

Management Characteristics of High and Low Profit Beef Cow Producers in East-Central ND

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A key item in beef cow-calf production is that of profitability. Producers today need to be aware of not only their costs and returns but also other production and financial factors that greatly influence their total profitability and thus their ability to survive in the cow-calf industry.

Data for this study was compiled through the Carrington Area Farm Business Management Program in conjunction with the North Dakota Farm Business Management Education Program. The herd data included in this study came from an area that included Sheridan county and the majority of counties located east and south of it. The data was compiled from the years 1995 through 1999 and included 35,252 cows located in 326 individual herds. The number of herds included ranged from a low of 57 to a high of 81 in any one year. Producer data was summarized for all herds, for the 20% low profit herds, and for the high profit 20% herds. Both production and financial data were included in the information, which was gathered as part of a total farm analysis.

The study revealed that high profit cow-calf producers had an average annual economic advantage of \$173.62 per cow when compared to low profit cow-calf producers. While high profit producers weaned 78 pounds (\$60.13) more calf per exposed female, they also spent \$50.89 less per cow in operating expenses. But the single greatest economic difference between the two groups was found to be the net inventory change in breeding stock.

Net inventory change is a cost item and is determined by comparing the beginning and year end values of the breeding herd itself, including such things as stock purchases, sales, death losses, and other changes. All values are based on the actual invested dollars and do not reflect inflation or deflation of values based on current marketing conditions. High profit producers had an annual advantage of \$62.60 per cow, a value greater than either the production difference or the change in operating expenses.

The study revealed that all three of these items are critical when measuring the potential success and profitability of the beef cow-calf producer but that the net change in inventory produced the single greatest difference. The price paid for beef breeding stock, the longevity of cows in the herd, the culled value, and breeding herd death loss were all critical to the total computed net inventory change. Of these items the price paid for breeding stock was perhaps the most influential. Producers are encouraged to carefully consider all these items when looking at the potential profitability of their own beef cowherds.