

Beef Production Incomes and Expenses for South Central North Dakota 2010-2014

Jory Hansen

Carrington Area Farm Business Management Program

Cattlemen and women across the region have benefitted from increasing feeder calf prices over the past five years as is easily seen when looking at the net return on a per cow basis for cow-calf enterprises from 2010 to 2014. While 2015 is still projected to be a profitable year, returns will not reach the level of 2014 due to a lower feeder calf market.

Data for this study was gathered directly from producers enrolled in the North Dakota Farm Business Management Program in Region 3 at Bismarck, Casselton, Carrington, Jamestown, Napoleon, and Wahpeton. Each of these sites collected and summarized the data for its own area using the FINPACK farm analysis program. After summarization, the data was combined into an annual regional report. Ranches located within the Red River Valley or west of Bismarck were typically deleted from the regional report and included with other regional reports that were more reflective of the area where the producers were located.

The trend of rising net returns for cow-calf operations appears to have hit a high point in 2014, with an average profit of \$628.84 per cow up from \$102.87 per cow in 2010. Prior years of declining beef cattle numbers in the United States played a large part in creating a smaller supply, which along with other factors, pushed feeder calf prices to record highs. Looking to 2015 and beyond, higher carcass weights and increased production of beef even with a smaller national herd, has helped increase the supply, and should only continue to increase as many of the heifers kept as replacements the last few years become productive members of the cowherd. When dealing with the smaller gross amounts when selling calves it will be important for producers to track their expenses and keep them in line.

During this same period of rising feeder calf prices, total direct and overhead expenses per cow have risen from \$479.27 per cow in 2010 to \$650.10 in 2014 for the average producer. Almost 100 dollars of that increase can be accounted for in feedstuffs, hay, and pasture. Overhead expenses such as labor, utilities, and machinery and building depreciation have increased by \$30 per cow during that time period as well. These increased costs are even more magnified when looking across profitability groups. In 2010 the average-profit group spent \$88.36 less on total direct and overhead expenses per cow than those in the low 20 percent profit group. For 2014 that number increased to \$115.09, with the low 20 percent profit group spending \$765.19 per cow. During the same time period the pounds of beef calves sold or transferred out went from 522 in 2010 to 518 in 2014, which shows that there was no increased production to go along with the increase in expense, placing all the increased profitability solely on the rising feeder calf market.

Moving forward it will be extremely important for producers to do a cost analysis on any change to or investment being looked at for their operation. Increasing costs combined with a lower trending market will reduce profit margins, making management decisions even more important. Knowing the cost of production will be very beneficial in making marketing decisions. Being able to compare expenses and benchmark an operation will aid in many of the day to day management decisions as well.