

BeefTalk 520: Two-thirds of the Pie Is Not a Bad Deal, Maybe

When do the calves get sold, and should one retain ownership in the calves?

The Dickinson Research Extension Center has fed cattle for many years. For at least the last 14 years, the center has fed cattle in a commercial feedlot. Those cattle have performed well, but a struggle always remains between weaned-calf value, backgrounded calf value and fed-calf value.

For the center and producers as a whole, fed-calf value would be the value that is a good indicator of the consumers' desire to eat beef and the best estimate of what total value is available to share among those in the production chain. There are value-added concepts, but the bottom line is the value of the calf on the rail.

From there, the industry expands, although obviously connected to the cow-calf producer. The meat side of the equation is much more distant to the day-to-day impact on the cow-calf producer. However, producers need to realize that events that impact beef in any form ultimately have an impact even though the events may be out of their control.

So, for most beef producers, the questions remain closer to home. When do the calves get sold, and should one retain ownership in the calves? The answer is not simple and worth discussing in several different ways because the better producers understand the beef business, not just the cow-calf business, the better of the industry is.

To start with, the value on the rail is critical. As noted earlier, that value is what is in the bucket to share. The production and service industry side of the live-cattle business live off that value. Knowing that value from a cow-calf perspective helps balance expectations, not only for the producer but for the service industries as well.

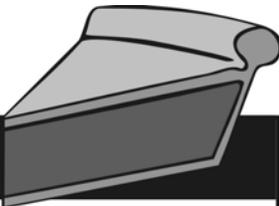
Is there conflict? Of course, there is. Those lessons start early in life and never go away. If mom or dad has a dollar in his or her pocket and the kids want a treat, how much do you give the kids? Well, the kids want the dollar and mom and dad will want to hold some back.

Likewise, as cattle move through the production chain, this constant "seesaw" is called markets, with fairness resting in an open market. Even then, one side generally is happier than the other, but only momentarily, as feeder calf markets rise and fall.

A quick look back at recent typical calf values for the center help with the discussion. In the late '90s, calves were bringing in \$480-plus to the center. By the turn of the century, those same calves were bringing in \$700-plus and around \$800 in the more recent years.

These are ballpark numbers based on the value of the steers as they went into the feed lot. Those same calves, once finished, had increased in value. The fat calves that were marketed in the late '90s were bringing in \$770-plus to the center. By the turn of the century, those same calves were bringing in \$1,000-plus and around \$1,130-plus in more recent years.

Who is happy? Well, in the late '90s, of the \$770 dollars available, the center was getting roughly 62 percent of the value of the calf on the rail (\$480 divided by \$770). By the turn of the century, the center was getting around 70 percent (\$700 divided by \$1,005). In more recent years, the center was getting around 71 percent (\$800 divided by \$1,130). Maybe that is a good number to think about. The center essentially has been capturing two-thirds, or roughly 66 percent, of the value that is available on the production side of the equation for the last 14 years.



Value in a Piece of Pie

	1996-1999	2000-2004	2005-2009
Ranch Calf Value	\$480	\$700	\$800
Fed Value	\$770	\$1,005	\$1,130
Percent of Total Value	62%	70%	71%

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Well, that sets the number to work with. As producers, if there is a bottom line that we can live with, our expenses need to be less than two-thirds of the value of the calf on the rail. As feeders, we only have one-third to work with. Unless we want to renegotiate the split, these are the dollars feeders historically have had to feed the calf. Everyone has to find some labor dollars and eventually hold on to some return for family living.

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.