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BeefTalk: New Year's Resolution: Earn \$300 More Per Cow

Producers should take advantage of opportunities to increase product value and decrease expenses.

By Kris Ringwall, Beef Specialist

NDSU Extension Service

Every new year brings with it a New Year's resolution, and this year, mine would be to earn an extra \$300 per cow.

Think about it. Why not make it happen? I would anticipate trying would be better than simply griping.

A new year started and the analysis of the last year needs to get serious by producers asking the tough questions. Perhaps then, the resolution can

Images

New Year's Resolution Increase Net Returns by \$300

A new day, a new goal, and a new cow business!

Let's get pen and paper in hand and

- Look at the data we do have
- Do some figuring
- Get out of the old mindset
- Figure out how!

New Year's
Resolution -
Increase Net
Returns by \$300

columns

[Spotlight on Economics: Spotlight on Economics: Do Retail Meat Prices Decline?](#) (2016-12-22) Prices can change daily at the farm level due to seasonal price patterns and production factors. [FULL STORY](#)

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[Small-business Savvy: Small-business Savvy: Adding Legal Help to Your Small-business Team](#) (2016-12-29) Add an attorney to your business team from the start. [FULL STORY](#)

gain in strength.

The joy of sharing trends with producers is rewarding, but the documentation of the change that may have resulted from sharing educational information sometimes remains a frustration. Did change happen? Were producers better off?

Producer continuing education is based on the broad assumption that the information offered provides a way to better oneself or the beef production enterprise. Frustration may not be the right word. The real challenge is knowing where one is at in terms of the various indicators of success and then seeking more input on those indicators that need improvement.

Traditionally, income would be seen as a positive influence and expenses a negative influence within beef herds. So if a producer does not track income and expenses, where does one start? But that being said, teachers never quit. For beef producers, opportunity exists on both sides of the profit equation, thus the education.

Product value may be increased and product expenses decreased. That seems to be a rather straightforward goal, especially as the cow-calf business finds itself in a bit of a quandary. Costs are going up, production is stagnant and prices have fallen. If we care, then we need a realistic goal to realign the beef operation.

The goal per cow might be increasing product

use of releases

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sales by \$150 and lowering expenses by \$150. Any producer can participate; however, struggling producers must participate. Why? The cow business must compete with other food businesses, the poultry, swine and other protein industries in particular.

Success is fleeting if a producer only plans on working with the commodity markets with no desire to change marketing opportunities, and only plans on managing the base cow herd as a repeating annual exercise of the same.

For discussion, assume the new goal is accepted. The cow-calf enterprise remains land-based, so the actual net return over direct and overhead expenses per cow should be divided by the number of acres of land (pastureland, grassland, hay land and cropland) used to support the cow. The acres will vary and the return per acre will be significantly lower than the net return per cow, regardless of geographic location.

But the story is profit per unit of production. Typically, in southwestern North Dakota, producers need 16.5 acres to support a cow: early spring cool-season pasture at one acre per cow for one month; summer pasture at 2.5 acres per cow per month for five months; and three acres to produce winter forage for the remaining six months.

There is a difference between cows and animal units, but let's keep this discussion on a cow basis,

still realizing that acres, cows and stocking rate need to be evaluated properly to be applied to the appropriate grazing systems. So if the cow averages an annual net return over direct and overhead expenses of \$100, the cow is returning \$6.06 per acre of land, which is pretty sparse.

By increasing sales by \$150 and decreasing expenses by \$150, the returns per acre quadruple to \$24.24 per acre and options open up. Possible? Records provided by the North Dakota Farm Management education program (www.ndfarmmanagement.com) are available on the FINBIN site (www.finbin.umn.edu/) from the Center for Farm Financial Management, University of Minnesota. They show the answer is “yes” and the goal is achievable.

The spread between producers in the top 40 percent in net return per cow and the lower 40 percent in net return per cow gives us a value of the dollars that some producers are leaving on the table at the end of the day. In 2013, the difference between the upper and lower 40 percent of producers was \$235; in 2014, the difference between the upper and lower 40 percent of producers was \$404; in 2015, the difference between the upper and lower 40 percent of producers was \$323.

Is the difference due to increased income or decreased expenses? At the end of the day, the source of the increased net return per production

unit is not as important as the fact that net return increased. The average difference during the last three years between the upper and lower 40 percent of producers in net return per cow over direct and overhead expenses was \$321.

For simplicity, \$300 per cow is floating around to catch, at least for those producers who are lagging in net returns. For the others, do it anyway. Let's get pen and paper out, check some data, get out of the old mindset and figure out how to "earn" \$300.

May you find all your ear tags.

For more information, contact your local NDSU Extension Service agent (<https://www.ag.ndsu.edu/extension/directory>) or Ringwall at the Dickinson Research Extension Center, 1041 State Ave., Dickinson, ND 58601; 701-456-1103; or [✉kris.ringwall@ndsu.edu](mailto:kris.ringwall@ndsu.edu).

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Attachments



[PDF - New Year's Resolution - Increase](#)

[Net Returns by \\$300](#) 

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24.37 Kb)



[EPS - New Year's Resolution - Increase](#)

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