

## Shrink - The Hidden Cost Left To Blow In The Dust

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There have been many days when I deliberated over shrink and how it should be calculated. As a direct expense to the producers, shrink is real and the discussion covers two phases: the ability of the calf to gain on any given day, and the actual loss of weight when handling calves.

The magnitude of any shrink loss is dependent on the current value of a pound of live beef, the degree of shrink and lost gain on a calf. While most producers realize a loss in weight does occur during handling, documentation of that loss is seldom done.

At the Dickinson Research Extension Center, most documented shrink is that which occurs when we sell calves directly to the feed yard. Over the years the settlement has varied, although always reflecting some agreed upon split between buyer and seller. The debate always seems to revolve around one thing: calculating pay weight. One would assume that would be easy, but in reality it is difficult.

In general, many questions come up. Was the scale certified for legal tender or trade? Generally speaking, many scales are not certified. Even when the scale is a certified scale, doubt can enter the equation if all parties are not present for the transaction. A livestock auction barn is a common gathering place where all accept the end result.

Calves are historically not weighed leaving the ranch. The pay weight is either the actual selling weight, or if trucked, a pencil shrink may be added to the off truck weight to establish a calculated pay weight. Whatever method is utilized will determine on what basis the price is set, a delivered price or point of sale price.

For the DREC, the pencil shrink at arrival at the feed yard has averaged over the last several years 3.78%. In other words, using a typical year as an example, the calves are loaded at the ranch and a total of 139,750 pounds of calf are loaded on three trucks. On arrival, 131,755 pounds of calf get off the truck. The pay weight would be off truck weight, 131,755 pounds, plus 3.78% times the off truck weight, 4980 pounds. The calculated pay weight would be 136,735 pounds.

These pounds are added to compensate the owner for some of the calf weight lost in shipment. So, calculating

costs, in these three loads of calves, 7,995 pounds of calf was lost, with 4980 pounds arbitrarily added back on. The three loads involved 210 calves, with an average loss of 38 pounds. If the calves were valued at \$1 per pound, (low for this year, high for many years), the cost of moving the calves was \$38, with a marketing process that arbitrarily rebates back a portion, in this case \$23.

The discussion of shrink is not a simple discussion to comprehend. In essence, the purchaser is paying for 23 pounds of weight that does not exist, and the seller, in this case the DREC, is losing payment on 15 pounds of weight that existed at the ranch, but was lost in shipping. As noted at the start, one can ponder the question of shrink for many hours, and the explanations are many, the fairness, well at least think about it twice.

In total, of the three truckloads of calves, the DREC lost 3,216 pounds of calf, and the feed yard paid for 4980 pounds of calf never received. Due to the invisible nature of the challenge, the pounds and dollars often go unnoticed. But if you received a call and all 198 calves arrived safely, knowing you loaded 210, you would call the Stockman's Association before you could say iWhat the Ö. !î.

Feeding cattle is good. Accounting for shrink is a necessary business tool to allow for the buying and selling of living entities. Shrink is a product of working and hauling cattle. Any process imposed on the cattle producer that requires the working or hauling of cattle in addition to what is currently done, will mean increased costs. Costs are often hidden, and simply left to blow in the wind, along with the dust. More next time.

May you find all your USAIP 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 BT0185.

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# Typical Shrink Costs

Dickinson Research Extension Center

**\$38 per calf**

Assumes a  
665 pound calf,  
\$1 per pound  
value and  
600 mile haul.

