

Livestock Production

Can your herd top benchmark of \$132.81 per cwt?

BY STEVE METZGER

As the beef cow-calf industry adjusts to the downward turn of the cattle cycle, producers will need to know where they are, from a cost-of-production standpoint, and what costs or production figures may need to be adjusted for them to maintain a profitable business.

Data collected from farms and ranches enrolled in the North Dakota Farm Business Management Program provide a very good picture of those costs and returns. The data reviewed and published for the North Dakota 2015 beef cow-calf enterprise came from 82 herds and included 12,866 cows. All regions of the state, outside of the Red River Valley, were represented in the state beef numbers. Regional numbers are also available for the western, north-central and south-central regions of the state.

The total average cost of production came in at \$132.81 per cwt or \$693.26 per cow. This represented an increase of 38% over the 2010 costs of \$100.07 per cwt and \$503.40 per cow. The cost per cow is all-inclusive and includes direct costs, overhead costs and herd inventory change, or the cost of replacing the breeding stock within the herd.

The average herd produced 522 pounds of calf per cow as measured at weaning time. The average weaning weight was calculated to be 555 pounds.

Key Points

- Lower cattle prices shift focus to cost of production.
- Highest-profit herds had cost of production of \$103 per cwt.
- Lowest-profit herds had cost of production of \$223 per cwt.

Calf feeding and maintenance costs after weaning are not part of the above numbers as they are separated into a backgrounding or feeding enterprise at that time.

The direct costs for 2015 made up the largest share of the total costs and averaged \$95.91 per cwt or \$500.95 per cow. The largest share of the direct costs was for feed and grazing at \$361, with the balance made up of veterinary, supplies, fuel, repairs, custom hire, marketing and operating interest. Following this were the overhead costs at \$20.64 per cwt or \$107.80 per cow. These included hired labor, farm insurance, interest paid on the investment, utilities, depreciation on machinery and buildings, and miscellaneous costs. The final portion of the costs came from what is known as inventory change or the cost of maintaining the breeding herd itself with both male and female replacements. This amounted to \$84.52 per cow for the average herd or \$16.26 per cwt of production.

While the average costs of production are noted, it is important to acknowledge that the data base is also used to deter-



MONEY COWS: Cow-calf cost of production was about \$103 per cwt for highest-profit herds to \$233 for least-profit herds tracked in the North Dakota Farm Business Management Program.

mine the costs and profitability of the 20% high-profit herds as well as the 20% low-profit herds.

The high-profit group of 17 herds numbered 3,218 cows and had total costs of \$107.69 per cwt and \$569.81 per cow.

The low-profit group made up of 16 herds and 2,387 cows had total costs of \$172.38 per cwt and \$821.92 per cow. The high-profit group produced an average of 531 pounds of calf per cow while the low-profit group came in at the lesser number of 474 pounds per cow.

As beef cow-calf producers struggle to maintain profitability in these times of decreasing prices, it is important that they know and understand not only their average weaning weights or production numbers per cow, but also the entire cost structure that goes along with raising that cow, including breeding stock replacement costs.

While average producers spent \$84.52 per cow for breeding stock replacement in 2015, low-profit herds showed a much greater cost at \$223.70 per cow. How many producers have a good handle on the cost of herd replacements and the impact that these costs will have over the life of the cows in the herd?

Producers are certainly encouraged to further explore their own cow-calf costs

and to determine if they are in a position to weather the current downtrend in the cattle cycle. What adjustments can producers make to be more profitable and to better compete in the beef cow-calf business? A good look at all numbers, both production and costs, is certainly a good place to start. The more knowledgeable producers are, the better their chances are to maintain profitable enterprises into the years ahead.

To view various farm financial numbers and ratios, as well as crop and livestock enterprises, on a regional or statewide basis, producers may go to ndfarmmanagement.com. Various regional and state reports along with visual presentations are available for producers to view or download at no cost to them. A listing of instructors and program locations is also included on the website.

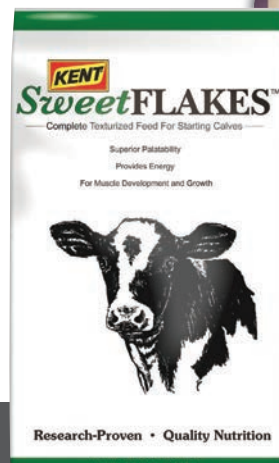
Additional information on the North Dakota Farm Business Management Program may be secured by contacting Aaron Anderson, state supervisor for agricultural education, at 701-328-3179. The Farm Business Management program is sponsored by the North Dakota State Department of Career and Technical Education.

Metzger is the North Dakota Farm Business Management instructor at Carrington.

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