

**NORTHWEST KANSAS FARM MANAGEMENT ASSOCIATION**  
**PROFIT CENTER ANALYSIS: 5-YEAR AVERAGE & 2002**  
**BEEF COWS, SELL WEANED CALVES**

	1997-2001 Average	2002
Number of Farms	25	10
Number of Cows in Herd	152	169
Number of Calves Sold	126	149
Average Weight Calves Sold	530	538
Calf Selling Price / Cwt	\$86.73	\$89.32
Gross Income / Cow	\$403.20	\$441.47
Feed Cost / Cow	\$202.73	\$255.70
Nonfeed Cost / Cow	\$211.68	\$250.09
Pounds Beef Produced / Cow	541	522

	Head	Total Dollars	\$/ Cwt	\$/ Cow	Head	Total Dollars	\$/ Cwt	\$/ Cow
<b>INCOME:</b>								
Calves Sold	126	58,126.11			149	71,547.42		
Cows Sold	21	9,635.54			32	13,694.50		
Ending Inventory	192	107,573.10			238	129,581.22		
Gross Sales	339	\$175,334.75			419	\$214,823.14		
Cows Purchased	27	18,332.23			18	12,707.86		
Beginning Inventory	175	97,207.88			243	134,056.27		
Gross Purchases	202	\$115,540.11			261	\$146,764.13		
Net Sale Gain	137	\$59,794.64	\$72.69	\$393.39	158	\$68,059.01	\$77.20	\$402.72
Patronage Refunds		202.08				270.17		
Miscellaneous Income		1,168.32				6,278.93		
Livestock Futures		120.84				-		
OTHER INCOME		\$1,491.24	\$1.81	\$9.81		\$6,549.10	\$7.43	\$38.75
<b>GROSS INCOME</b>		<b>\$61,285.88</b>	<b>\$74.51</b>	<b>\$403.20</b>		<b>\$74,608.11</b>	<b>\$84.63</b>	<b>\$441.47</b>
<b>EXPENSES:</b>								
Labor Hired		\$1,429.73	\$1.74	\$9.41		\$1,492.53	\$1.69	\$8.83
General Machinery Repairs		3,400.58	4.13	22.37		3,042.14	3.45	18.00
Interest Paid		3,975.97	4.83	26.16		4,614.64	5.23	27.31
Feed Purchased		30,815.41	37.46	202.73		43,213.43	49.02	255.70
Machine Hire - Lease		337.36	0.41	2.22		733.90	0.83	4.34
Farm Org Fees / Travel / Publ		508.28	0.62	3.34		720.97	0.82	4.27
Vet Medicine / Drugs		2,357.34	2.87	15.51		2,682.19	3.04	15.87
Livestock Marketing / Breeding		1,675.19	2.04	11.02		1,973.13	2.24	11.68
Gas / Fuel / Oil		1,305.70	1.59	8.59		1,465.47	1.66	8.67
Personal Property Tax		111.43	0.14	0.73		382.46	0.43	2.26
General Farm Insurance		816.14	0.99	5.37		1,167.25	1.32	6.91
Utilities		929.01	1.13	6.11		1,104.54	1.25	6.54
Auto Expense		362.18	0.44	2.38		431.27	0.49	2.55
Livestock Futures		-	-	-		-	-	-
<b>TOTAL VARIABLE COSTS</b>		<b>\$48,024.31</b>	<b>\$58.38</b>	<b>\$315.95</b>		<b>\$63,023.92</b>	<b>\$71.49</b>	<b>\$372.92</b>
<b>RETURN ABOVE VARIABLE COSTS</b>		<b>\$13,261.57</b>	<b>\$16.12</b>	<b>\$87.25</b>		<b>\$11,584.19</b>	<b>\$13.14</b>	<b>\$68.55</b>
Depreciation		1,729.15	2.10	11.38		4,642.90	5.27	27.47
Real Estate Tax		556.90	0.68	3.66		1,730.49	1.96	10.24
Unpaid Operator Labor		4,938.85	6.00	32.49		4,947.75	5.61	29.28
Interest Charge *		7,741.54	9.41	50.93		11,133.18	12.63	65.88
<b>TOTAL FIXED COSTS</b>		<b>\$14,966.45</b>	<b>\$18.19</b>	<b>\$98.46</b>		<b>\$22,454.32</b>	<b>\$25.47</b>	<b>\$132.87</b>
<b>TOTAL EXPENSE</b>		<b>\$62,990.76</b>	<b>\$76.58</b>	<b>\$414.41</b>		<b>\$85,478.24</b>	<b>\$96.96</b>	<b>\$505.79</b>
<b>NET RETURN TO MANAGEMENT</b>		<b>(\$1,704.88)</b>	<b>(\$2.07)</b>	<b>(\$11.22)</b>		<b>(\$10,870.13)</b>	<b>(\$12.33)</b>	<b>(\$64.32)</b>
<b>NET RETURN TO LABOR-MGT</b>		<b>\$4,663.71</b>	<b>\$5.67</b>	<b>\$30.68</b>		<b>(\$4,429.85)</b>	<b>(\$5.02)</b>	<b>(\$26.21)</b>
<b>Factors:</b>								
<b>Feed Costs</b>			<b>\$37.46</b>	<b>\$202.73</b>			<b>\$49.02</b>	<b>\$255.70</b>
<b>Nonfeed Costs</b>			<b>\$39.12</b>	<b>\$211.68</b>			<b>\$47.94</b>	<b>\$250.09</b>

\*Interest charge equals: ((8.0% times gross purchases) plus (8.0% times one-half the variable costs) plus (4.0% times depreciation times 8))

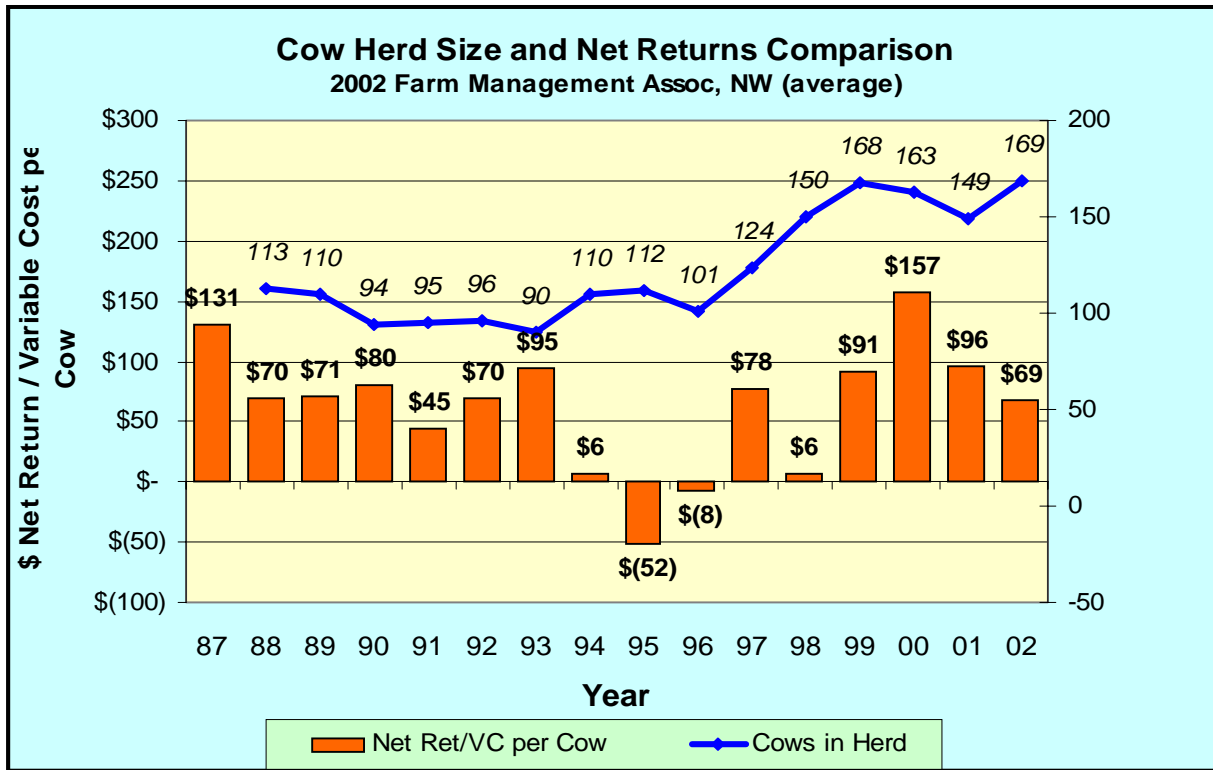


Figure 38

Net return to management is the standard measure of economic performance of the crop enterprises previously reviewed in this publication. Using the same approach to cow calf operators, the five-year average net return per cow has been -\$11.22. This can be found in the table on the facing page. Net returns in 2002 were pretty tough on the cow calf operator, which averaged -\$64.32 per cow.

Accrual gross income per cow actually increased in 2002 to \$441.47 from the five-year average of \$403.20. This was offset by the increase in variable and fixed costs in 2002. Variable cost increased to \$372.92 per cow in 2002, which is \$56.97 more than the \$315.95 reported in the five-year average. Most of the increase in variable cost can be identified in the increase in feed cost experienced by the cow-calf enterprises during 2002. Accrual feed disappearance (raised, purchased, and pasture) increased from \$202.73 over the five-year average to \$255.70 in 2002. This increase represents an increase of \$52.97 per cow or 93% of the increased variable cost recognized. Feed cost did increase due to failure of on-farm production, increased market prices for purchased roughages (note cane hay and alfalfa crop enterprise discussions), and the need to find additional pasture to support the cow-calf enterprise in a drought.

Closer examination of the cow-calf-wean enterprise shows that the interest charge (just above the fixed cost in the column marked \$/Cow) is about the same as the negative net return to management. To simplify the discussion, the cow-calf-weaned enterprise covered direct cost, depreciation, operator labor, and raised feed resources, but didn't pay a return on the investment in the cows. That is better than the stock market over the past three years.

The following page has a table outlining the performance of cow-calf operations that retain the calves until after the first of the year. These operations have higher cost per cow, and rarely if ever earn a positive net return to management. Part of the challenge could be the interest charge that is levied on this cow-calf enterprise.

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**BEEF COWS, SELL RETAINED CALVES**

	1997-2001 Average	2002
Number of Farms	32	25
Number of Cows in Herd	135	138
Number of Calves Sold	103	131
Average Weight Calves Sold	604	586
Calf Selling Price / Cwt	\$82.85	\$85.45
Gross Income / Cow	\$450.82	\$460.03
Feed Cost / Cow	\$256.65	\$278.83
Nonfeed Cost / Cow	\$264.87	\$278.99
Pounds Beef Produced / Cow	590	614

	Head	Total Dollars	\$/ Cwt	\$/ Cow	Head	Total Dollars	\$/ Cwt	\$/ Cow
<b>INCOME:</b>								
Calves Sold	103	51,703.13			131	65,610.17		
Cows Sold	23	12,566.81			35	18,054.67		
Ending Inventory	229	127,330.01			203	123,500.36		
Gross Sales	355	\$191,599.95			369	\$207,165.20		
Cows Purchased	15	10,174.60			11	8,064.50		
Beginning Inventory	224	122,112.21			230	139,810.68		
Gross Purchases	238	\$132,286.81			241	\$147,875.18		
Net Sale Gain	117	\$59,313.14	\$74.70	\$440.66	128	\$59,290.02	\$69.96	\$429.64
Patronage Refunds		266.98				175.90		
Miscellaneous Income		1,099.76				4,017.89		
Livestock Futures		-				-		
OTHER INCOME		\$1,366.74	\$1.72	\$10.15		\$4,193.79	\$4.95	\$30.39
<b>GROSS INCOME</b>		<b>\$60,679.88</b>	<b>\$76.42</b>	<b>\$450.82</b>		<b>\$63,483.81</b>	<b>\$74.91</b>	<b>\$460.03</b>
<b>EXPENSES:</b>								
Labor Hired		\$1,132.25	\$1.43	\$8.41		\$735.40	\$0.87	\$5.33
General Machinery Repairs		3,227.78	4.06	23.98		3,811.31	4.50	27.62
Interest Paid		4,170.48	5.25	30.98		3,503.60	4.13	25.39
Feed Purchased		34,545.38	43.50	256.65		38,477.99	45.40	278.83
Machine Hire - Lease		505.03	0.64	3.75		301.57	0.36	2.19
Farm Org Fees / Travel / Publ		525.86	0.66	3.91		560.44	0.66	4.06
Vet Medicine / Drugs		2,651.49	3.34	19.70		2,331.87	2.75	16.90
Livestock Marketing / Breeding		3,105.69	3.91	23.07		3,195.51	3.77	23.16
Gas / Fuel / Oil		1,410.49	1.78	10.48		1,604.85	1.89	11.63
Personal Property Tax		112.81	0.14	0.84		159.21	0.19	1.15
General Farm Insurance		713.25	0.90	5.30		872.83	1.03	6.32
Utilities		1,138.34	1.43	8.46		989.91	1.17	7.17
Auto Expense		450.11	0.57	3.34		496.95	0.59	3.60
Livestock Futures		4.38	0.01	0.03		-	-	-
<b>TOTAL VARIABLE COSTS</b>		<b>\$53,693.33</b>	<b>\$67.62</b>	<b>\$398.91</b>		<b>\$57,041.44</b>	<b>\$67.31</b>	<b>\$413.34</b>
<b>RETURN ABOVE VARIABLE COSTS</b>		<b>\$6,986.55</b>	<b>\$8.80</b>	<b>\$51.91</b>		<b>\$6,442.37</b>	<b>\$7.60</b>	<b>\$46.68</b>
Depreciation		1,873.51	2.36	13.92		2,077.63	2.45	15.06
Real Estate Tax		442.67	0.56	3.29		441.16	0.52	3.20
Unpaid Operator Labor		5,027.27	6.33	37.35		6,144.80	7.25	44.53
Interest Charge *		9,159.72	11.54	68.05		11,272.91	13.30	81.69
<b>TOTAL FIXED COSTS</b>		<b>\$16,503.17</b>	<b>\$20.78</b>	<b>\$122.61</b>		<b>\$19,936.50</b>	<b>\$23.52</b>	<b>\$144.47</b>
<b>TOTAL EXPENSE</b>		<b>\$70,196.50</b>	<b>\$88.40</b>	<b>\$521.52</b>		<b>\$76,977.94</b>	<b>\$90.83</b>	<b>\$557.81</b>
<b>NET RETURN TO MANAGEMENT</b>		(\$9,516.62)	(\$11.98)	(\$70.70)		(\$13,494.13)	(\$15.92)	(\$97.78)
<b>NET RETURN TO LABOR-MGT</b>		(\$3,357.10)	(\$4.23)	(\$24.94)		(\$6,613.93)	(\$7.80)	(\$47.93)
<b>Factors:</b>								
<b>Feed Costs</b>			\$43.50	\$256.65			\$45.40	\$278.83
<b>Nonfeed Costs</b>			\$44.90	\$264.87			\$45.43	\$278.99

\*Interest charge equals: ((8.0% times gross purchases) plus (8.0% times one-half the variable costs) plus (4.0% times depreciation times 8))