

## **BeefTalk 519: Fed-calf Value a Plus**

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One of the driving factors in the beef business is cost. As a producer, even a producer with poor records, the cost of doing business keeps going up. Survival means balancing cost and income.

More income does not mean more profit. However, the same can be said for costs because decreasing costs do not always mean more profit. Less income and more costs, well that's obvious, but often shrewd business sense generally means spending money to make money.

Perhaps that is a pretty good talking point because, as beef producers, we do have to decide on a business plan, invest money and harvest a good return on one's investment. The alternative is to cut costs and then cut some more costs and try to produce at a greater rate than one is cutting costs. Either way should work, but not without a plan.

Beef producers market a raw product, which is the calf. The Dickinson Research Extension Center has marketed calves since its inception. For simplicity sake, most of the male calves are valued as steers and priced off the ranch. Although the steers are coming from different sets of cattle, for the most part, they simply are North Dakota steers. Like many other steers, they reflect a predominant mix of Angus, Hereford and Red Angus mother cows bred to similar or continental-type sires.

Let's take a quick look back at somewhat typical calf values. In the late 90s, calves were bringing in \$480-plus to the center. By the turn of the century, those same calves were bringing in \$660-plus and more than \$775 in the more recent years. These are ballpark numbers based on the value of the steers as they went into the feedlot plus or minus any dollars made or lost in feeding the calves. So, there is cash in the beef business.

The dollars coming back to the cow-calf operation are significant and certainly seem to be on the rise. A particular time that stands out for the center was when the first lot of fed cattle reached an average value of more than \$1,000 in 2004. Four digits are good.

If we simply stay with value, our fed cattle, that being primarily the steers, were valued at \$740 per head in 1996. For the purpose of budgets and estimating income, the center used \$500 per head for estimated gross income from the cows in the herd. Since then, a pattern would be noted of an ever increasing value of the fed cattle produced from the center.

Although market reports would show similar trends, those lines on the many graphs that are printed in many, many news reports mean more when the numbers presented impact the working operation rather than simply a trend in time for the masses.

As noted at the center, fed-calf value was at \$740 in 1996, \$732 in 1997, \$776 in 1998 and \$820 in 1999. As the world celebrated the new century, the center's fed-calf value had reached \$879. The trend did not stop because the fed-calf value was \$841 in 2001, \$896 in 2002, \$985 in 2003 and \$1,100 in 2004. Again, that is the gross value of the fed calf.

The producer, as well as the industry as a whole, has to use value to generate more value (value added) to pay the bills. In more recent years, the fed-calf value was \$1,107 in 2005, \$1,074 in 2006, \$1,162 in 2007, \$1,118 in 2008 and \$1,240 in 2009.

Given the dollars that are present within the value of fed cattle, there is little wonder that whenever a beef party is called, the guest list is long and sometimes longer than the host would like.

The problem is that increased income does not mean increased profit. The more money coming in can and will become a larger outlet to allow for more cash flow, particularly for the producer who does not have an effective business plan.

Planning is everything, even though cattle work, fieldwork and every other kind of daily "chorin" will eat up the hours of a day. Through time, more producers are sitting down and doing more pencil pushing in an effort to keep some of the value generated by putting beef on the rail at home.

It is not easy. Probably the biggest indicators of that are the continued decline in beef cattle producers and the beef facilities that sit empty. Now would be the time to ponder just what the future holds and how much of that future, as a cow-calf producer, one wants to grab hold of.

May you find all your ear tags.

Your comments are always welcome at <http://www.BeefTalk.com>.

For more information, contact the NDBCIA Office, 1041 State Ave., Dickinson, ND 58601, or go to <http://www.CHAPS2000.com> on the Internet.

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