

BeefTalk: Is the Cow-Calf Enterprise Keeping Pace?

A review and understanding of past data can help determine the future of the beef industry.

By Kris Ringwall, Beef Specialist

NDSU Extension

In the business of cattle, producers seek to move forward by anticipating future opportunities and realizing what obstacles are present.

That is not easy. However, reviewing and understanding past numbers helps.

So where is the industry? My favorite process to evaluate cow-calf production numbers is to review CHAPS data collected through the North Dakota Beef Cattle Improvement Association and then turn to the North Dakota Farm Management education program (<http://www.ndfarmmanagement.com>) and FINBIN (<https://finbin.umn.edu/>) from the Center for Farm Financial Management, University of Minnesota, for the dollars. Interestingly, although they provide separate data sets, the data align quite well.

Let us look at North Dakota FINBIN numbers from 2007 to 2017 to give us a snapshot of where the cow-calf industry is today. Ten years ago (2007), the gross margin for North Dakota cow-calf producers was \$543 per cow. In 2017, the gross margin was \$786 (up 145 percent), which means 45 percent more total dollars come into the cattle operation.

So what is gross margin? Gross margin accounts for the purchase and sale of all calves, cull cows and bulls, plus the animals transferred in and any overall changes in cattle inventory. Essentially, gross margin is the dollar number FINBIN uses to subtract direct and overhead expenses from to calculate net return per cow without labor and management charges deducted.

In general, the net returns for the beef enterprise dollars have been positive. Let us review some of those numbers. FINBIN gross margins experienced dramatic swings in the past 10 years: \$543 in 2007, \$464 in 2008, \$451 in 2009, \$578 in 2010, \$729 in 2011 and 2012, \$811 in 2013, \$1,310 in 2014, \$891 in 2015, \$634 in 2016 and \$768 in 2017.

Our memories should recall the significant increase in cattle prices a few years back as the last 10 years played out. While we hope that the factors that drove gross margins up would remain, the world does not work that way. The markets have highs and lows, and cattle producers must work within the forces that drive prices.

To simplify the numbers, let us compare 2007, 2008 and 2009 (the early years) with years 2015, 2016 and 2017 (the recent years). The average gross margin in the early three years was \$486 ($\$543 + \$464 + \451 divided by 3), and the average gross margin for the recent last three years was \$764 ($\$891 + \$634 + \768 divided by 3). This was an increase of \$278 more per cow to spend.

Images

	2007-2009	2015-2017	Percent Change
Cost of purchasing or leasing replacement female	\$102	\$207	up 105%
Gross margin	\$486	\$764	up 157%
Cost of labor direct and overhead expenses	\$404	\$109	up 130%
Net return	\$82	\$112	up 37%
Average weight of calf	102 pounds	111 pounds	down 2%
Average sale price	\$1.02	\$1.04	up 100%

Changes in Beef Cattle Operations from 2007 to 2017 (per cow)

That is good. Or is it? Well, the answer is in the expenses. Total direct and indirect expenses for 2007, 2008 and 2009 were \$445, \$452 and \$464, respectively (an average of \$454). Net returns were \$98 in 2007, \$12 in 2008 and minus \$13 in 2009. Total direct and indirect expenses for 2015, 2016 and 2017 were at \$605, \$574 and \$618, respectively (an average of \$599). Net returns were \$286 in 2015, \$60 in 2016 and \$169 in 2017.

So, on the average, cattle producers spent 132 percent, or \$145, more per cow at the end of the last 10 years than they did in the early years, 10 years ago. The bottom line: Even though expenses were going up, markets have provided a positive offset for the increase in expenses.

Cow calf producers' net return increased from an average of \$32 per cow in 2007, 2008 and 2009 to an average of \$172 per cow for 2015, 2016 and 2017, which is good. Keep in mind that cow herd numbers need to be maintained to keep the cow enterprise going.

The average cost to purchase or transfer in replacement heifers per cow in the herd was \$143 in 2007, \$141 in 2008 and \$172 in 2009, for an average of \$152. The same costs were \$371 in 2015, \$261 in 2016 and \$228 in 2017, for an average of \$287. The cost of replacing cows went up 189 percent, or \$135, per cow in the herd. Interesting.

And the calves? Well, in 2007, the calves averaged 592 pounds and sold at \$1.12 per pound. In 2008, the calves averaged 589 pounds and sold at \$1 per pound, and in 2009, the calves averaged 605 pounds and sold at 95 cents per pound, a three-year average of 595 pounds selling at \$1.02 per pound.

More recently, in 2015, the calves' average was 554 pounds and they sold at \$1.99 per pound. In 2016, the calves' average was 588 pounds and they sold at \$1.32 per pound, and in 2017, the calves' average was 589 pounds and they sold at \$1.62. The three-year average was 577 pounds of calf at an average price of \$1.64 per pound.

The average cattle producer has decreased the weight of calves sold from 595 to 577 but increased the price received from \$1.02 to \$1.64. Good, maybe.

In closing, is the cow-calf enterprise keeping pace? Yes. The processes that drive calf prices have been good. Expenses have increased but at a lower percentage than gross margins. That is good, but calf weight remains stagnant, leaving opportunity on the table, a key to future success.

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.

NDSU Agriculture Communication - July 12, 2018

Source: Kris Ringwall, 701-456-1103, kris.ringwall@ndsu.edu

Editor: Ellen Crawford, 701-231-5391, ellen.crawford@ndsu.edu

Attachments



PDF - Changes in Beef Cattle Operations from 2007 to 2017 (per cow) 
(NDSU_Extension_BeefTalk_071218.pdf - 19.97 Kb)



EPS - Changes in Beef Cattle Operations from 2007 to 2017 (per cow)
(NDSU_Extension_BeefTalk_071218.eps - 230.62 Kb)