BeefTalk: Beef Production of the Future

Beef Production Future Look

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The future of beef starts with beef systems that generate a per-cow gross margin of $600 and hold direct costs to less than $400 and overhead to less than $100 per cow. After all, the future is what we really desire to know. Unfortunately, much of the future remains hidden behind a wall that we are not given privilege to peek behind.

In the big picture of life, we have faith. With faith, we get up each day and carry out the day. Not all days end as we expected, but they do end, and the next one does arrive.

Some things seem to have a larger impact on our day-to-day survival, but we need to make decisions. We choose a career and follow a career that provides for our individual and family needs, as well as some needs for the betterment of the whole. We usually call that charity.

Usually, the careers that we choose evolve from our own personnel experiences and desires. As the world changes, those careers may need to change. Seldom do very many have the luxury of spending an entire lifetime in a career without at least a tweak or two.

The beef business is no exception, so that is why we find many in the world of livestock production changing careers. Even in the beef business, those ready to sign up don't seem to be signing up as fast as some would like. Put simply, cattle producers are not increasing in numbers. In fact, they are decreasing in number.

In times like this, perhaps it is good to simply ponder a model and then try to build that model to try to peek into the future. The future always starts with the present, and the present is a function of the past. That being the case, let's base the future model on present data.

Returning to the North Dakota Farm Management education program (http://www.ndfarmmanagement.com), along with FINBIN (http://www.finbin.umn.edu/) data from the Center for Farm Financial Management at the University of Minnesota, several pieces of the model can be surmised.

Let's start by asking what sort of demands are on the cow. How much income does this cow need to produce to approach some level of sustainability? During a 10-year period, if one looks at those North Dakota producers within the data set, the data would suggest that income should be $545 per cow. With the sale of culls and miscellaneous income of $111 per cow, the total income generation is $656.

Those producers in the upper 40 percent across the 10 years actually are bringing in $598 per cow. With the sale of culls and miscellaneous income of $111, the total income generation is $709.

Those producers in the lower 40 percent are bringing in $493 per cow. With the sale of culls and miscellaneous income of $115, the total income generation is $608.

In simple terms, a spread of $101 exists between those producers with greater net returns and those with less.

On average, producers had to invest $149 back to keep herd numbers. The upper net return producers invested $131, while the low net return producers invested $163.

Based on these numbers, some key points for the future become known. A cow should contribute $650 to $700 to the collection plate. Money set aside for replacements on an annual basis should be $150.

Again, in simple terms, as a beef producer, the model needs to start with income expectations of $750. Replacement costs are $150, so we have a future gross margin to operate with of $600. This number has been achieved during the past 10 years and certainly is doable.

That is the income side. However, the bottom side of the equation ultimately determines net profit. Historically, as the model grows, approximately 75 percent of direct costs are feed-related, regardless of net return.

If one was to project direct costs per cow at $400 per year, the producer has $300 of feed expense to work with. Although overhead averages are under $70, recent numbers would push overhead to almost $100.

So, who should be in the beef business? Today's thoughts, along with some tweaking, would suggest a production model per cow that focuses on a gross margin of $600, holds direct costs to less than $400 and keeps overhead to less than $100.

These are big numbers for the future beef producers. Now let's find the beef system that can do that!

May you find all your ear tags.