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## BeefTalk: When to Sell the Calves?

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One of the toughest decisions cow-calf operators face is whether to sell their calves off the cow or retain ownership through all or part of the finishing chain. It is a decision that producers face each year and is replete with many options, worries and outcomes.

At the North Dakota State University Dickinson Research Extension Center, retained ownership has taken us over a road of peaks and valleys. The changes and pressures in today's cattle market have produced a tangle of alliances, certifications and branding mechanisms that could choke a good-sized bull. Once a producer is involved within these relationships, like it or not, the opportunity to participate is often connected to retaining some level of ownership of cattle.

Leaving the organization and eyeballing another relationship is often difficult at best. For many cow-calf operators, the reality of a retained ownership program involves participation from their banker, which ultimately means more paperwork during the annual loan renewal process. Another reality of retained ownership means producers need to do their homework relative to the pros and cons of each potential alliance.

At the center, experience has shown that within the confines of establishing a reliable genetic program, there are many lessons to learn — and some of that learning is not without pain. Price per pound, premiums, discounts and basis adjustments mean little until cattle are actually marketed. The relationships between the variables in pricing cattle and the individual carcass are multi-dimensional, difficult to ascertain and even more difficult to explain.

The final value of the carcass hanging on the rail must cover several inputs: cost of animal entering the retained ownership chain, backgrounding costs, finishing costs, harvesting costs and interest. In the past five years, the carcass value for center-owned and finished cattle was \$767 in 1996, \$758 in 1997, \$817 in 1998, \$809 in 1999 and \$878 in 2000. The producer and feedlot, as well as any other beef service, needs to draw from this number.

In 1996 the center received 54 percent of the carcass value in the fall. In 1997, the Center would have received 72 percent; in 1998, 60 percent; in 1999, 73 percent; and in 2000 74 percent.

The feedlot is the other major contender for a share of the carcass value. In 1996 the feedlot landed 34 percent of the carcass value; in 1997, 36 percent; in 1998, 27 percent; in 1999, 21 percent; and in 2000, 26 percent.

Combining the two figures shows what retained ownership means.

In 1996, only 88 percent of the carcass value was reached, which means whoever had ownership at the time of slaughter obtained the additional 12 percent. In stark contrast is 1997. There was not enough room for everybody. The producer and feedlot inputs accounted for 108 percent of the carcass value. Because the Center owned a portion of the cattle, we lost 8 percent on any we owned, and the feedlot lost 8 percent on any it owned. In 1998 and 1999, the fall value of the center's steers and feedlot share accounted for 87 percent and 94 percent, respectively, so the center gained 13 percent and 6 percent over what it could have achieved by selling the calves in the fall. The year 2000 calves were a wash as fall value and feed lot share totaled 100 percent of the carcass value. Over the five year period, the center has increased by 4.4 percent the value of what it could have received by selling the calves in the fall. I think I could have received that from my local bank with no risk.

But, keep in mind, who is your partner in this business? More next time.

May you find all your ear tags.

Your comments are always welcome at [www.BeefTalk.com](http://www.BeefTalk.com). For more information, contact the North Dakota Beef Cattle Improvement Association, 1133 State Avenue, Dickinson, ND 58601 or go to [www.CHAPS2000.COM](http://www.CHAPS2000.COM) on the Internet. In correspondence about this column, refer to BT0054.

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<b>Fall Sale Value Versus Carcass Value of Steer Calves</b>					
NDSU Dickinson Research Extension Center					
Birth Year	Fall Value	Carcass Value	Carcass Value Recieved		
			Producer in the Fall	Feedlot	Owner at Harvest
1996	\$ 415	\$ 767	54 %	34 %	12 %
1997	\$ 543	\$ 758	72 %	36 %	-8 %
1998	\$ 494	\$ 817	60 %	27 %	13 %
1999	\$ 591	\$ 809	73 %	21 %	6 %
2000	\$ 649	\$ 878	74 %	26 %	0 %

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