



BeefTalk 723: The Cow Herd Struggles to Expand

SUPPORTING MATERIALS

Some Numbers to Ponder	
	Average Net Return per acre
Spring wheat, winter wheat, corn, soybeans, oil sunflower	\$65.22
Alfalfa/grass hay	\$36.73
Cow/calf production (12 acres/cow/grazing season)	\$20.33

2013 North Dakota Farm Management Program
www.ndfarmmanagement.com/

Numbers always are floating by, but, if one stops to read them, they mean something.

For example, I picked up a pamphlet that had the 2013 net returns per acre for several crops in western North Dakota. Based on cash-rented land, there was a spring wheat net return of \$55.65 per acre, \$77.32 for winter wheat, \$28.35 for corn as grain, \$93.73 for soybeans, \$71.04 for oil sunflowers and \$36.73 per acre for alfalfa/grass hay.

The numbers were provided by the North Dakota Farm Management Program (<http://www.ndfarmmanagement.com/>) in "Highlights from the 2013 North Dakota Averages"

pamphlet. The program provides enterprise analysis for many agricultural operations, including beef cows, and is well worth reviewing.

Also listed was the western North Dakota net return for beef cows at \$244 per cow. All the numbers indicated some positive outcomes for production agriculture in western North Dakota; thus, the question or quick thought of attempting to compare the use of land for crops with cow production.

Was it fair to actually compare using the land for crop production versus beef cow production? I dropped the question.

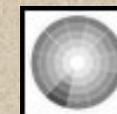
Later, as I was driving by a quarter, of 160 acres, of grass the Dickinson Research Extension Center owns, the question resurfaced. Why do we have cows on this quarter of land when the center could focus on crop production? I dropped the question.

Then, as I was writing this week's BeefTalk, the question came to mind again. Why does the center run cows on a piece of land that could support crop production? This time, the question could not be dropped for a third time. After all, across the road was a crop field.

I was nervous to actually face up to the reality of crop versus cattle production, so let's return to the opening. Based on cash-rented land, spring wheat net return was \$55.65 per acre, winter wheat \$77.32, corn for grain \$28.35, soybeans \$93.73 and oil sunflowers \$71.04. The average net profit for these five crops was \$65.22 per acre.



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Compared with leaving the land in hay production, the net return per acre for alfalfa/grass hay was \$36.73, so crop production was better than hay production. However, what about letting the cows graze the quarter section? As noted earlier, the net return per cow was \$244, which is a good number. However, if one needs nine acres per cow for the grazing season, the net return per acre is \$27.11. If one needs 12 acres per cow for the grazing season, the net return per acre is \$20.33. If one needs 15 acres per cow for the grazing season, the net return per acre is \$16.27. Now I know why I did not want to ask the question.

I like beef because I like raising beef cows and I enjoy the beef industry. However, now someone else is asking me why the center does not break up the 160 acres and switch to crop production. I stutter a little bit and tell the person that I like beef because I like raising beef cows and enjoy the beef industry.

The reality of today's agriculture is heavily slanted toward crop production if land has the potential to be converted to crop production. Like it or not, for beef production to expand, the economics of the beef cow needs to have a threefold increase in net returns to compete with crop production.

To leave land in hay production, the net return for hay needs to double. These are very unlikable thoughts, but certainly thoughts that will drive the next wave of young agriculturists. Those involved in crop production certainly can bid away land that is in beef production. Thus, the cow herd struggles to expand.

This reality places the discussion of the future of beef in a dilemma. Is that future constrained by the current anticipation or expectations of crops or is that future independent of the status of crops? Can the beef business exist by improving a strong business sense, doing managerial fine-tuning and finding expanded markets?

Can the beef business exist as a low-margin business by excelling in working with tight margins and having stringent operating procedures guiding daily production? Can the beef industry exist as a residual, low-margin side business of crop agriculture or is the future of beef a residual, low-input side business of grassland agriculture?

Does the beef business measure inputs and outputs while producing a food product recognized for its nutritional value and eating pleasure? What is the future of the beef business? Low margins and inputs?

Excess overhead will not work. Excess employees will not work. So what will work? I keep pondering and peering over that 160 acres of grassland.

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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