

BeefTalk: Increasing Input Costs Troublesome

| North Dakota and Minnesota FINBIN numbers (2000 to 2009) | |
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| Value from the sale or transfer of all beef products | up 11% |
| Cost of purchasing or keeping replacement females | up over 31% |
| Cost of total direct expenses | up almost 47% |

Cow-calf Enterprise - ND and MN FINBIN numbers (2000 to 2009)

Without opening the book too far, there appears to be a serious need to re-evaluate, remove wishful thinking and then redevelop some management strategy that is going to work.

Numbers are sketchy, but perhaps that remains at the heart of the many issues in the beef business. Granted, there are numbers by the truckload for markets and feedlots. These numbers are utilized daily and help guide those involved in some portions of the beef industry.

However, when one visits with cow-calf producers, the numbers become more distant and more extrapolated from assorted best guesses. The questions often put forward are why cow-calf producers are not expanding their production or why new producers are not stepping up to the plate to take over operations.

A search for answers brings up reviews of some very interesting numbers. The North Dakota Farm and Ranch Business Management Education Program (<http://www.ndfarmmanagement.com>), along with FINBIN (<http://www.finbin.umn.edu/>) from the Center for Farm Financial Management at the University of Minnesota, are very good sources, according to Jerry Tuhy, farm business management instructor at the Dickinson Research Extension Center.

Jerry and I reviewed the numbers as I was pondering the directions the beef industry might take. There is no secret that the Dickinson Research Extension Center experienced a significant storm event at the end of April, just like many other cattle producers in the region. Many cattle producers are struggling through the aftereffects and are pondering what the future holds.

A review of North Dakota and Minnesota numbers from FINBIN do not make the future seem any brighter for the cow-calf business. Perhaps an easy way to explain things is to look at the numbers in 2000 and compare them with the numbers from 2009. What changed during those years?

Despite all the great marketing opportunities, producers only are receiving 11 percent more value from the sale or transfer of beef products. Meanwhile, the cost of maintaining their cowherd (purchasing or keeping replacement females) is up more than 31 percent. In addition, total direct expenses are up almost 47 percent, so struggling to regroup following stressful days in the beef business is a little demoralizing. Additional costs only subtract from the bottom line.

If a producer reviews some of the individual input costs for the cow-calf enterprise, feed costs are up 52 percent and pasture costs are up 55 percent. General supplies, fuel and repairs are up 54 percent. Interestingly, custom hiring is up more than 230 percent.

The bottom line for the period 2000 through 2009 is that the average net return to the cow-calf unit after applying a labor management charge of \$59.05 per cow was \$16.41.

The other day, the Dickinson Research Extension Center crew was sorting cows and calves for pasture. The lane was mucky. If one does not know what muck is, look it up. Like many producers, the crew was scouring the countryside for wandering cows and calves. The weather had mellowed and the sun was peeking out, but the day was long. Meeting the neighbors is always good, but there actually are better ways to visit.

As has been noted before, in the big picture, the choices that have been made do not seem to be working. Following significant storm events, one will struggle with how much the cow-calf business is worth. From the heart and soul of the beef industry and the many producers who love this business, maybe something needs to change.

Costs on top of costs do not add up in a positive manner, and profit within the industry does not mean the industry is profitable. Times are tough. Yes, 2010 was a better year, but let's not forget cow-calf numbers tend to be sketchy and often are extrapolated from assorted best guesses.

When those in the industry keep calling for an expansion of the cow-calf operation, with or without the numbers, long-term profitability and a strong innate desire to raise calves both must be present.

Without opening the book too far, there appears to be a serious need to re-evaluate, remove wishful thinking and then redevelop some management strategy that is going to work. Regardless, costs need to be reduced and the innate love of cows boosted.

Sorry, but significant storm events can wear on a person.

May you find all your ear tags.