

Retained Ownership Needs a Meaningful Relationship

By Kris Ringwall
Extension Beef Specialist
NDSU Extension Service



The task of selecting BeefTalk topics creates a weekly game of mental ping pong: Is pre-conditioning more important than drought nutrition? What is important at this time of year? Will a discussion on management techniques be too controversial? The list goes on.

One of the goals is to be positive, to be upbeat, to offer some glimmer of hope through information and questions. Lately, the beef trade magazines seemed overwhelmed with more negative scenarios. This is partly due to the nature of the business, but the beef business and life in general does not need to be negative.

Some would say the negatives in our business relate directly to factors out of our individual control (like the weather), but our reactions need to focus on well-thought-out, data-based options. When reactions and decisions are based on data, the outcomes can signal change into a realistic, positive direction.

Retained ownership of cattle is a case in point. The North Dakota State University Dickinson Research Extension Center has been retaining ownership of cattle since 1997. Calves are processed in the fall, preconditioned for 30 to 45 days and shipped to the feedlot for finish. Since 1997, retaining ownership of calves has been only marginally profitable.

Commitment to a data collection plan propelled the center into its current relationship, resulting in a better understanding of the industry in general. From our perspective, we have noticed an image in the beef industry that has each segment--the cow calf industry and feedlot industry--out on a limb, see-sawing back and forth, dividing up available dollars between themselves. The only hope is the tree has lots of limbs.

We have finished 12 lots of calves involving 1,123 head. The range in finished live price has been \$64.68 to \$77.16 per hundredweight. The range in value into the lot has been \$355.46 to \$660.28. The range in cost of gain has been \$42.07 to \$58.04. The range in net return has been a negative \$75.70 to a positive \$112.40. Understanding the relationship between these numbers is not easy. There is no magic, no potion, or no chant, just the data.

A quick look reveals we lost money when the finished live price was the highest, and made money when the cost of gain was the highest. We made money when calf value into the lot was the lowest and lost money when value into the lot was highest.

Have another sip of coffee, because after the quick look, the numbers really get confusing. Overall, we averaged a net profit per lot of \$24.58. Average cost of gain was \$50.67 per lot, and the value of the calf in the fall has averaged \$513.23 per lot with finished live price averaging \$69.23 per hundredweight.

The answer to retained ownership is in understanding the relationship of all the data points as well as having a consistent relationship between the cow-calf producer and the feedyard. Sawing limbs off trees does not get a producer or feedyard into a positive relationship.

I could go into more discussion, but I would like to end today on a simple point. When numbers or data confuse me, I use regression to help explain the general relationship between numbers in a data set. I asked this data set what was the simple relationship between net return and the value of a calf at arrival in the feedyard. The answer showed that once we valued a calf over \$578, profit potential became 0 in this data set.

The bottom line: if you value your calves too high going into the feed yard, you won't increase their value feeding them unless you increase the value on the rail. And that takes us to the efforts to increase carcass value. More at another 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 BT0109.

Net Return and Associated Costs for 12 Lots of Calves

NDSU Dickinson Research Extension Center

	Minimum	Maximum	Average
Finished live price (per cwt)	\$ 64.68	\$ 77.16	\$ 69.23
Fall calf value	\$ 355.46	\$ 660.28	\$ 513.23
Cost of grain (per cwt)	\$ 42.07	\$ 58.04	\$ 50.67
Net return	- \$ 75.70	\$ 112.40	\$ 24.58