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BeefTalk: Can You Afford to Sell Your Calves This Fall?



This fall is a good time to ponder that question.

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NDSU Extension Service

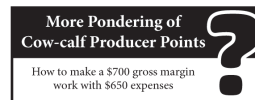
In the mid-1990s, cow-calf producers weaned mid-500-pound calves that produced a 750- to 800-pound carcass on the rail.

Today, cow-calf producers still are weaning mid-500-pound steers, but these steers have typical carcass weights that approach 900 pounds.

About a year ago, I asked, "Can commercial producers afford to sell 7-month-old calves?" and said, "Ponder this!"

The point - a big point - is we have 100 to 150 more pounds of carcass on the rail and cow-calf producers still are selling the same weight calves,

Images



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and for less money.

So, how many of you pondered the question, or did those thoughts disappear with the daily chores? Realistically, the simple tasks of the day interfere and we never answer the question, leaving us “stuck in the box.”

So, again: Can commercial producers afford to sell 7-month-old calves? Did anything change? Is this a point one should ponder again?

A year ago, based on a review of the last several years of income and expenses per cow from the Center for Farm Financial Management, University of Minnesota (<http://www.finbin.umn.edu/>), I conservatively estimated a gross margin at \$600 per cow.

Why so low? Remember, gross margin accounts for the purchase and sale of all calves, cull cows and bulls, plus the expense of animals transferred in and overall changes in cattle inventory.

Let’s first look at gross margin before the recent high cattle prices. For 2009, 2010, 2011, 2012 and 2013, cow herds garnered \$630-plus in average gross margin for each cow. During this period of time, the average sale weight of the calves was 566 pounds and the average price per hundred weight (cwt) was \$136.98.

During 2014 and 2015, cow herds averaged \$1,075 in gross margin for each cow. The average

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calf sale weight was 576 pounds and the average price per cwt was \$229.88 in the FINBIN data set. Expectations for this fall's (2016) prices are going to be closer to the 2009-2013 numbers.

Regardless of the exact value, calf-generated revenue in 2016 will be lower than the previous two years. Expenses for 2009, 2010, 2011, 2012 and 2013 were slightly more than \$501 per cow. In 2014 and 2015, expenses increased to an average of \$635 per cow. Although expenses saw a slight decrease in 2015, for the most part, cow-calf producers were paying a good chunk of money to stay in the cow business.

So, back to the original question: Can commercial producers afford to sell 7-month-old calves?

A price of \$160 per cwt on 550- to 600-pound calves generates \$900-plus in steer calf revenue. (Remember, only half the calves are steers.) Let's say that next fall, the market drops to maybe \$125 per cwt on the same weight calves, reducing take-home cash for the steer to closer to \$700. That is not a good change in the direction of gross income for cow-calf producers.

During the last 25 years, the average cattle producer has done all right. Cattle prices have been all right. So perhaps the take-home message is: Just let the commodity markets dictate one's lifestyle and cattle production goals.

But, perhaps with some bias, I believe cattle

producers can do better than the profit derived from the fall sales of calves based on commodity prices. Let me repeat: The point - a big point - is we have 100 to 150 more pounds of carcass on the rail, and cow-calf producers still are selling the same weight calves, and for less money.

As long as total direct expenses and overhead expenses are less than a projected \$700-plus gross margin for 2016, some money remains. But keep in mind, labor, management and return on investment need to be factored in for long-term success. When one works for very little dollars and has very low return on investment for those dollars invested in the beef operation, the days get very long.

Breaking even by generating dollars to only meet expected gross margin doesn't work. Keeping busy may be fun in the short run, but the family may want to keep busy doing something else someday.

Let's keep moving and anticipate 2016 total direct and overhead expenses to exceed \$650 per cow. Budget flags start to pop up as we ponder and wonder if one can be in the beef business at \$50 per cow to cover labor, management and return on investment. And so the question: Can commercial producers afford to sell 7-month-old calves?

If one did not ponder the question the last time I asked, perhaps this fall is another opportunity to ponder the question. Increasing the pounds of

beef marketed per unit of production is critical. The challenge is to review how cows and calves are managed and available feed resources. Do producers have opportunities to enhance feed production and delay the sale of calves?

Nothing is free, but working below or at the break-even point is not a sustainable practice. Now is the time to ponder, twist and maybe change.

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 - More Pondering of Cow-calf](#)

[Producer Points](#) 

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