

## Projected Steer Value Is Key in Retained Ownership Decisions

By Kris Ringwall  
Extension Beef Specialist  
NDSU Extension Service



Any discussion about source verification eventually gets around to including the question of retained ownership. History has demonstrated that the challenge of source verifying cattle increases with every transfer of ownership.

Cattle transfers are not recorded in the same fashion as land and cars. Cattle slip quietly over the horizon, as does most personal property, upon sale.

The concept of extending ownership of cattle further into the processing cycle has been discussed for years. At the North Dakota State University Dickinson Research Extension Center, we have retained ownership of our calves since 1996. The experience, which has been very rewarding, has provided some interesting discoveries. My observations are based on data collected and some industry insights.

Before any details are examined, the basic concepts of retained ownership need to be discussed. Our experience at the center has shown us that a big picture look is important. In that big picture, there are two general points of value involved in marketing beef. They are:

The actual value of a marketed steer is the sum of the retail price of all the parts, and the value of the carcass is the focus of retained ownership. Unfortunately, the sum of the retail price of all the parts is considerably more than the producer gets for a calf, and, for all practical situations, the number is relatively meaningless to a cow-calf producer.

The expense side of the equation is difficult to understand and completely out of control of the local cow-calf producer. Once a calf is sold, the new owner merchandises the carcass. Despite less than desirable relationships among segments of the beef production system at times in the United States, the current not previous owners have control. An important point, as the old saying goes, is change what you can and accept what you cannot. A successful manager knows the difference.

In principle, the value of the carcass should be the best indicator of the value of the sum of all retail products. Some would not agree. However, agree or not, for the cow-calf producer, understanding carcass value is easier than the sum of retail values of all the products.

Regardless of new or old regulations, the goal of a cow-calf producer is to obtain the greatest percentage of the value of the calves produced, when hanging on the rail. The hang-

ing value is a legitimate benchmark and goal, only obtainable through retained ownership. That value is also tangible ñ it can be recorded and reported back through the production system.

The Food and Agricultural Policy Research Institute based at Iowa State University and the University of Missouri-Columbia gathers and reports such data. The "2003 U.S. Baseline Briefing Book" indicates 1,100 lb. to 1,300 lb. Nebraska direct steers are predicted to average \$74.51 in 2003, reach a high of \$78.23 in 2005 and then decline to a low of \$68.33 in 2011. No predictions are perfect, but for those wanting to explore retained ownership, the value you seek from your calves can be estimated.

Using those numbers, fed cattle marketed at 1,100 to 1,300 pounds this year should average \$819 to \$968. The peak value in 2005 for the same weights should be \$860 to \$1,016. The low at the end of the decade is estimated to be \$751 to \$888.

These are annual averages. (Cattle-Fax notes a spread of approximately \$13 per hundredweight within any given year.) In other words, from the traditional spring highs to the seasonal lows in late summer, fed steer values will vary \$143 to \$169.

Cow-calf producers need to be aware of the long-term trends, commonly called the cattle cycle, as well as yearly seasonal variations in cattle prices before moving into retained ownership.

The biggest lesson we've learned has been to appreciate the amount of total value a calf has on the rail. That is the starting point, and an important point in plotting a marketing plan. Other factors will certainly control the end profit, but as you look to the future, the options of retained ownership need to be thoroughly understood.

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 BT0147.

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## **Predicted Prices for Nebraska Direct Steers (1100 – 1300 lbs.)**

Year	Dollars per Hundred Weight	Range in Value per Head
2003	\$ 74.51	\$ 819-968
2005	\$ 78.23	\$ 860-1,016
2007	\$ 73.49	\$ 808-955
2009	\$ 69.48	\$ 764-903
2011	\$ 68.33	\$ 751-888

Source: FAPRI 2003 U.S. Baseline Briefing Book