

# Differences Between High-, Medium-, and Low-Profit Cow-Calf Producers: An Analysis of 2014–2018 Kansas Farm Management Association Cow-Calf Enterprises

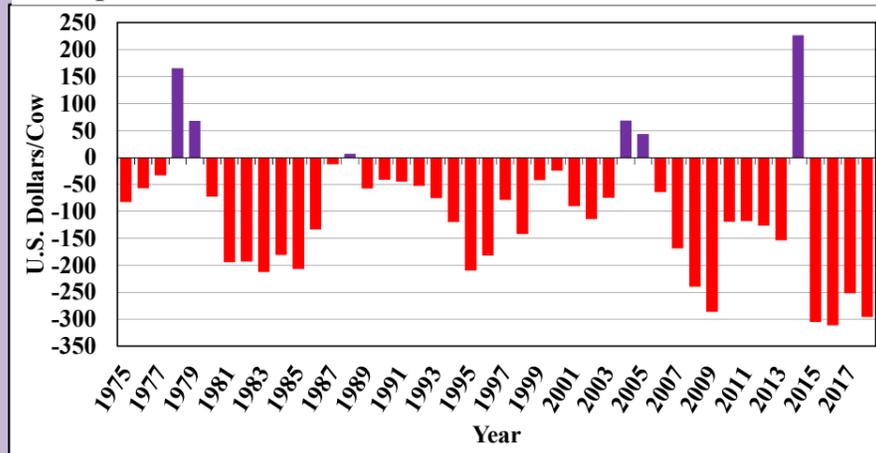
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## Overview

As shown in Figure 1, only 6 of the 46 years from 1975-2018 brought a positive average net return across all producers. Over this timeframe, the average net return for Kansas Farm Management Association (KFMA) cow-calf producers was a loss of \$104.57 per cow.

Some variability of returns is inherent to the industry due to macroeconomic factors beyond the producers' control. However, in a competitive industry that is consolidating, relative profitability will dictate which farms remain in business in the long run. By understanding the factors that both improve profitability and can be persistently managed over time, producers can better allocate resources to improve returns.

**Figure 1. Returns over Total Cost for KFMA Cow-Calf Enterprise, 1975-2018**



## Objective

Identify common production and management traits amongst Kansas cow-calf enterprises exhibiting high profitability

## Data

Data are from the KFMA Enterprise Analysis of cow-calf enterprises. Producers that had a minimum of three years of cow-calf enterprise data over the 2014-2018 five-year time period were included in the analysis.

Analysis included 71 operations with multi-year average returns (11 had five years of data, 28 had four years of data, 32 had three years of data).

## Methods

The 71 enterprises were sorted from high to low based on the average net return to management over total costs and then classified as high-, mid-, and low-profit farms.

Multi-year averages were calculated for all variables for each of the 71 operations.



## Results

Table 1 reports average returns and costs for all 71 operations and for each of the three profit categories. The differences between the high- and low-third profit groups both in absolute terms and percentages are given.

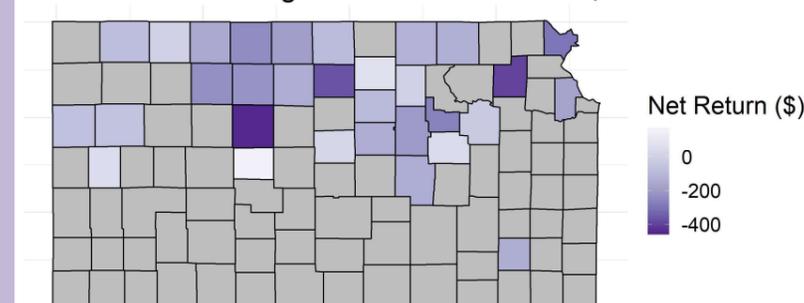
Combining gross income and cost advantages for the high-profit farms results in an advantage of \$412.25 per cow in net return to management compared to the low-profit group.

- \$259.32 / cow (63%) could be attributed to differences in total cost
- \$152.32 / cow (37%) could be attributed to differences in gross income

High-profit farms had a cost advantage in every cost category compared to low-profit operations, and every category compared to mid-profit operations except for pasture.

High-profit farms on average had larger herds and slightly heavier calves.

**Net Return to Management over Total Cost, 2014-2018**



**Table 1. Beef Cow-Calf Enterprise Returns over Total Costs, 2014-2018**

	All	Profit Category			Difference between	
		High 1/3	Mid 1/3	Low 1/3	High 1/3 and Low 1/3	
		Farms	Head / \$	Head / \$	Head / \$	Absolute
Number of Farms	71	24	23	24		
Labor allocated to livestock, %	31.8	32.3	36	27.2	5	19%
Number of Cows in Herd	139	176	129	113	62	55%
Number of Calves Sold	128	166	116	103	63	61%
Calves Sold per Cow in Herd	0.920	0.944	0.897	0.908	0.04	4%
Weight of Calves Sold, lbs.	620	628	618	615	13	2%
Calf Sales Price / Cwt	\$172.09	\$173.20	\$173.73	\$169.41	\$3.80	2%
<b>Gross Income</b>	<b>\$897.83</b>	<b>\$962.61</b>	<b>\$921.58</b>	<b>\$810.29</b>	<b>\$152.32</b>	<b>19%</b>
Feed	\$314.17	\$244.78	\$351.51	\$347.77	-\$102.99	-30%
Pasture	\$173.57	\$173.88	\$149.68	\$196.15	-\$22.28	-11%
Interest	\$157.23	\$144.01	\$155.37	\$172.25	-\$28.24	-16%
Vet Medicine / Drugs	\$35.01	\$30.05	\$32.31	\$42.57	-\$12.52	-29%
Livestock Marketing / Breeding	\$21.37	\$14.93	\$24.98	\$24.34	-\$9.41	-39%
Depreciation	\$51.99	\$38.17	\$48.47	\$69.19	-\$31.02	-45%
Machinery	\$77.58	\$63.87	\$79.95	\$89.02	-\$25.15	-28%
Labor	\$166.11	\$150.75	\$180.89	\$167.29	-\$16.54	-10%
Other	\$49.51	\$41.64	\$53.60	\$53.44	-\$11.80	-22%
<b>Total Cost</b>	<b>\$1,046.53</b>	<b>\$902.08</b>	<b>\$1,076.77</b>	<b>\$1,162.01</b>	<b>-\$259.93</b>	<b>-22%</b>
<b>Net Return to Management</b>	<b>-\$148.71</b>	<b>\$60.53</b>	<b>-\$155.20</b>	<b>-\$351.72</b>	<b>\$412.25</b>	

## Conclusion

The economic returns to beef cow-calf producers vary considerably over time due to a number of factors, including the cattle cycle. Over the last 46 years, there has been a difference of approximately \$231 in returns per cow between the good (top 1/3) and bad (bottom 1/3) years. However, the variability across producers at a point in time is much larger than the variability over time.

While both production (weight) and price do impact profit, they are much less important in explaining differences between producers than costs. Differences in feed cost accounted for the largest difference in cost between high- and low-profit groups.

The Full factsheet, "Differences Between High-, Medium-, and Low-Profit Cow-Calf Producers: An Analysis of 2014-2018 Kansas Farm Management Association Cow-Calf Enterprises" is available on [AgManager.info](http://AgManager.info)

