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NDSU Extension Service

## **BeefTalk: Net Returns Look Positive for 5 Years -- What's Next?**

**By Kris Ringwall, Extension Beef Specialist,**

There are different approaches to running cows and marketing their offspring. A producer can sell freshly weaned calves or retain ownership of them and sell them on the rail. The vocabulary a producer uses to discuss the cattle business is most likely the result of which approach he or she accepts.

Last week, we talked about numbers. Regardless of which approach a producer takes, those numbers are the basis for the cattle business, because net return is a number that needs to be estimated. In the most simple form of the cattle business, a producer needs two numbers: total sales of product and total expenses. Subtracting the last from the first should give a strong indication of the potential dollars returned in the cattle

business.

There are several options on how inclusive or exclusive a producer should be during these calculations. In this column, I'll focus on the income side of the equation.

One fundamental question is always, "When should I market the calves?" This is a true challenge, because the longer a calf is owned, generally, the greater the amount of gross total sales. A producer needs to determine what the end point of ownership will be.

Historically, most cow/calf producers marketed calves directly off the cow as weaned calves. This option provides no direct indication of the actual value of the marketed steer on the rail to allow for good comparison of when to market.

Since 1996, the North Dakota State University Dickinson Research Extension Center has retained ownership of calves, selling them on the rail. The average value of these calves has been \$804.07 (721.96 pound hot carcass weight) and provided \$16.12 net return to the finishing enterprise (additional dollars above the value of the calf at weaning in the fall).

Put another way, our ability to return a net profit meant we could not have more than \$804.07 in expenses. To determine profit back to the cow, I need to subtract our total feedlot costs per calf (\$227.30) from the average net value of the steer, which gives the Center \$576.77 to work with from birth through backgrounding. These steer calves have averaged 700 pounds going into the finishing portion.

Using price projections developed by the Food and Agricultural Policy

Research Institute (FAPRI) for the years 2002 to 2006, the value of the carcasses should average \$844 for the next five years. That assumes that all of our performance data will stay the same for the next five years (we would ship 700-pound calves that average 721-pound carcasses on the rail). If feedlot costs remain reasonable, I would project that the Center would maintain the \$576 margin and perhaps increase it to over a \$600 dollar buffer to offset production expenses and return a profit to cover labor.

However, retaining ownership or selling in the fall are both viable options. Selling those calves in place of retaining ownership is projected to exceed the dollars brought in by placing the calf in the feedlot. This is a nice situation for the cow/calf producer.

With a little figuring, we calculate that if these calves were to bring \$82.40 in the fall, the Center would have the same amount of money to work with as feeding the calves out.

I hope most cow calf producers are striving to keep cow expenses at less than \$1 per day per cow/calf pair and calf preconditioning programs under \$1.70 per day per calf. The \$365 per cow and \$75 per preconditioned calf should provide total per cow expenses of \$440 leaving a margin for producing calves on the grasslands of North Dakota at over \$100. These kinds of numbers should certainly be enough incentive to turn the cycle and start cow numbers climbing.

The trick will be 2007, when FAPRI projects the cycle to change and negative returns will return to the cow/calf segment. Where will the cow/calf producer be then? Will the producer have the data necessary to make the genetic changes necessary to keep a positive net return? Believe me, it is never too early to plan ahead.

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 BT0060.

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| Income and Potential Income Based on Total Steer Carcass Value |                     |
|--|---------------------|
| NDSU Dickinson Research Extension Center                       |                     |
| Years  | Average Steer Value |
| 1997-2001  | \$ 804.07           |
| 2002-2006  | \$ 844.00           |

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