



BeefTalk 655: Looking for \$200

SUPPORTING MATERIALS

Goal No. 1!
Increase Net Returns by \$200

- Increase income by \$100
- Decrease expenses by \$100

**A new day, a new goal
and a new cow business!**

The time is always right to talk about great opportunities.

Traditionally, income would be seen as a positive influence and expenses a negative in beef herds.

In the cow business, opportunity exists on both sides of the profit equation. Product value may be increased and product expenses decreased, so let's set a goal to increase product sales by \$100 per cow and lower expenses by \$100 per cow.

Any producer can participate. However, struggling producers must participate. Why? The cow business must compete with other food businesses. Current levels of bottom-line income are positive but could increase, particularly for the average cow-calf producer. Positive net returns in the cow business

generally are discussed based on a per-cow concept.

Keep in mind, the actual net return over direct and overhead expenses per cow should be divided by the number of acres of land used to support the cow. Depending on the location of the cow herd, the amount of pasture, grass, hay and cropland utilized to support the cow will vary. However, the return per acre will be significantly lower than the net return per cow, regardless of where the operation resides.

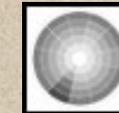
For example, in southwestern North Dakota, if a producer stocks early spring, cool-season pasture at one acre per cow, followed by summer pasture at 2.5 acres per cow for five months, and then requires three acres to produce enough winter forage for the remaining six months, 16.5 acres are needed to support the cow.

Before anyone points out the difference between cows and animal units, let's keep this discussion on a per-cow basis and realize that acres, cows and stocking rate need to be properly evaluated to be applied to the appropriate grazing systems.

The bottom line: If the cow has averaged an annual net return over direct and overhead expenses of \$90 for the last six years, the cow is returning \$5.45 per acre of land utilized in this example. By increasing sales by \$100 and decreasing expenses by \$100, the returns per acre would triple. The tripling effect may be what is needed to keep



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cattle on land where there are other options.

Are these real possibilities? Well, returning to records provided by the North Dakota Farm Management Program (NDFM, <http://www.ndfarmmanagement.com>) that are available on the FINBIN site (<http://www.finbin.umn.edu/>) from the Center for Farm Financial Management at the University of Minnesota, the answer is yes and the goal is achievable.

If we look at the spread between those producers who are the top 40 percent in net return per cow versus those who are the lower 40 percent, we can get a feel for how much some producers are leaving on the table at the end of the day.

Keying in on the last time the lower 40 percent actually had a positive net return since 2011, we will use 2006 as our start year. In 2006, the difference between the upper and lower 40 percent of producers in net return per cow was \$161. In 2007, the figure was \$185, in 2008 the difference was \$191, in 2009 it was \$172, in 2010 it was \$191 and in 2011 it was \$223.

So the answer is yes. Using these two groups of cattle producers, a goal of increasing income by \$100 and lowering expenses by \$100 would be realistic for those producers who are achieving lower net returns and admirable goals for those who are at the upper end of net returns. The average difference from the lower return group and the upper return group was \$187 per cow per year.

If we are to base the discussion off the producer who averages a net return over direct and overhead expenses of \$90 during the 2006 to 2011 period, our goal would be to increase the net returns over direct and overhead expenses to \$290 per cow per year.

If calculated on the previous acre example, per-acre returns would be more than \$17. This can be done. In fact, in the FINBIN data set, the top 20 percent of cow-calf producers had an average net return over direct and overhead expenses of \$362 in 2011.

The time is always right to talk about great opportunities. However, the time also is right to dream and ask, "why not?" The challenge of meeting the goal is doable. To meet the challenge is not going to be easy, and often little data is available to guide management decisions. However, the time is right.

Let's get pen and paper to look at the data we have. After that, let's do some calculating and get out of the old mindset to figure out how to meet the goal.

May you find all your ear tags.

Your comments are always welcome at <http://www.BeefTalk.com>. For more information, contact the NDBCIA Office, 1041 State Ave., Dickinson, ND 58601, or go to <http://www.CHAPS2000.com> on the Internet.

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