The Beef/Cattle Industry

- Beef competes with other proteins
  - Will always be one of the most expensive
- Unique because of the phases within the industry
  - Cow-calf
    - Asset Intensive
    - Labor Intensive
  - Stocker
    - Margin Business
  - Feedlots
    - Margin Business
  - Packer
    - Margin Business
  - Retail
- The Beef Industry players compete within their phases.
“It’s all a big wheel and one broken spoke breaks the wagon down.”

Minnie Lou Bradley
Bradley 3 Ranch
Memphis, Texas
The best tool we have to establish baselines and then analyze cow-calf operations is the IRM Beef Cow-calf Standardized Performance Analysis (SPA)

IRM–SPA Program

- National Program endorsed by the NCBA in 1991
- Objectives
  - Identify areas of an operation needing change in order to fulfill owner’s objectives.
  - Determine annual COP and ROA for an operation.
  - Develop Regional Databases to establish production and financial benchmarks.
Beef Cattle SPA Program

- Facilitates the comparison of an operation’s performance between years, groups of producers, production regions and production systems.
- Texas and the Texas Rolling Plains has led this endeavor.
- Completed on an individual basis.
- Annual workshops are held to assist ranchers with the analysis.

How the SPA Production Side Works - Spring Calving Herd

Cow-calf Production Year 16-18 months long
SPA Production Results

- Rainfall Data
- Acres/Female
- Breeding Season Length
- Pounds Feed Fed
- Average Prices Rec'd
  - All Calves
  - Steers
  - Heifers
  - Culls
- Pounds per Acre
- Pregnancy Percentage
- Pregnancy Loss
- Calving Percentage
- Calving Death Loss
- Weaning Percentage
- Calving Distribution
- Age at Weaning
- Pounds produced per Female
- Weaning Weights

How the SPA Financial Side Works - Spring Calving Herd

Turn Bulls Out ->
- Female Inventory
  - Cull not intended to breed
  - Exposed intended to breed
  - Exposed intended to breed

Pregnancy Test ->
- Opens Out
- Shows Out
- Opens In
- Brains In

Twelve Month Income Statement

Calves Weaned

- May 2010
- Jun
- Jul
- Aug
- Sep
- Oct
- Nov
- Dec
- Jan 2011
- Feb
- Mar
- Apr
- May
- Jun
- Jul
- Aug
- Sep
- Oct
- Nov
- Dec
- Jan 2012

<- Beginning Balance Sheet

<- Ending Balance Sheet
SPA Financial Results

- Investment per Female
  - Cost Basis
  - Market Basis
- Debt per Female
- Feed Costs per Female & Cwt.
- Grazing Costs per Female & Cwt.
- Finance Costs per Female & Cwt.
- Total Costs per Female & Cwt.
- Breakeven Price per pound of weaned calf
- Rate of Return on Assets
  - Cost Basis
  - Market Basis
- Percentage Breakdown of each cost item.

Beef Cattle SPA Program Results

- Two Primary Comparisons
  - Comparison with a regional database average
    - What is the ranch’s strengths and weakness compared to the regional average.
  - Track the same operation over time.
    - Where is the ranch going?
    - Is it getting there?
The average herd size is 42 Cows.

Focusing on Texas Cow-calf Industry

Where are the Cows in Texas

Texas Beef Cow Inventory, by County, January 1, 2009

- 0 to 10,000
- 10,001 to 20,000
- 20,001 to 30,000
- 30,001 to 40,000
- Greater than 40,000
Texas SPA database contains results from 441 herds totaling 318,389 females.

**Annual Calf Prices**

*Texas SPA Database – 1991 to 2011*

**Costs per Female**

*Texas SPA Database – 1991 to 2011*
Breakeven Price per Cwt. Weaned
Texas SPA Database – 1991 to 2011

What is Cow–calf Owners goals?

1. Pay property taxes (I just like cows)
2. Breakeven (I just like cows, but I don’t necessarily need the money)
3. Be Profitable (If I don't make money, I have to find something else to do)
4. Genetic progression (I plan to have the “best performing” cattle)
Texas SPA Results

- 2007 to 2011
- 45 herds
- 47 to 2,972
- 17,291 females
- Herds by Size:
  - 1 – 49: 2
  - 50 – 99: 5
  - 100 – 199: 12
  - 200 – 299: 10
  - 300 – 499: 9
  - 500 – 999: 4
  - => 1,000: 3

Net Income per Female by Size

Size of Herd

- 0
- 100
- 200
- 300
- 400
- 500
- 600
- 700
- 800
- 900
- 1,000
- 1,100
- 1,200

Net Income

- 0
- 100
- 200
- 300
- 400
- 500

Correlation: -57.71
Financial Net Income Per Female
Database Average = −$57.71

Dollars per Female

<table>
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<tr>
<th></th>
<th>1st Q</th>
<th>2nd Q</th>
<th>3rd Q</th>
<th>4th Q</th>
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<td>-250</td>
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<td>-150</td>
<td>-100</td>
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Acres per Female

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<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tr>
<td>Acres</td>
<td>37.0</td>
<td>10.6</td>
<td>9.6</td>
<td>15.4</td>
<td>18.7</td>
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<tr>
<td>Mean</td>
<td></td>
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</table>
Production Performances
Database Average = 83.5%

Weaning Weights
Database Average = 526.0 lbs.
Pounds Weaned per Exposed Female
Database Average = 441.9 lbs.

Average Price Received (or Assigned)
Cost of Production
Database Average = $127.53

Price Rec’d versus Breakeven

<table>
<thead>
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<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tr>
<td>Rec'd</td>
<td>131.11</td>
<td>107.17</td>
<td>104.84</td>
<td>102.14</td>
<td>111.74</td>
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<tr>
<td>Breakeven</td>
<td>91.87</td>
<td>105.95</td>
<td>139.40</td>
<td>177.66</td>
<td>127.53</td>
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</tbody>
</table>
Total Cost of Production
Database Average = $600.21

Total Investment Value at Market
Database Average = $6,546
Rate of Return on Assets at Market
Database Average = 0.63%

Texas SPA
Expense Breakdown per Female
Average Total Cost per Female = $600.21

Average of 45 herds, 2007–2011
Reproduction Goals for Texas

- **Pregnancy Rate:** Greater than 91.0%
  - This includes all females
    - Including
      - 1st calf heifers
      - 2nd calf heifers
- **Calving Rate:** Greater than 88.0%
- **Weaning Percentage:** Greater than 84.0%

Your management determines these.

- Any less than these, you need to figure out why. Where is the loss occurring?

- Any more than these may cost too much.

Production Goals for Texas

- **Average Weaning Weights of all calves:** 530 pounds.

While your management determines this to a degree (ie. Genetics, etc.), mother nature can always trump you (ie. Rainfall after calving).

Combine this with an 84% weaning percentage, then pounds per female will be 445 pounds.
Production Efficiencies

- Are you stocked right for you land resources?
  - Affects reproduction, weaning weights, feed costs, etc.
    - Remember, if she doesn’t get bred, everything else that follows is an expense with no income to offset it.
- Are my females “sized” right?
- Are your females weaning an appropriate weighted calf annually for your resources?

Financial Goals for the Texas

- Total Costs should be $500 to $575.
- Top three expenses (Depreciation, Labor & Management, and Feed Purchased) should account for at least 45% of your total expense ($225 to $260 per female).
- That gives you $275 to $315 for everything else.
- Ask yourself: Is this _______ that I am considering purchasing going to improve my reproduction and/or production efficiency?
  - Feed
  - Labor (save one more calf)
  - New pickup
Other Comments

- This drought will end sometime, then calf prices should be very good.
- Expansion will come, but it will be very slow, probably won’t begin until 2015.
- In the meantime, this industry (above the cow–calf sector) has some downsizing to do.

Questions and/or Comments

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