

BeefTalk: Capturing Value Is The Name Of The Beef Game

Given the costs involved in producing beef, producers must strive to maximize their gross margin.

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Beef production is about value. There are many components and obviously many ways to raise beef, but the bottom line is value. The product has to have value.

In economics, value is a product of supply and demand. Many educational opportunities, such as the North Dakota Farm and Ranch Business Management Education Program (<http://www.ndfarmmanagement.com>), have and will continue to aid producers who are active in the beef industry by helping them understand better the concept of value.

But does this effort pay off? Well, as with many things, it is not always easy to know what is the exact driving force in the industry, but it is interesting to see the spread in value that producers managed to achieve in 2008.

Data from 119 herds in the North Dakota Farm and Ranch Business Management Education Program shows the average producer sold or transferred out of the beef cow enterprise 528 pounds of calf per cow within the cow-calf enterprise. This transfer generated an incoming dollar value per cow of \$523.65 based on pounds of calf produced.

Further study showed the lower 20 percent sold or transferred out 485.2 pounds of calf per cow within the cow-calf enterprise. This generated an incoming value of \$465.23 based on pounds of calf produced.

The upper 20 percent of these same herds sold or transferred out 557.8 pounds of calf per cow within the cow-calf enterprise. This generated an incoming value of \$576.27 based on pounds of calf produced.

The spread of \$111.04 is huge. The lower net return group of producers marketed less beef per cow in the operation and valued each pound of beef produced at 96 cents per pound. The upper net return group marketed 72.6 pounds more beef per cow in the operation and valued each pound of beef at \$1.03 per pound.

The sale of cull cows averaged \$111.25 per cow in the 119 enterprises. The lower 20 percent averaged \$101.11 per cow, while the upper 20 percent averaged \$117.06 per cow.

The bottom line needs to have positive value. There is no question that there is difference in how producers capture value.

What drives the beef industry? Value of product should rank first, at least in the minds of the majority of producers.

Very often, the value of beef is distanced from the beef producer. The reason is simple. The value of beef does not occur until the customer buys and consumes the product.

In the case of the many additional products derived from the beef carcass, the various products are sold within each respective market. While the value picture is fuzzy at the producer level, value must follow back through the system to the producer.

If there is a message today, producers, at least some producers, are capturing more value, which in turn positively impacts the producer's gross margin. Given the costs involved in producing beef, producers must strive to maximize their gross margin.

As much as the word causes some consternation in the beef business, the word "premium" has been lamented and still is lamented as something that really does not exist in the beef business. For those producers who wish to continue to mourn over the lack of obvious premiums, there is a lesson in these numbers.

The market place does not treat all cattle equally. The value of cattle certainly is discovered at the auction barn and is being, at least in the cattle involved in the North Dakota Farm and Ranch Business Management Education Program, achieved for those producers who have managed to be a high-net-return-per-cow enterprise.

Perhaps there is a need for less discussion and more pondering while enjoying that cup of coffee. Considerable thought should be put into why some cattle are more valuable than others.

How can I, as a producer, not only produce those cattle, but also develop a marketing plan that will maximize dollar value?

Images

Value of Beef Calves	
Calves Sold and Transferred out of 119 Cow-Calf producers involved within the North Dakota Farm and Ranch Business Management Education Program	
Upper 20%	\$576.27
Average	\$523.65
Lower 20%	\$465.23

Value of Beef Calves

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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