

NEWS

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BeefTalk: Do You Belong in the Beef Business?

**By Kris Ringwall, Extension Beef Specialist,
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Even during the most busy times of the year, producers need to ask themselves if they should be in the beef business. The Dickinson Research Extension Center is a member of the North Dakota Farm/Ranch Business Management Education Program, and each year at about this time the previous program averages come out.

This program provides an excellent update on the financial status of individual farm/ranch operators and net returns for each crop and livestock enterprise within their operations. The reports also provide regional or state averages for benchmark comparisons. There is that word again-- benchmark. Benchmarks are so important in the beef cattle business. They give producers an opportunity to measure progress. Benchmarks are also a way to measure consistency and use standard practices year after year.

That's why the farm management program is such an asset to the center. It allows us to measure our performance against previous years--and against similar producers in the state.

Under the farm management program, Dickinson Research Extension Center data is prepared by Jerry Tuhy, instructor for the program and the averages compiled by Andrew Swenson, farm and family resource management specialist for the NDSU Extension Service.

The data is interesting, and I would like to share some of the beef cow/calf enterprise data with you. For the purpose of comparing individual opportunity within the cow/calf business, I will note the difference between the producers in the top 20 percent and the bottom 20 percent as ranked by gross income.

This past year, a total of 171 cattle operations were reported. The top producers had \$138 more gross value (per cow) to their production than did the low producers. Total production is often assumed to be calves, but remember that calves, culls, slaughtered cattle, transfers in and out of the enterprise, purchased cattle and inventory change all affect gross value of marketable product.

In the year 2000, the top producers had a gross return of \$530 per cow. Direct expenses, typically feed, health, general supplies, fuel, repairs, custom hire, leases, marketing and interest, totaled \$262 (per cow) for the top producers, \$31 less than the low producers. Overhead expenses, hired labor, insurance, utilities, interest, and depreciation of machinery and buildings, was \$48 (per cow) for the top producers, \$43 less than the low producers.

Gross revenue minus direct expenses minus overhead expenses equals net return. For the year 2000, the top producers had a net return per cow of \$219 versus the low producers with \$8, a difference of \$211.

If I were to speculate, I think most producers would agree that 2000 was a relatively good year for the cow-calf business. The point I don't understand is the magnitude of the difference between the top producers and the low producers. If each group had a goal of making \$30,000 per year, the top producers could do it with 137 cows. The low producers would need 3,958 cows.

Interestingly, in 1996, the most recent low for the cow calf business, the difference between the top and low producers was \$204 (top: \$56, low: -\$148).

During the previous cycle low, top producers would need 539 cows to make \$30,000. Running 500 plus cows is doable, and offers tremendous opportunity, now that the cycle is high. For the low producer, I would suggest using the cycle peaks to cash out the cows and invest in a more suitable enterprise.

The real question is, "Do you know which group you represent?" May you find all your ear tags.

Your comments are always welcome at 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 on the Internet. In correspondence about this column, refer to BT0038.

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Returns to Cow/Calf Enterprises				
	2000 - High*	2000 - Low*	1996 - High*	1996 - Low*
Gross Return	\$ 530	\$ 392	\$ 333	\$ 192
Total Direct Expenses	\$ 262	\$ 293	\$ 230	\$ 288
Total Overhead Expenses	\$ 48	\$ 91	\$ 47	\$ 52
Net Return	\$ 219	\$ 8	\$ 56	(\$ 148)

* Top 20 percent and bottom 20 percent of producers in the North Dakota Farm Business Management Program based on gross income.

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