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NDSU Extension Service

BeefTalk: Retained Ownership Could Give Families a 16 Percent Raise

By Kris Ringwall, Extension Beef Specialist,

Value added economics is a buzzword and the beef cattle business is one area where economists think there are many opportunities. The simple question, however, remains: how does a producer add value to the calf?

Simply put, producers prefer as large a check as possible whenever cattle are sold. This is a concept that transcends all cultures where people receive some form of payment for their efforts. In the big picture of the cattle business, the word "producer" needs to be interchanged with the word "owner."

The owner of the calf at the time of sale receives the value of the calf. The calf will have incurred debt during the production phase, but once these

debts are settled, the owner, not the producer, receives the residual value called profit. This is where the term "retained ownership" originated in the beef feeding business.

Yes, the producer can sell the calf at weaning or shortly thereafter and relinquish the actual ownership of the calf. In this case the producer becomes one of the many debtors that the total value of the calf must pay back if the industry is to be financially healthy. When the industry is healthy, the owner of the calf stands to benefit.

Although retaining ownership may not be for everyone, today's beef producer must explore the option. At the North Dakota State University Dickinson Research Extension Center, we have opted to maintain ownership of the cattle the center produces. The information we receive from retaining ownership is essential in directing the management of our beef operations.

As noted in previous columns, the center's quest for profit through retained ownership was able to show an extra income of 4.88 percent over a five year period. In other words, the check was larger when the center sold the cattle in the spring versus selling the cattle as calves in the fall. This figure is somewhat less than is often touted, but at least it is positive. Rather than ending at that point, let's finish the arithmetic.

Based on individual animal data, the center placed 966 calves on feed over the last five years, valued at \$507.25 each, and averaged \$24.77 net return per calf delivered to the feedlot (expenses of dead calves included). The bottom line is a \$24.77 net profit. When the net profit is divided by the \$507.25 calf value in the fall, the result is a 4.88 percent return on investment over an average investment period of 154 days. The 154 days

is the average number of days the cattle were on feed. (Note: to compare to an annual investment, a local bank would need to be at 11.56 percent.)

Research specialist Keith Helmuth noted the center's net return was \$23,927.82 over the past five years. This could be a significant increase in salary for most ranch families running 250 cows. Just follow the arithmetic. If this ranch exposed 250 cows and weaned a 90 percent calf crop, 225 calves would be available for sale. A few cows need to be replaced each year, say 35 heifers, so only 190 calves would arrive at the feedlot. If calves were similar to the center's calves, the calves could be sold in the fall for \$507. Subtract the production costs, estimated at \$350 (average North Dakota Farm Business Management beef cow/calf enterprises for 2000 was \$340.75) and make \$157 per calf or a herd total of \$29,830.

A second option could be to retain ownership of the calves and increase calf value \$24.77 or \$4,785 for the herd, which could be a 16 percent family living increase. This is not an endorsement for retaining ownership, but it is intended to show producers (owners) how they can create added value-- and get information which can have significant impacts on future management decisions. Remember, however, this added value is not without risk and producers need to select the program that is best for their situation. More next time.

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 BT0055.

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Feedlot Net Return and Days in the Feed Yard for Calves Born 1996-2000	
Total Number of Calves	966
Average Value at Fall Shipping Date	\$ 507.25
Average Net Return	\$ 24.77
Average Days on Feed	153.6
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