

Pasture Rental Rates and Cost>Returns for Cow/Calf Operations



Kevin C. Dhuyvetter -- kcd@ksu.edu --- 785-532-3527

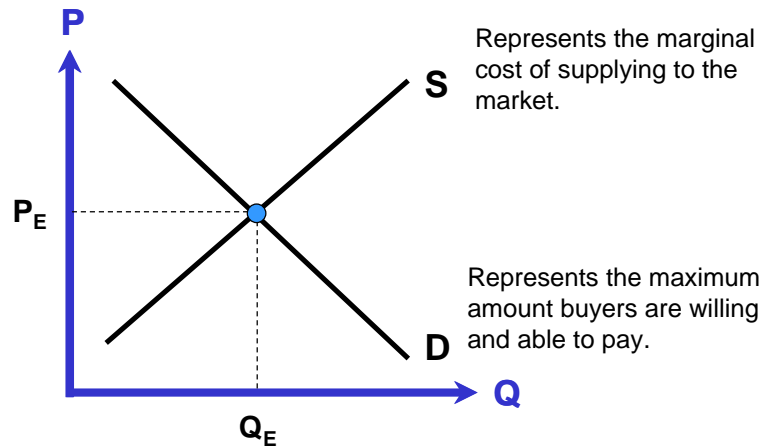


Department of Agricultural Economics
Kansas State University
2006-07 Winter Meetings



Pasture Rental Rates

Market established rental rates ...

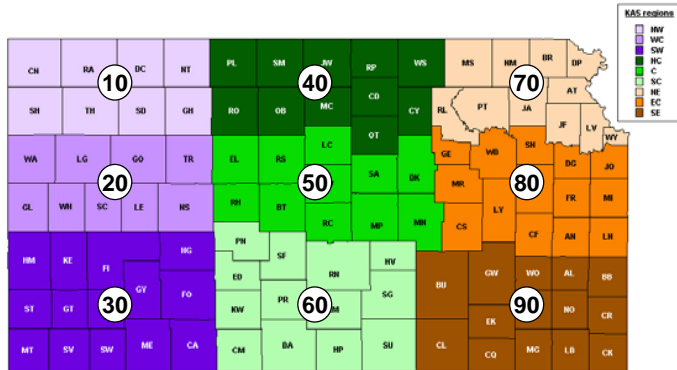


Market established rates...

- Kansas Agricultural Statistics (KAS) collects data annually from landowners and producers regarding land values and cash rents
 - Agricultural Land Values (SURVEY)
 - Bluestem Pasture (CENSUS)
- Local and regional surveys of leasing practices
- With surveys there is often a trade-off between statistical validity and level of aggregation

Market going rate ...

- Kansas Agricultural Statistics (KAS) reports average cash rent values for non-irrigated, irrigated, and pasture land at the crop reporting district (CRD) level



5

KAS surveyed market rates ...

AGRICULTURAL LAND VALUES

KANSAS AGRICULTURAL STATISTICS SERVICE
Past Tending For Agriculture
Kansas Department of Agriculture
U.S. Department of Agriculture
P.O. Box 884
Topeka, Kansas 66661-0884
(785) 281-2299

Released: August 17, 2006

Kansas Farmland Values and Rents, 1995-2005 1/

Kansas' average value of all farmland and buildings for 2005 is estimated to be \$520 per acre. This compares with \$500 in 2004 and \$115 in 2004. Kansas' average value of all farmland and buildings increased by 5% percent from 2004 to 2005. Irrigated cropland values rose 8 percent, non-irrigated was up 10 percent, and pasture land values increased 17 percent.

Rental rates for non-irrigated cropland increased by \$50 per acre and irrigated cropland was up \$1.00 per acre. Pasture rents for 2005 rose \$30 per acre to 13.77 per acre.

Year	Irrigated Cropland		Non-Irrigated Cropland		Pasture and Buildings 2/		All Farmland and Buildings 2/	
	Value Per Acre	Rent Per Acre	Value Per Acre	Rent Per Acre	Value Per Acre	Rent Per Acre	Value Per Acre	Rent Per Acre
1995	920	385	623	35.50	345	11.70	535	18.26
1996	966	407	638	37.70	361	11.90	533	18.28
1997	995	415	649	38.50	365	11.80	560	18.38
1998	1,010	420	650	39.00	367	12.00	577	17.408
1999	1,020	423	650	39.00	370	12.00	600	18.600
2000	1,040	430	666	39.50	380	12.80	628	19.888
2001	1,080	438	679	40.00	380	12.80	648	20.800
2002	1,080	440	679	40.00	400	12.80	668	21.488
2003	1,080	445	684	40.00	410	12.80	688	22.332
2004	1,110	458	708	42.00	430	13.20	718	23.148
2005	1,240	470	849	43.00	530	13.40	830	25.120
2005	1,260	492	892	45.00	520	13.70	830	25.800

1/ Rental rates are for land only. 2/ Values per acre are for land and buildings. 3/ Irrigated data to publish.

The Land Values Survey-Background

The Agricultural Land Values Survey was conducted during May-June 2005. Survey respondents were asked to provide information on the value of the land they operate and the rental rates for any land they rented. Additional land value and rent data were collected in the June Agricultural Survey.

The Census provides the official base for estimates of all farmland values. However, the Census occurs once every five years and only estimates the value of all agricultural land and buildings. The Land Values Survey and Agricultural Survey provide data to make annual estimates of both market values and rental rates for different categories of farmland.

The average values in this report encompass a wide range of soil types and pastures. These data are more appropriate for studying overall trends and should not be used to establish rental rates or market values.

KAS report

Form Management Guide 10-1100

Kansas Land Prices and Cash Rental Rates

Department of Agricultural Economics — www.agsci.ksu.edu **KSTATE**

Kansas State University Agricultural Experiment Station and Cooperative Extension Service

Terry L. Kuntze
Agricultural Economics
Crop Production

Terry L. Kuntze
Agricultural Economics
Crop Production

This Form Management guide reports Kansas land prices and cash rents for 2005. These data are useful to farm managers in determining cash rental rates, to farm operators in calculating returns from farming line adjustments in land prices, and to landowners and investors who have operations on multiple and/or underdeveloped farmland. The average prices in this guide are averages of land that vary widely in productivity. Thus, these data are most appropriate for making trends due to conditions that vary or occur over long periods of time.

The land values reported also include the value of any buildings that are on the land. The value of the buildings represents a small portion of the total value, on average, and this information is provided here for informational purposes only. The accuracy of land values reported.

Kansas Agricultural Statistics

For reporting purposes, Kansas Agricultural Statistics Service divides the state into six agricultural statistical districts. The districts are: Northwest (NW), West Central (WC), South Central (SC), North Central (NC), Central (C), and South Central (S). The districts are: Northwest (NW), West Central (WC), South Central (SC), North Central (NC), Central (C), and South Central (S). Kansas Agricultural Statistics Service collects data on these types of land.

Kansas Land Prices

Table 1 through 2 show average prices of land and buildings in each district and an average for the state for the most recent year reported. Data are shown for each of the five land categories: all land in farms, all cropland, non-irrigated cropland, irrigated cropland, and pasture. The annual data are based on February 1 for 1997-1999, and January 1 for 1999-2006.

Table 3 shows prices per acre of all land in farms and buildings, Kansas Agricultural Statistics Service, 1995-2005.

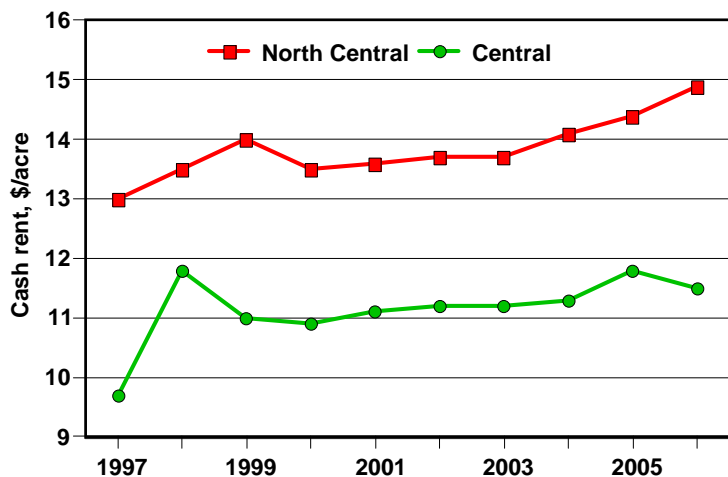
Year	NW	WC	SW	NC	C	SC	NE	EC	SE	State
1997	1311	920	1377	1111	644	1444	1405	1194	1194	1317
1998	1316	926	1411	1096	644	1414	1401	1196	1174	1317
1999	1369	939	1441	1077	640	1390	1404	1194	1164	1326
2000	1365	943	1440	1076	640	1384	1404	1194	1164	1326
2001	1379	949	1449	1081	644	1390	1404	1194	1164	1326
2002	1379	949	1449	1081	644	1390	1404	1194	1164	1326
2003	1379	949	1449	1081	644	1390	1404	1194	1164	1326
2004	1379	949	1449	1081	644	1390	1404	1194	1164	1326
2005	1379	949	1449	1081	644	1390	1404	1194	1164	1326
2006	1379	949	1449	1081	644	1390	1404	1194	1164	1326

Land Economics 1 - Revised October 2008

KSU report

6

Kansas Cash Rent for Pasture



Source: Kansas Agricultural Statistics

Do regional averages reflect your situation?

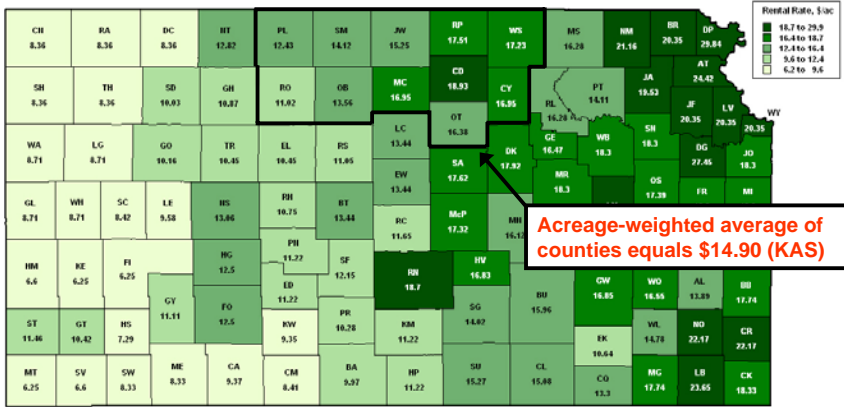
7

County-level cash rents ...

- County-level cash rents were estimated for non-irrigated crop and pasture land based upon the KAS reported CRD values
- CRD values prorated to individual counties based on 3-year average of county-level rents from FSA and 2002 census acreage data
- Weighted average county-level cash rents are exactly equal to the KAS reported district value
- Similar procedure was done for land values

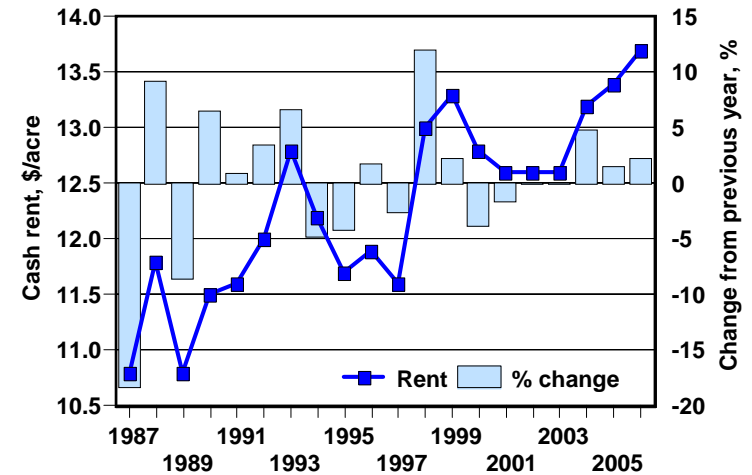
8

Kansas county-level pasture cash rents ...



Based on KAS reported values for January 1, 2006

Kansas Cash Rent for Pasture

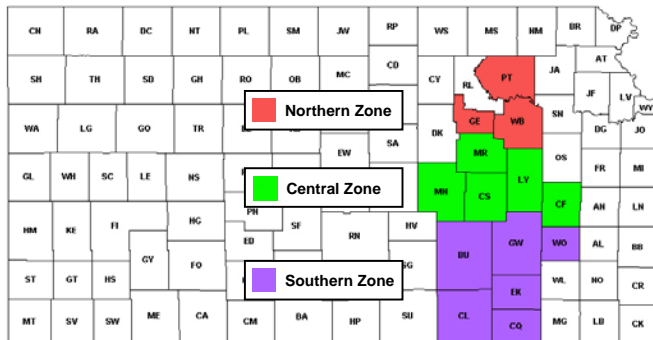


Source: Kansas Agricultural Statistics

Use KAS averages as an index for making year-to-year changes?

Market going rate ...

- Kansas Agricultural Statistics (KAS) reports average pasture cash rent values and stocking rates for cow-calf and stockers for the 14-county region of the Flint Hills



KAS surveyed market rates ...

BLUESTEM PASTURE
SPECIAL PRESS RELEASE
April 25, 2006

Bluestem pasture condition in the Flint Hills region of Kansas is rated at 80 percent of normal, going into the 2006 grazing season. As of April 17, topsoil moisture conditions were rated mostly short to adequate across the bluestem region. Sources of stock water being used are: ponds, 54 percent; streams, 29 percent; wells, 10 percent; and spring developments, 7 percent. Water supplies are rated short to adequate, with 63 percent reporting adequate supplies.

The percentage of available pasture already contracted, as of mid-April, stood at 97 percent. Of the acres contracted, 49 percent are under full summer season contracts, 24 percent under partial-season contracts, and 27 percent leased for the full year. Partial season grazing may include both early intensive grazing and three-quarter length season reports. The average grazing season start date for full summer season contracts is April 25, ranging from an early date of April 19 in several southern counties to May 2 in Polk and Lawrence Counties. The average ending date for the grazing season is October 15. The average starting date for partial season or intensive grazing is April 23. The average number of grazing days for steers and heifers under 700 pounds is 97 days.

For 2006, partial season contracts have been broken into two categories: contracts with ninety grazing days or less and contracts with more than ninety grazing days.

Partial season contracts with ninety grazing days or less reported an average per acre lease rate of \$20.37 when care is provided and \$17.43 when no care is provided. Price per head with care for steers and heifers under 700 pounds averaged \$57.00 with a guarantee of 2.4 acres. Without care, the price per head averaged \$46.30 with 2.4 acres guaranteed.

The average price per acre for partial season contracts of more than ninety days was \$16.15 without care. The average, with care, was \$20.10 per acre. Price per head with care for steers and heifers under 700 pounds averaged \$60.50 with a guarantee of 2.9 acres. Without care, the price per head averaged \$47.40 with 2.8 acres guaranteed.

When the stocking rate is based on pounds of live cattle per acre, for a full summer season the average beginning weight is 557 pounds. The average beginning weight for a partial summer season is 573 pounds. The average live pounds per acre for a full summer season is 298 pounds and for a partial summer season the average is 297 live pounds per acre. For a full summer season, the average price per acre with care is \$19.38 and without care is \$16.60. For a partial summer season, the average price per acre with care is \$24.58 and without care is \$16.50.

Stocker reports indicated contracts based on price per pound of gain. Prices varied from 25 to 98 cents per pound of gain and averaged 57 cents.

The average lease rate per cow with calf reported under full year leasing arrangements is \$121.60 with 10.1 acres guaranteed. Lease rates on a per acre basis averaged \$19.40 for the full year.

In winter stocker grazing arrangements, the average reported price is \$7.90 per head per month with 5.0 acres guaranteed. For winter cow grazing arrangements, the average reported price is \$13.32 per head per month with 7.5 acres guaranteed.

Sixty-three percent of the respondents reported under full year leasing arrangements to be 2 to 3 years ago. The average butting date was April 11.

Services provided by the landlord or caretaker in full summer season leasing arrangements are reported as follows: burning, 82 percent; fence maintenance, 90 percent; guaranteed feed, 41 percent; walk, 87 percent; and other miscellaneous services, 10 percent.

Services provided by the landlord or caretaker in partial summer season leasing arrangements are reported as follows: burning, 98 percent; fence maintenance, 91 percent; guaranteed feed, 39 percent; walk, 89 percent; and other miscellaneous services, 9 percent.

KANSAS AGRICULTURAL STATISTICS SERVICE
Pasture For Agriculture
Kansas Department of Agriculture
1235 Department of Agriculture
P.O. Box 2024
Topeka, Kansas 66601-2024
Phone: (785) 235-2239

Microsoft Excel - KSU Grazing.xls

KSU GRAZING RATE SPREADSHEET
K-STATE RESEARCH AND EXTENSION
Version: 11/27/2006

This spreadsheet is designed to assist producers and landowners in determining equitable rental fees for grazing cattle. The spreadsheet uses two consensus methods to determine an equitable grazing rent: Landlord's cost and livestock owner's return. Landlord's cost simply equates the rental value to the cost of owning the land being grazed. Livestock owner's return bases grazing rent on the return earned by the livestock owner from grazing. These methods can be used as a starting point for grazing rate.

The Market Value sheet uses the Bluestem Pasture Report to estimate grain grazing rates based on stocking capacity and cow quality.

The Landlord's Cost sheet estimates a grazing rate for either a cow-calf or stocker operation based on the landlord's cost of owning the land, facilities, equipment, and contributions of inputs.

The Livestock Owner's Return sheet estimates a grazing rate for stocker operations only based on the livestock owner's net return from grazing.

The Bluestem Pasture Report sheet is a historical database from Kansas Agricultural Statistics of cash grazing rates for the Flint Hills region of Kansas.

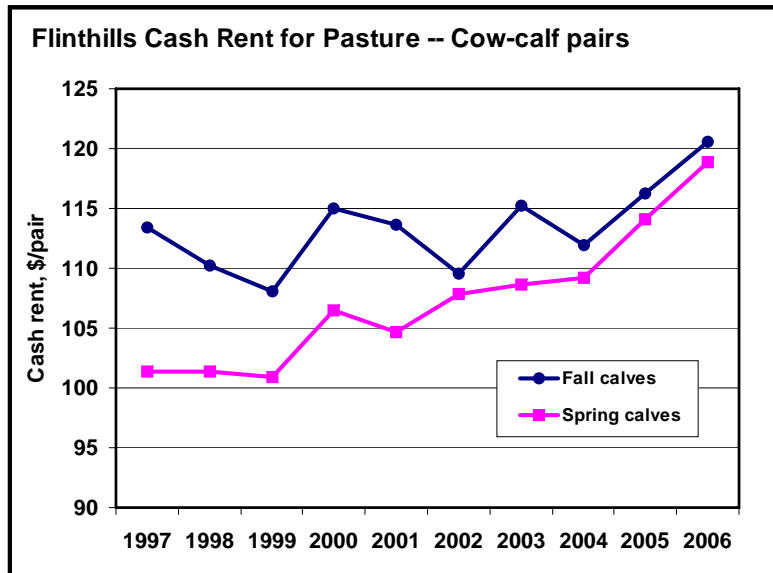
Other relevant sources of information for determining equitable grazing rates are: Pasture Rental Arrangements for your Farm (KAS 1988), Summer Grazing of Steers in Western Kansas (KAS 1992), Summer Grazing of Steers in Eastern Kansas (KAS 1996), and Winter Wheat Grazing (KAS 1999). These publications are available through your local County Extension Office.

Developed by:
Troy A. Donder
Extension Agricultural Economist
Kansas State University

Kevin C. Elroyevich
Extension Agricultural Economist
Kansas State University

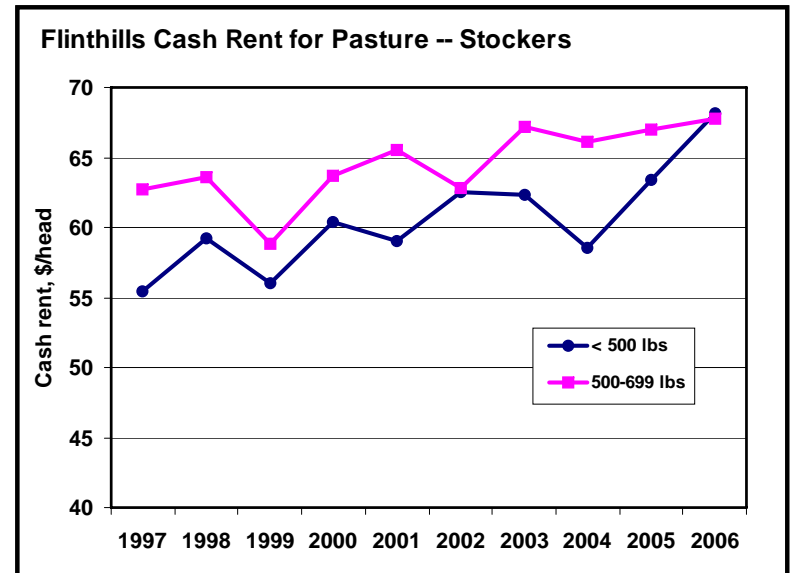
Phone: (785) 275-5164
FAX: (785) 275-6028
email: mtdon@ksu.edu

Phone: (785) 532-3527
FAX: (785) 532-4925
email: kcl@ksu.edu



Use \$/pair average as a starting point for determining local rate

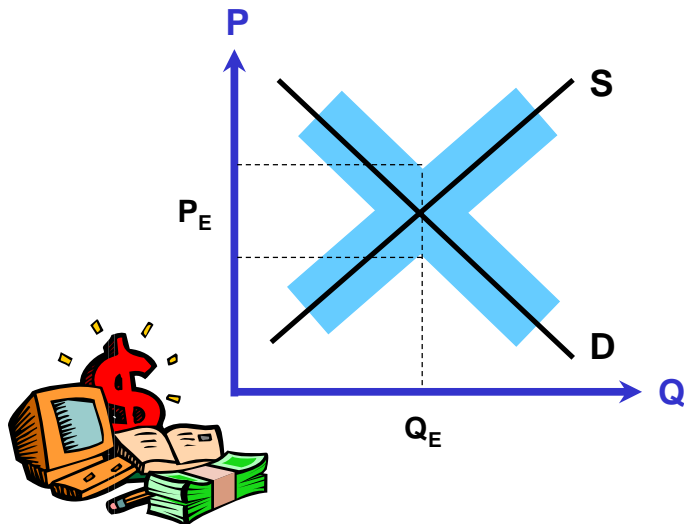
13



Use \$/head average as a starting point for determining local rate

14

Market established rental rates



15

Methods of establishing cash rent values ...

- Market going rate (if available)
-
- Landowner's cost
- Amount tenant can afford to pay



16

Microsoft Excel - KSU-Graze.xls

KSU GRAZING RATE SPREADSHEET

K STATE RESEARCH AND EXTENSION Version 11/27/2006

This spreadsheet is designed to assist producers and landowners in determining equitable rental fees for grazing cattle. The spreadsheet uses two common methods to determine an equitable grazing rate: landlord's cost and livestock owner's return. Landlord's cost simply equates the rental value to the cost of owning the land being grazed. Livestock owner's return bases grazing rent on the return earned by the livestock owner from grazing. These methods can be used as a starting point for grazing rate.

The *Market Value* sheet uses the *Bluestem Pasture Report* to estimate grass grazing rates based on stocking capacity and grass quality.

The *Landlord's Cost* sheet estimates a grazing rate for either a cow-calf or stocker operation based on the landlord's cost of owning the land, facilities, equipment, and contributions of inputs.

The *Livestock Owner's Return* sheet estimates a grazing rate for stocker operations only based on the livestock owner's net return from grazing.


The *Bluestem Pasture Report* sheet is a historical database from Kansas Agricultural Statistics of cash grazing rates for the Flint Hills region of Kansas.

Blue numbers and text in the spreadsheet are inputs provided by the user. Black numbers are calculated values based on the inputs. Cells that contain little red diamonds in the upper, right corner provide additional information or instructions in the spreadsheet. These comments can be viewed when the mouse pointer is dragged over the diamond. If the red diamonds do not appear in the spreadsheet, it may be necessary to adjust the settings of Excel. To do this, click on "Tools" in the menu bar, then select "Options", then select "View". While in the "View" menu, select the comment option that says "Comment".

Other relevant sources of information for determining equitable grazing rates are: *Pasture Rental Arrangements for your Farm* (MCR-149), *Summer Grazing of Steers in Western Kansas* (MF-1007), *Summer Grazing of Steers in Eastern Kansas* (MF-1008), and *Winter Wheat Grazing* (MF-1009). These publications are available through your local County Extension Office.

Developed by:
 Troy J. Dumlauer
 Extension Agricultural Economist, SW
 Kansas State University
 Phone: (620) 275-9164
 FAX: (620) 276-6028
 email: tdumlauer@znet.ksu.edu

Kevin C. Dittvyetter
 Extension Agricultural Economist
 Kansas State University
 Phone: (785) 532-3527
 FAX: (785) 532-6925
 email: kcd@ksu.edu



Excel spreadsheet that can be used to adjust Bluestem Pasture report rental rates.

Microsoft Excel - KSU-Graze.xls

Market Value (based on Kansas Ag Statistics Bluestem Pasture Report)

Year to consider: 2006

Service and acreage guarantees included (Y=1, N=0): 1

	Under 500# ³	500-700# ³	Cows w/fall calves	Cows w/spring calves
2006 Bluestem Rates				
Avg. \$/hd for season	\$68.20	\$67.80	\$120.60	\$118.90
Avg. acres of grass/hd	4.0	4.2	7.9	7.9
Cash rent per acre	\$17.05	\$16.14	\$15.27	\$15.05
Pasture to analyze				
Avg. acres of grass/hd	4.5	4.75	9	9.2
Quality adjustment (%) ¹	100%	100%	100%	100%
"Other" adjustment (\$/ac) ²	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted cash rent/acre	\$15.16	\$14.27	\$13.40	\$12.92

¹ Adjustment to reflect differences in gain, etc. (if none enter 1)
² Adjustment for water, fence, etc. (if none enter 0)

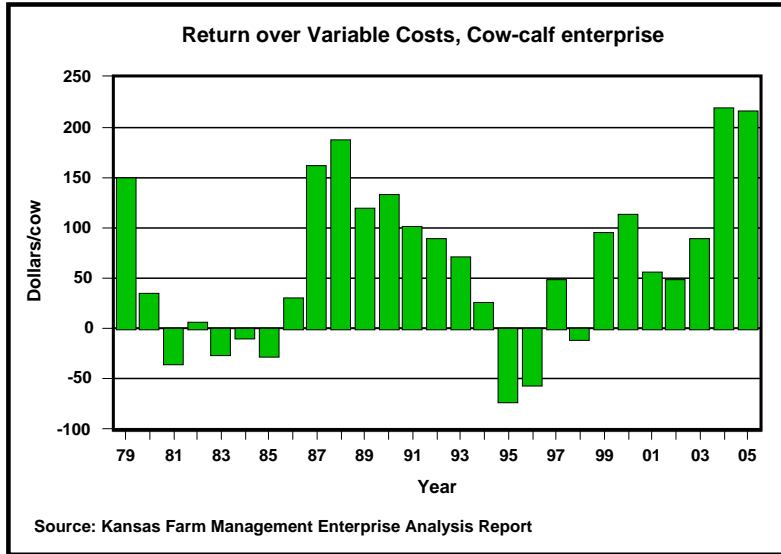
Note: Cash rent per acre is based on season-long (6 months) grazing season. Per acre rates for early intensive grazing season (3 months) have averaged 0% and 0% higher for Under 500# and 500-700# categories, respectively.



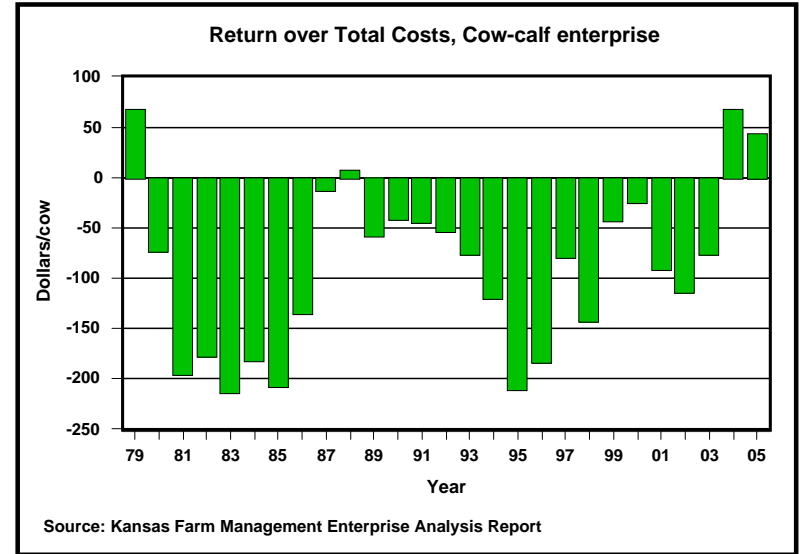
Cost-return information ...

- **KFMA enterprise analysis**
 - Beef cow-calf averages, 1979-2005 (93 to 258 farms)
 - Dollars/cow and dollars/cwt
- **Variable costs:** hired labor, machinery repair, interest paid, feed purchased, machine hire-lease, farm org. fees/travel/pub, vet medicine/drugs, marketing/breeding, gas/fuel/oil, personal property tax, general farm insurance, utilities, auto expense
- **Fixed costs:** depreciation, real estate tax, unpaid operator labor, interest charge

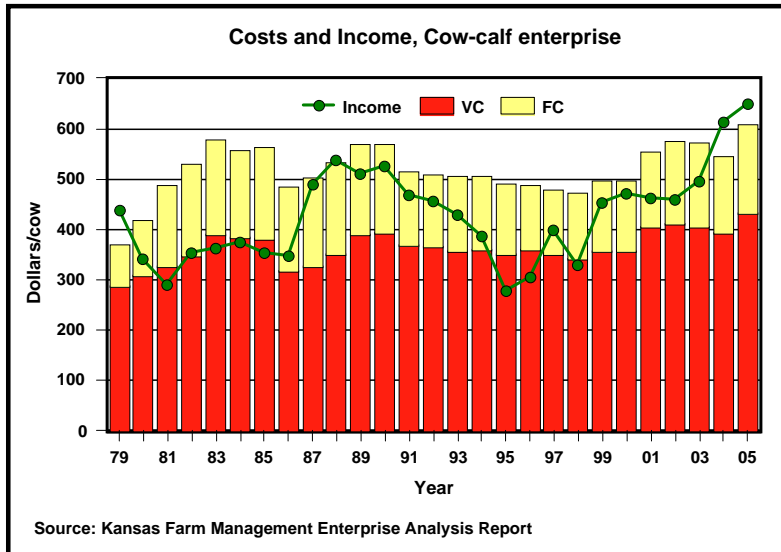
Cost-return information ...



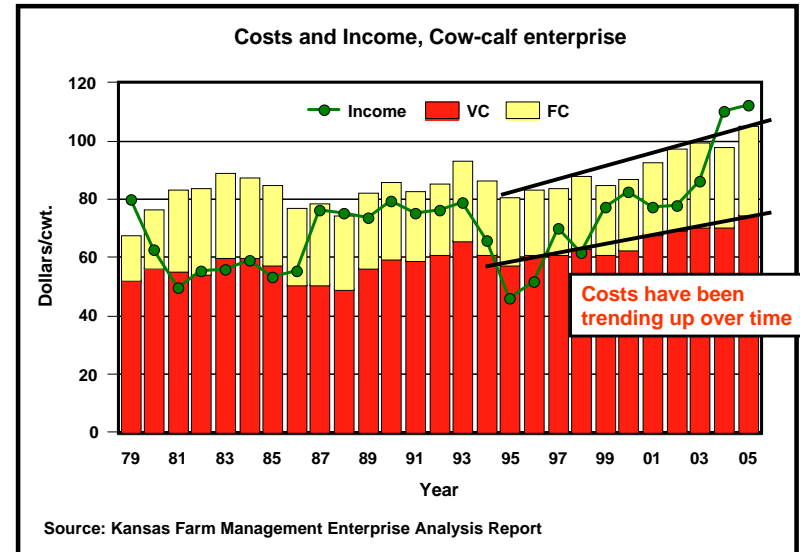
Cost-return information ...



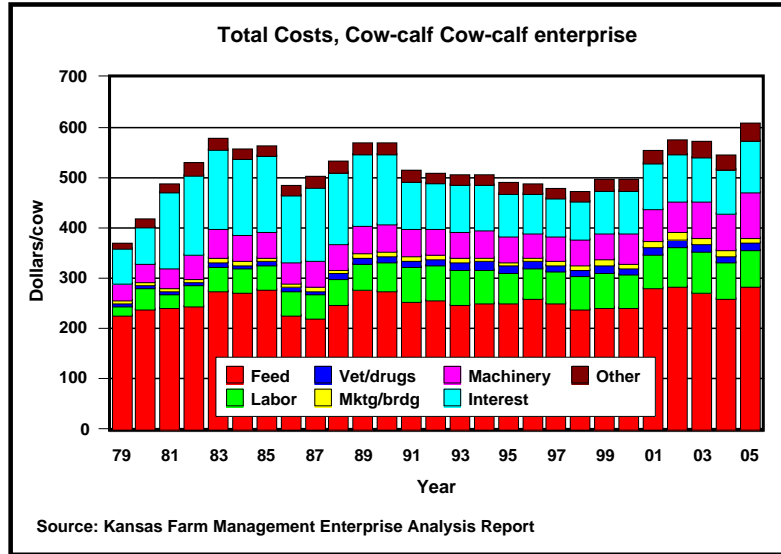
Cost-return information ...



Cost-return information ...

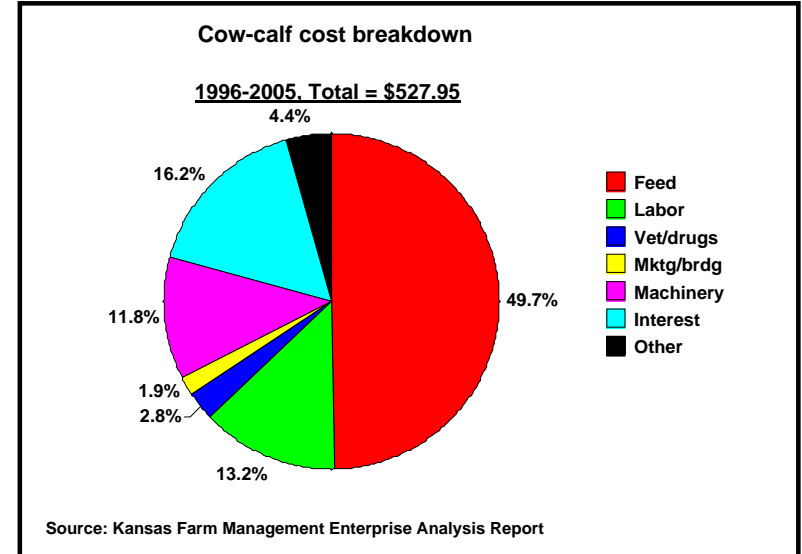


Cost-return information ...



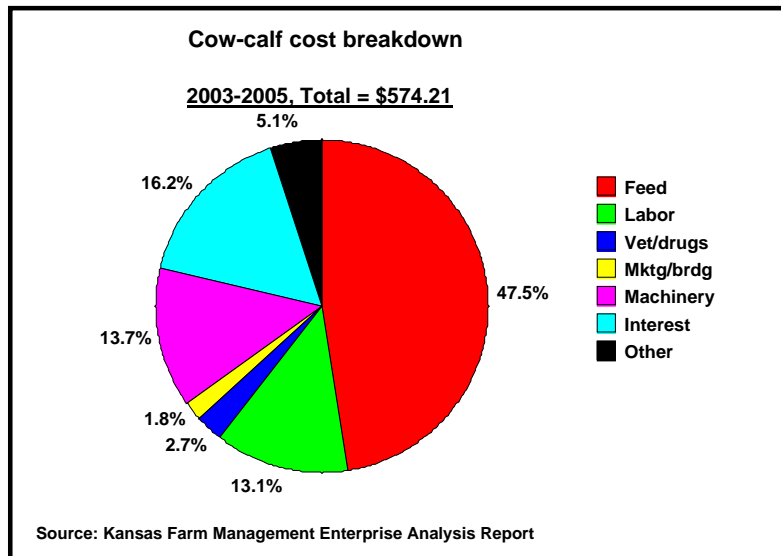
25

Cost-return information ...



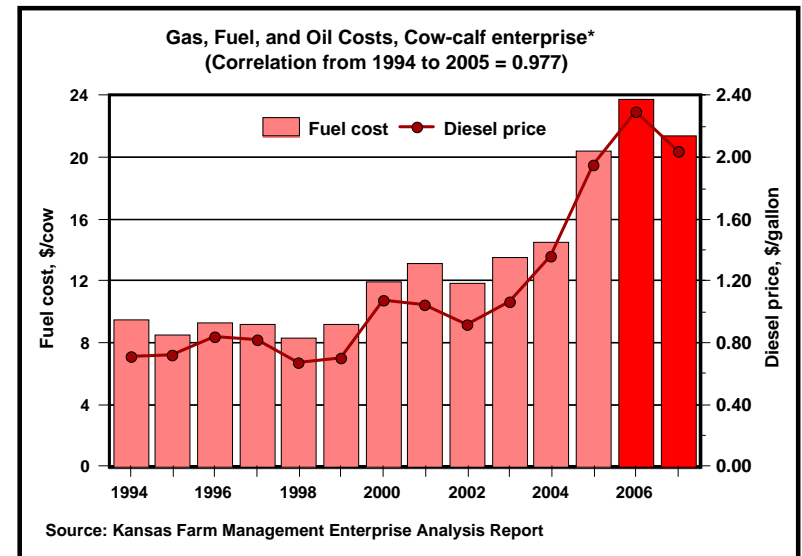
26

Cost-return information ...



27

Cost-return information ...



28

Cost-return information ...

KFMA enterprise analysis

- Beef cow-calf farm-level data
- 3-year average, 1999-2001
- 70 farms with avg weaning weight 450-600 lbs
- Sorted by return to management (i.e., return over total costs)



29

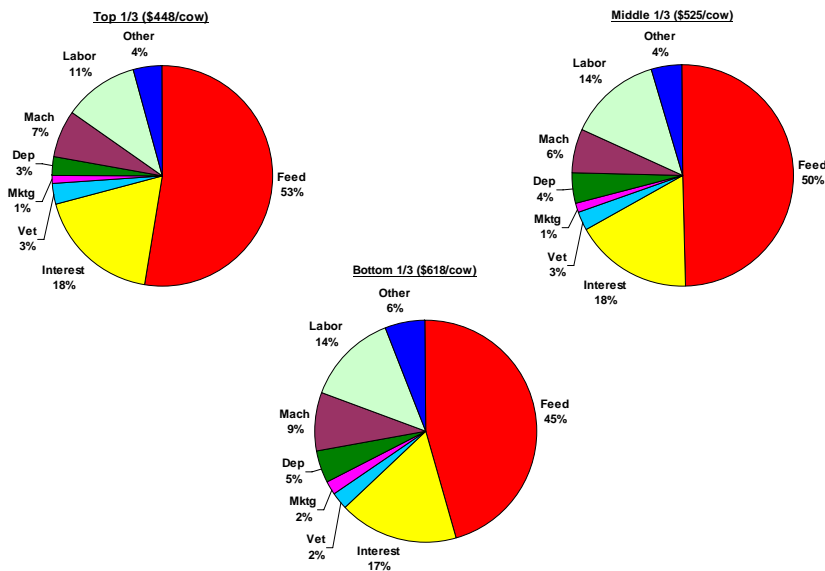
Profitability groups ...

	Profit Category			Difference between	
	High 1/3	Mid 1/3	Low 1/3	High 1/3 and Low 1/3	
	Head / \$	Head / \$	Head / \$	Absolute	%
Number of Farms	23	24	23		
Number of Cows in Herd	172	127	67	104	155%
Number of Calves Sold	150	102	57	93	165%
Weight of Calves Sold	557	542	542	15	3%
Calf Sales Price / Cwt	\$89.71	\$89.28	\$87.18	\$2.53	3%
Gross Income	\$472.52	\$443.49	\$419.77	\$52.74	13%
Feed	\$235.36	\$258.41	\$283.19	-\$47.83	-17%
Interest	\$81.57	\$91.19	\$106.39	-\$24.82	-23%
Vet Medicine / Drugs	\$13.95	\$14.75	\$15.43	-\$1.47	-10%
Livestock Marketing / Breeding	\$4.88	\$7.66	\$11.88	-\$7.00	-59%
Depreciation	\$12.67	\$23.54	\$29.49	-\$16.82	-57%
Machinery	\$31.20	\$33.92	\$53.20	-\$22.01	-41%
Labor	\$50.61	\$71.57	\$83.15	-\$32.53	-39%
Other	\$18.34	\$23.53	\$35.29	-\$16.95	-48%
Total Cost	\$448.59	\$524.56	\$618.02	-\$169.43	-27%
Net Return to Management	\$23.92	-\$81.08	-\$198.25	\$222.17	76.3%

Source: Albright

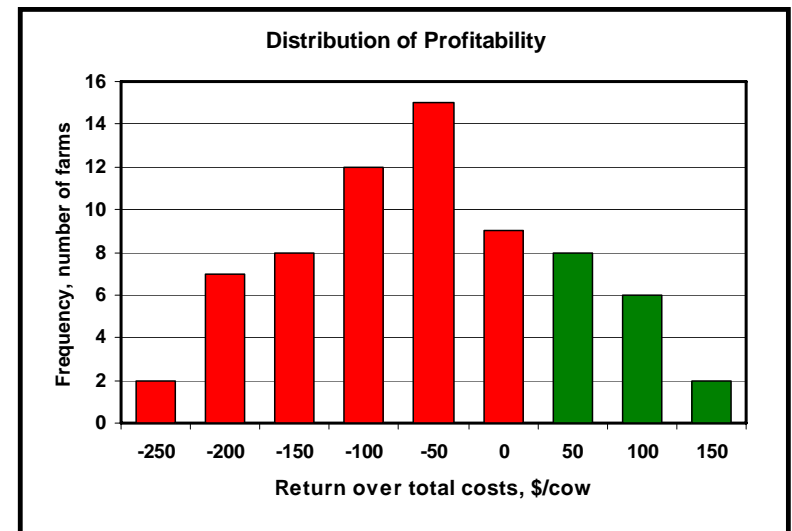
30

3-YR AVG: Cost breakdown...



31

3-YR AVG: Profitability distribution ...



Average returns: 23% positive and 77% negative

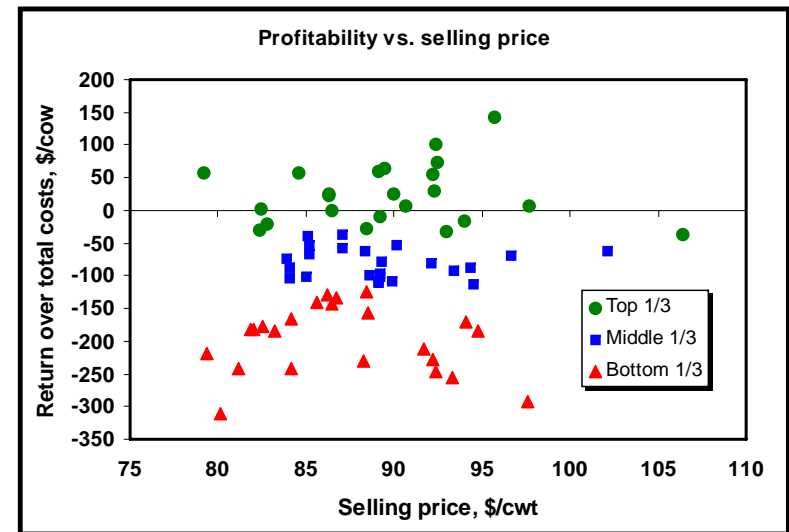
32

What factors are driving these profitability differences?

- Selling price?
- Selling weight?
- Total cost?
 - Feed costs
 - Labor costs
 - Other costs
- Other factors?

33

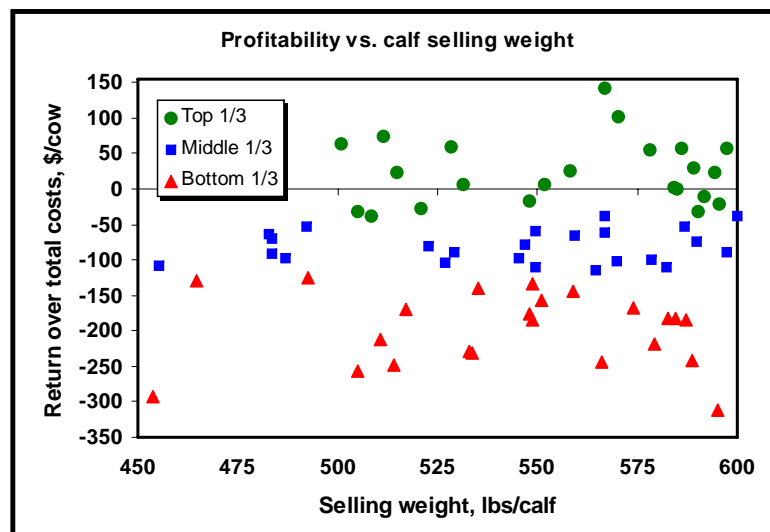
3-YR AVG: Profitability versus selling price ...



Correlation: 0.16

34

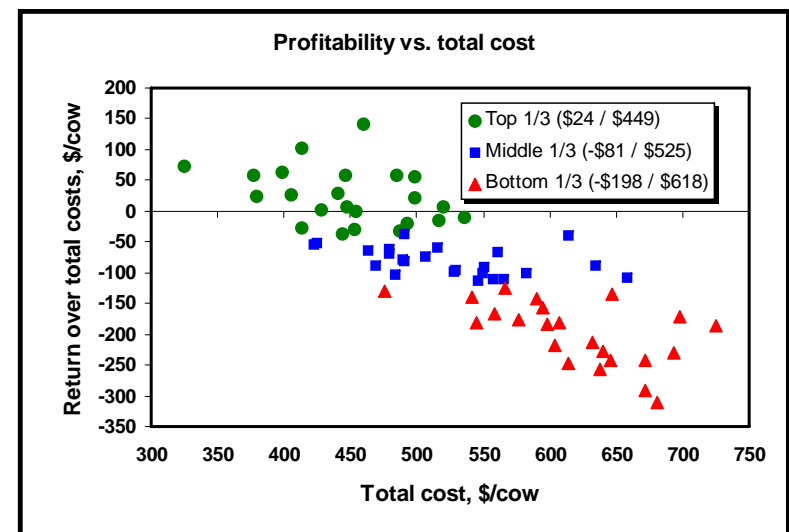
3-YR AVG: Profitability versus selling weight ...



Correlation: 0.15

35

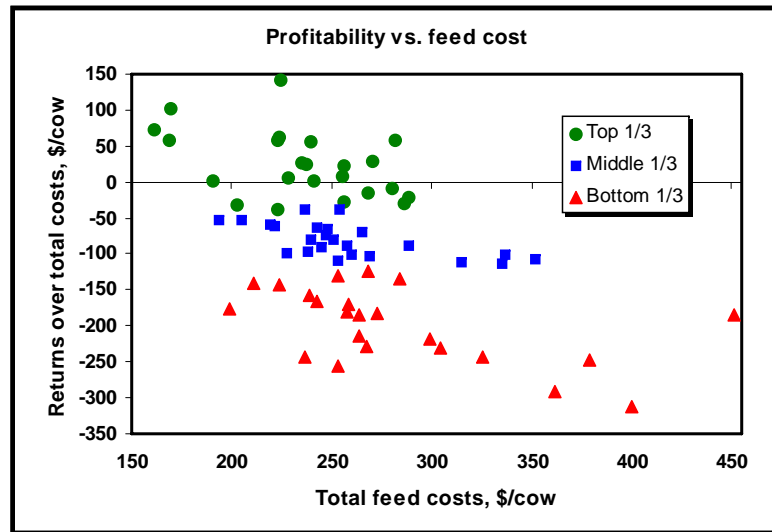
3-YR AVG: Profitability versus costs ...



Correlation: -0.82

36

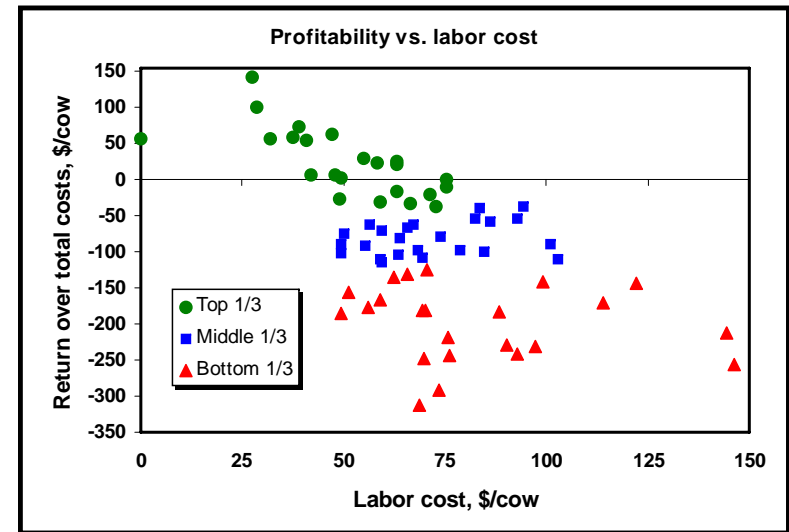
3-YR AVG: Profitability versus feed cost ...



Correlation: -0.54

37

3-YR AVG: Profitability versus labor cost ...



Correlation: -0.58

38

Costs differences are important ...

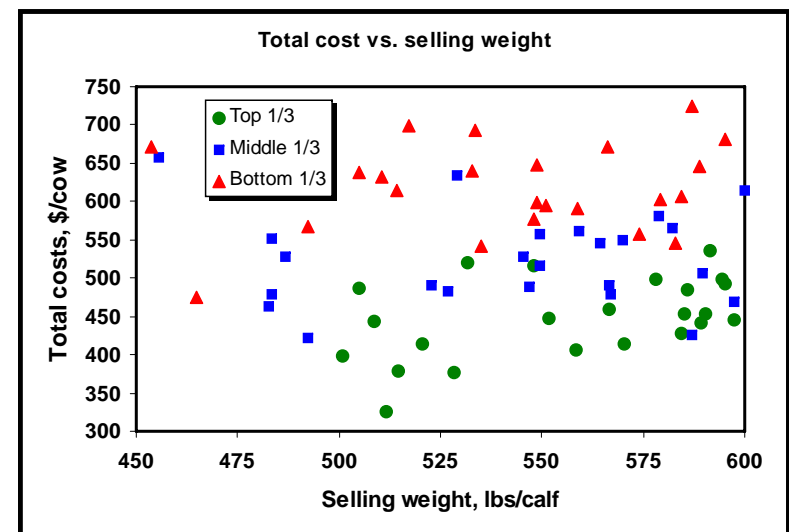
... but what drives these differences?

- Calf selling weight?
- Certain cost categories?
- Size of operation?
- Other factors?



39

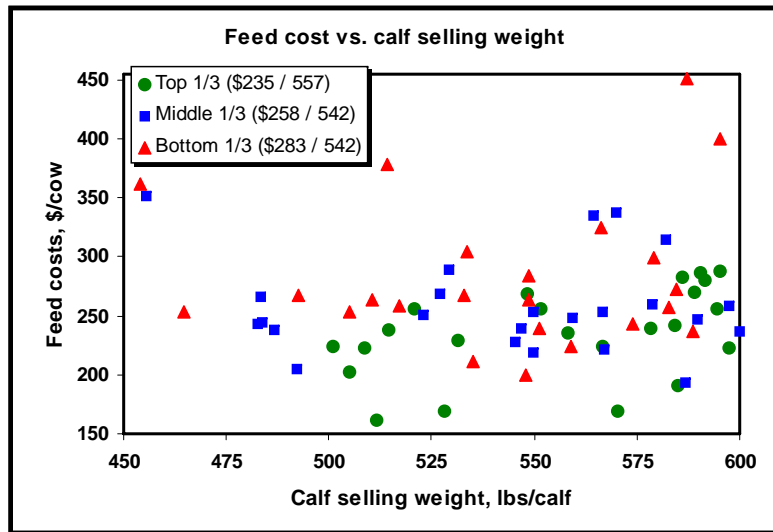
3-YR AVG: Total cost versus selling weight ...



Correlation: -0.01

40

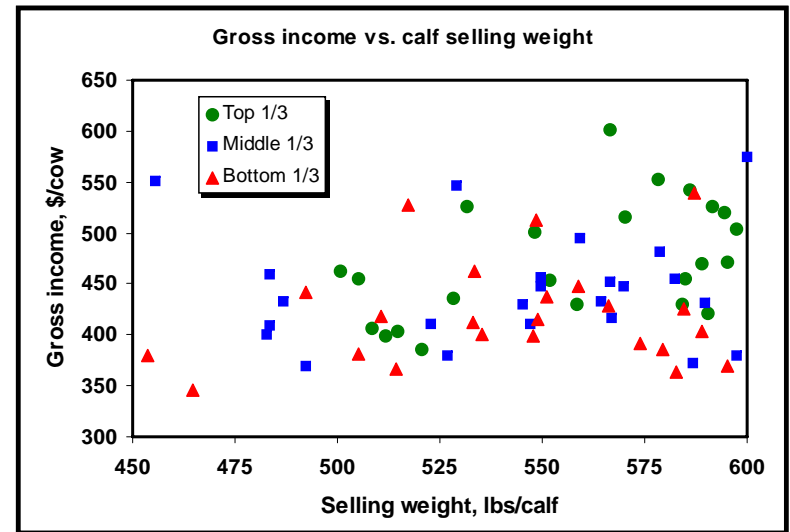
3-YR AVG: Feed costs versus calf weight ...



Correlation: 0.05

41

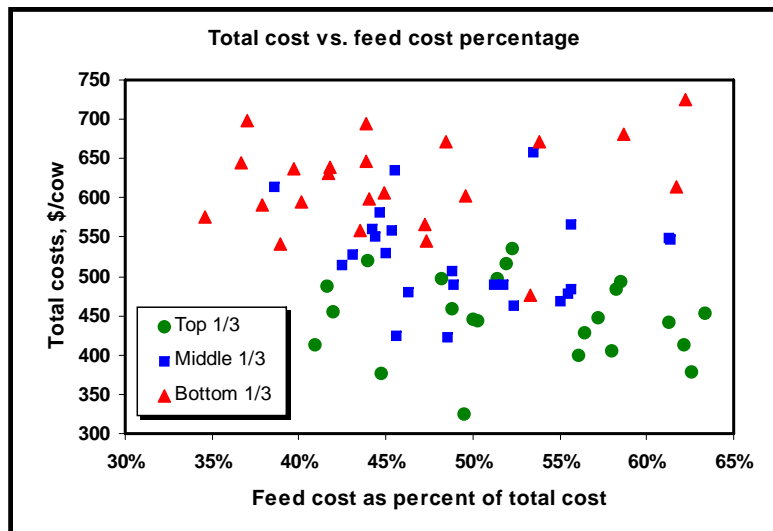
3-YR AVG: Income versus selling weight ...



Correlation: 0.25

42

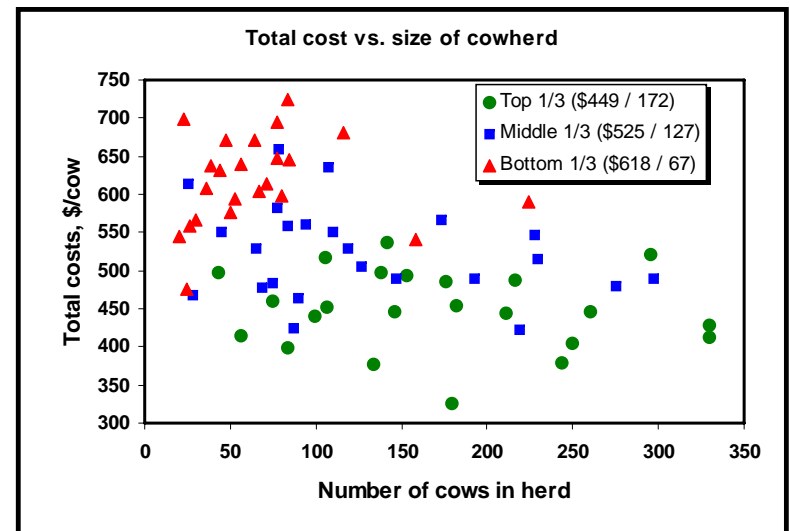
3-YR AVG: Total cost versus feed cost % ...



Correlation: -0.31

43

3-YR AVG: Costs versus herd size ...



Correlation: -0.48

44

INPUT ASSUMPTIONS -- inputs are "blue values" (black values are calculated)

Number of cows in herd	200
Heifers retained for replacement, %	16%
Cow-to-bull ratio (cows per bull)	.25
Value of breeding cow, \$/head	\$700
Value of replacement heifer, \$/head	\$600
Value of bull, \$/head	\$2,200
Value of breeding stock/cow unit	\$884
Interest on breeding herd, %	9.00%
Insurance on breeding herd, %	1.00%

COW-RETURN PROJECTION --- BEEF COW-CALF ENTERPRISE (PER COW)

Weaning percentage	Low	Average	High
	82%	88%	94%

RETURNS PER COW:

	Percent	Weight	Price/cwt	\$/Head	\$/Cow Unit
Steers	50%	560	\$131.54	\$736.62	\$368.31
Heifers	50%	540	\$123.76	\$668.30	\$334.15
Cull cows	16%	1,050	\$61.12	\$641.76	\$102.68
Other income					\$0.00

COSTS PER COW:

Feed costs	Lbs/day	Days	AUM
Pasture			6.0
Harvested forage			6.1

Excel spreadsheet [KSU-Beef(2007).xls] that can be used to develop projected budgets for beef enterprises.

COW-RETURN PROJECTION --- BEEF COW-CALF ENTERPRISE (PER COW)

1. Steers: 560 lbs @ \$131.54/cwt.	\$302.02	\$324.11	\$346.21	\$330.00
2. Heifers: 540 lbs @ \$123.76/cwt.	274.00	294.05	314.10	300.00
3. Cull Cows: 1050 lbs @ \$61.12/cwt. x 16%	102.68	102.68	102.68	100.00
A. GROSS RETURNS PER COW	\$678.70	\$720.85	\$763.00	\$730.00

COSTS PER COW:

5. Summer Pasture (see Table 1)	\$122.74	\$122.74	\$122.74	\$120.00
6. Crop Residue (see Table 1)	12.00	12.00	12.00	0.00
7. Hay -- Forage (see Table 1)	100.98	100.98	100.98	110.00
8. Grain (see Table 1)	0.00	0.00	0.00	0.00
9. Protein and Mineral (see Table 1)	27.10	27.10	27.10	25.00
10. Labor	54.00	54.00	54.00	60.00
11. Veterinary, Drugs, and Supplies	15.00	15.00	15.00	15.00
12. Marketing costs	10.00	10.00	10.00	10.00
13. Utilities, Fuel, and Oil	30.40	30.40	30.40	25.00
14. Facility and Equipment Repairs	35.00	35.00	35.00	30.00
15. Breeding Charge				
a. Capital Replacement (16% of heifer calves)	106.93	106.93	106.93	125.00
b. Annual Bull Cost or A.I. Charge	13.00	13.00	13.00	15.00
c. Interest on Breeding Stock	79.56	79.56	79.56	80.00
d. Insurance on Breeding Stock	8.84	8.84	8.84	10.00
17. Miscellaneous	8.50	8.50	8.50	10.00
18. Depreciation on Facilities and Equipment	12.38	12.38	12.38	15.00
19. Interest on Facilities and Equipment	15.67	15.67	15.67	15.00
B. SUB TOTAL	\$659.62	\$659.62	\$659.62	\$675.00
21. Interest on 1/2 Operating Costs @ 9%	19.58	19.58	19.58	18.00
C. TOTAL COSTS PER COW	\$679.20	\$679.20	\$679.20	\$693.00
D. RETURNS OVER TOTAL COSTS (A - C)	-\$0.49	\$41.65	\$83.80	\$37.00
22. Cwt Weaned	4.51	4.84	5.17	5.00
E. AVERAGE GROSS RETURN NEEDED/CWT.				
23. To Cover Total Costs	\$127.83	\$119.11	\$111.51	\$118.60

Projected returns for 2007 are very good, but will still vary considerably between producers based on many factors.

Budgeting using a spreadsheet...



- **Advantages**
 - Math is correct
 - Easy to do "what ifs"
 - Easy to update
 - Easy to figure \$/head and \$/cwt
 - Information is regarded as true
- **Disadvantages**
 - Computers are dumb
 - Requires know how
 - Easy to "bury ourselves"
 - Easier to forget to "think"
 - Information is regarded as true

Whether you use a computer or paper, what is especially important is knowing what your costs are relative to others.

Conclusions/summary ...

- On average, beef cow-calf operations seldom cover "full economics" costs ...
 - Economists may incorrectly value resources
 - Cow-calf enterprise may not be critical to overall business
 - Some producers are better than average and do cover costs
- Cow-calf returns are cyclical due to prices as costs are "relatively fixed" over time
- Feed costs and interest costs are main costs that vary over time (in recent times also fuel)
- Labor costs have been increasing in nominal terms

Conclusions/summary ...

- Some producers are consistently more profitable
 - Differences are primarily cost driven (will prices become more important in future?)
 - Profitable farms generally have lower costs in all categories
 - Profitable farms tend to be larger than less profitable farms
- Feed costs are single largest expense and thus need to be managed, however, non-feed costs are also critical
- Smaller operations can compete in terms of cost
- No “silver bullet” with regards to cost control
 - Requires “good management” – know where you stand!

53

Questions?