

## How Do We Balance the Books When They're Off by \$78,837?

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As the sun nestles down between some cumulus clouds out west, I ponder the complexities of agriculture and how today's producers interact and prepare for the expected and unexpected.

There are always some issues or decisions that producers need to act on and react to. At the North Dakota State University Dickinson Research Extension Center, this is the time of the year when we refine last year's financial summaries. Any time I am involved in the accumulation of numbers and subsequent evaluation of those numbers, I am reminded that counting is not an innate or even a desired trait of the human race. Tabulating numbers is not easy and is usually made easier with a partner. At the center, we have partnered up with the North Dakota Farm and Ranch Management program.

One commonly requested summary of an operation is "How many cows do you have?" Simple question; complex answer. In order to effectively count, the first response is generally, "On which day?" In order to address the response, all 365 days of the year need to be accounted for, generally on a monthly basis. In the process, a producer develops an inventory commonly called a perpetual inventory. In simple terms, the inventory is always current.

The inventory should correspond to the financial year, and for us, our financial year runs from July through June. When a producer starts an inventory, an actual count needs to be made of all the females (cows) and males (bulls) present in the herd. Counting is not required every month, since inventory change will automatically adjust the inventory.

The initial inventory will change based on several criteria, all of which need to be written down. All cows and bulls purchased or transferred into the herd need to be accounted for every month. This is not a difficult task; however, remembering 12 months of purchased or transferred cattle at the close of the fiscal year is extremely difficult. (The shortest pencil is better than the longest memory.) The difference between a purchased and transferred cow or bull is that purchased cattle are obviously paid for from another producer. Transferred cattle are produced by the producer and transferred into

the cow enterprise from the replacement heifer enterprise.

The concept of transferring within a producer's enterprise has brought many meetings to a standstill. When a physical check is written for a group of cattle, the value and subsequent tracking of the transaction occurs automatically. In the transfer, you must create a physical record.

In our perpetual inventory, the records show that 102 heifers were transferred from the heifer enterprise to the cow enterprise in December. These heifers consisted of 89 heifers developed here in North Dakota, weighing 91,753 pounds with a value of \$67,227. An additional 13 heifers were transferred from the feedlot at a weight of 15,845 pounds and a value of \$11,610. (As a side note, the Center's development costs on those heifers developed in the feedlot were bad news.

Fortunately, only 13 heifers were transferred and the additional were harvested on the rail at a significant increase in value.)

Probably the most overlooked cost in analyzing the cow calf enterprise is the value (i.e. cost) of bringing a replacement heifer into the operation. In this case, the bulk of the heifers entered the operation valued at \$755 per head, and the 13 heifers from the feedlot entered at \$893 per head. Based on the number of cows and bulls in the perpetual inventory, the transfer of 102 heifers valued at \$78,837, resulted in an average cost of \$221 per cow in the breeding herd.

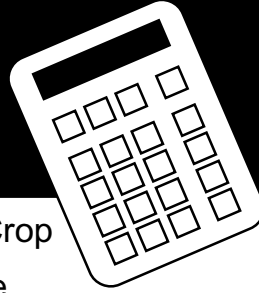
Why were the books off? I neglected to account for the \$78,837. Internal transfers are critical, and, in the case of replacement stock, the second largest expense to the cow calf enterprise. Feed is the only cost that is higher.

May you find all your ear tags.

Your comments are always welcome at [www.BeefTalk.com](http://www.BeefTalk.com). For more information, contact the North Dakota Beef Cattle Improvement Association, 1133 State Avenue, Dickinson, ND 58601 or go to [www.CHAPS2000.com](http://www.CHAPS2000.com) on the Internet. In correspondence about this column, refer to BT0094.

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# Livestock Enterprise Analysis



+ \_\_\_\_\_ Value of Calf Crop  
+ \_\_\_\_\_ Cull Sale Value  
- \_\_\_\_\_ Purchased Cattle Value  
- \_\_\_\_\_ Raised Heifers and Bulls Value  
+/- \_\_\_\_\_ Inventory Adjustments

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= \_\_\_\_\_ **Beef Cow-Calf Returns**