 beef cows. It must be noted that the high profit herds are also part of the total herd base from which the average numbers are drawn. The herd base was quite consistent with many of the same herds involved for the entire 10-year period.

All costs were gathered on a 12-month basis and the income side of the enterprise was terminated at weaning, except for the sale of culls or other breeding stock. All replacement breeding stock was held in a separate enterprise and their costs and returns are not included within this study. While all producers were encouraged to weigh all calves at weaning, it must be acknowledged that some producers did not weigh all calves at weaning before transferring them to another enterprise. For these calves, weights were estimated using the sale of herd mates or similar type calves.

The cows in the high profit group weaned calves averaging 587 pounds or 44 pounds more than the average of the whole cow herd base. The pounds weaned per exposed female were 548 pounds and 493 pounds, respectively. These high profit herds also generated \$465.57 per cow in comparison to the average of \$418.42 for all the herds for an advantage of \$47.15 per head.

The term net inventory change is used to describe the reduction in breeding stock value due to such things as culling and uninsured death loss. It might also be viewed as the ongoing annual net cost of breeding stock replacement within the herd. Over the 10-year period the high profit herds had a net inventory change of approximately \$25.24 per cow for an advantage of \$17.83 when compared to the inventory change of the average herd at \$43.07 per year.

In the area of total direct and overhead costs the high profit herds again had a per cow advantage of \$30.73 over the average herd. The high profit herds had a total of \$305.60 for direct and overhead costs per cow as compared to the average herd with an annual cost of \$336.33 per cow. Non-range livestock feeds were assigned market value when fed while pasture or range was assigned the actual cost of production based on animal unit months. The feed cost per cow for the high profit group averaged \$189.13 per year while the average for all

herds was \$200.19 per cow. The operator labor or management charge was similar for both herd groups with the high profit at \$48.04 and the average group at \$43.95 per cow.

While it is important to emphasize the fact that livestock can be used to market forages, grains and grain by-products, there are three basic areas that producers should also concentrate on to increase their profitability levels. First they should aim to wean a minimum of 540 to 550 pounds per exposed female. This is a more accurate method of measuring production than viewing just weaning weights alone. Secondly, producers should bring their average annual net inventory change figure into the \$25.00 to \$35.00 range. Thirdly, producers need to bring their total direct and fixed costs per cow into the range of \$305.00 to \$325.00 per head. By working toward these three goals, beef cow-calf producers can better position themselves to grow and prosper in the beef cattle industry.