

## Inventory Count Is Essential to Write Profit, Loss Equation

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The shopping district is loaded with year-end close outs. Stores run a variety of advertisements and specials to lure potential customers. The store owner may have come to the realization that it may be best to clearance-price some merchandise, sell it from the inventory and replace it with a different product.

In today's electronic world, inventory reduction and replacement is almost a continuous process. The laws of supply and demand daily write the profit equation. There are three basic principles at work for the downtown business that need to be incorporated in to the beef producers innate thinking process. The first principle for sales is to produce a product that has demand—a product people desire. The second principle is to have a consistent supply—a product that is available as advertised. Rain checks are poor substitutes. The third principle is to account for and monitor the ever-changing relationship between supply and demand.

Well-run businesses remove products with poor demand, even at prices below cost, in order to replace inventory with profitable products. Beef producers need to apply the same principles.

Historically speaking, all towns had a local drug store. The store was always busy with the day-to-day bustle of people. In earlier days, the store had a fountain bar, and maybe even served a light meal. With time, the stores changed and focused more on the health needs of the customer and convenience items. Ironically, if you walked far enough back into the store, the remnants of a health line for beef cows could be found. Usually, an assortment of health products and miscellaneous equipment were in the inventory.

As each year went by, the beef cow health products made up less and less of the inventory until they finally disappeared or became out-dated and non-saleable. If you were lucky, you caught the the final closeout when the last dehorner or emasculator were priced with 1970 dollars.

Businesses change constantly and so does the beef business. The end of the year is your opportunity to remind yourself not only to finish your taxes, but

complete your financial and production records for the year. You need to account for the number and value of cattle sold. Total up the number of breeding cows, cull cows, heifer calves, steer calves, bull calves, preconditioned calves, backgrounded calves, fat steers, fat heifers, heiferettes and bulls sold.

Likewise, tally how many bred cows, open cows, replacement heifers and breeding bulls were purchased. The value associated with each of these transactions needs to be recorded. These numbers help figure your year-end inventory and sets your new year beginning inventory. Likewise, feed and hay inventories need to be taken. Don't estimate, but physically do an inventory to assure inventory change for feed and hay.

If you are downtown, and the store is closed for inventory, take note and go home and do your own inventory. Granted, hay and grain inventories may not always be perfect, but the biggest step is simply getting started and putting the inventories to paper. Within the month, last year's expenses can be accumulated and accounted for, but accounting for expenses may not be the major indicator of a product's profit or loss.

You need to add any inventory changes to get true balance to the equation for a cow-calf business enterprise. Just as your appointment for tax preparation is important, your appointment with a good farm or ranch management specialist or accountant is equally important because the latter will help you focus on true profit.

The NDSU Dickinson Research Extension Center uses the North Dakota Farm/Ranch Business Management Education program. Check with your local instructor or NDSU extension agent and dedicate time now for analyzing last year and planning next year.

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 BT0072.

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# Cattle Sold in 2001

NDSU Dickinson Research Extension Center

<b>Cattle Type</b>	<b>Number</b>
Steer calves	22
Heifer calves	49
Finished steers	116
Finished heifers	0
Open heifers	31
Heiferettes	24
Cull cows	70
Cull bulls	10
<b>Total</b>	<b>322</b>