



BeefTalk: Opinions Count, But So Do Numbers

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The beef business never has been short on opinions. Good opinions and the willingness to share those opinions are the core to any dynamic, independent business.

For beef producers, independence is manifested in the concept, "I need to get the work done." There are few self-help books when the weather is bad, cows are calving and a day only has 24 hours.

Opinions aside, the bottom line remains the knowledge gathered from numbers. While there are several ways to review the numbers, the key point is to base management decisions on the numbers.

North Dakota Farm Business Management Education Program instructor Jerry Tuhy stressed that numbers help producers evaluate their operations. The evaluations help chart the future, so managerial change can be reflected in a positive net return.

Within the farm management program administered by Jerry, 119 units had a beef cow-calf enterprise. The average net return per cow was \$12.11. Labor and management charges were not included.

Jerry separated the data into two groups: units with less than 70 percent of their gross income from beef cattle and units with greater than 70 percent of their gross income from beef cattle.

Figuring no labor or management charges, herds with less than 70 percent of their gross income from beef reported an average net return per cow of \$12.43. Herds with more than 70 percent of their gross income from beef had an average net return of \$9.17.

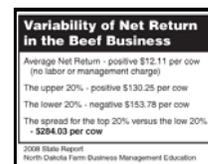
A closer look revealed the upper 20 percent had an average net return of \$130.25 per cow. The lower 20 percent had an average net return of a negative \$153.78 per cow.

Pause and look at the numbers. The spread from the top 20 percent to the low 20 percent was \$284.03. Let me repeat that: The spread for the top 20 percent versus the low 20 percent was \$284.03.

Those with a negative net return cannot expand. Those on the high end may feel more secure. However, expansion still is limited due to labor needs. Unlike crates and other shipping boxes, cattle cannot be parked until tomorrow.

Further review of the southwestern North Dakota herd data by Jerry revealed interesting peripheral differences. The lower-half net income herds had more feed expense and greater direct and overhead expenses, which increased the cost of production.

Images



Variability of Net Return in the Beef Business

While both groups had similar average weaning weights, the most obvious conclusion is producers need to control costs. The beef cow has been and probably always will remain a low-cost enterprise.

More than likely that is why many producers are seeking to make changes within their operations. Some of the more recent avenues of change involve cow size and calving date because both of these two variables impact nutritional requirements and the environment.

The mentality of cost constraints is real. When one looks closer at the cost of production (now including labor and management) and sorts the beef data on costs, the data reveals an interesting note, according to Jerry.

Still, the high-cost units had greater feed expenses and direct and overhead expenses. The low-cost operations had more weaning weight to their calves.

Those units or herds that were reflective of a greater net return also had a greater output in terms of calf weight sold. It is very important as one makes changes to the operation that all aspects of the operation are evaluated and considered.

Beef cattle evaluation needs to be more than just opinion. As was noted at the start of this BeefTalk, opinion is good, but if one is going to bet the ranch on it, some numbers are certainly much more comforting.

This still is the dilemma. Later calving and smaller cows, if done in haste, may constrict output.

Well, it is a nice spring day today and the grass is starting to grow, so the newborn calves will be happy. However, I need to stay inside and rework some numbers.

May you find all your ear tags.

Your comments are always welcome at <http://www.BeefTalk.com>.

For more information, contact the NDBCIA Office, 1041 State Ave., Dickinson, ND 58601, or go to <http://www.CHAPS2000.com> on the Internet.

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