U.S. DEPARTMENT OF AGRICULTURE • ECONOMIC RESEARCH SERVICE • January 1971 • FCR-78
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COSTS and RETURNS

Southwest Cattle Ranches

1969

FARM COSTS AND RETURNS STUDIES

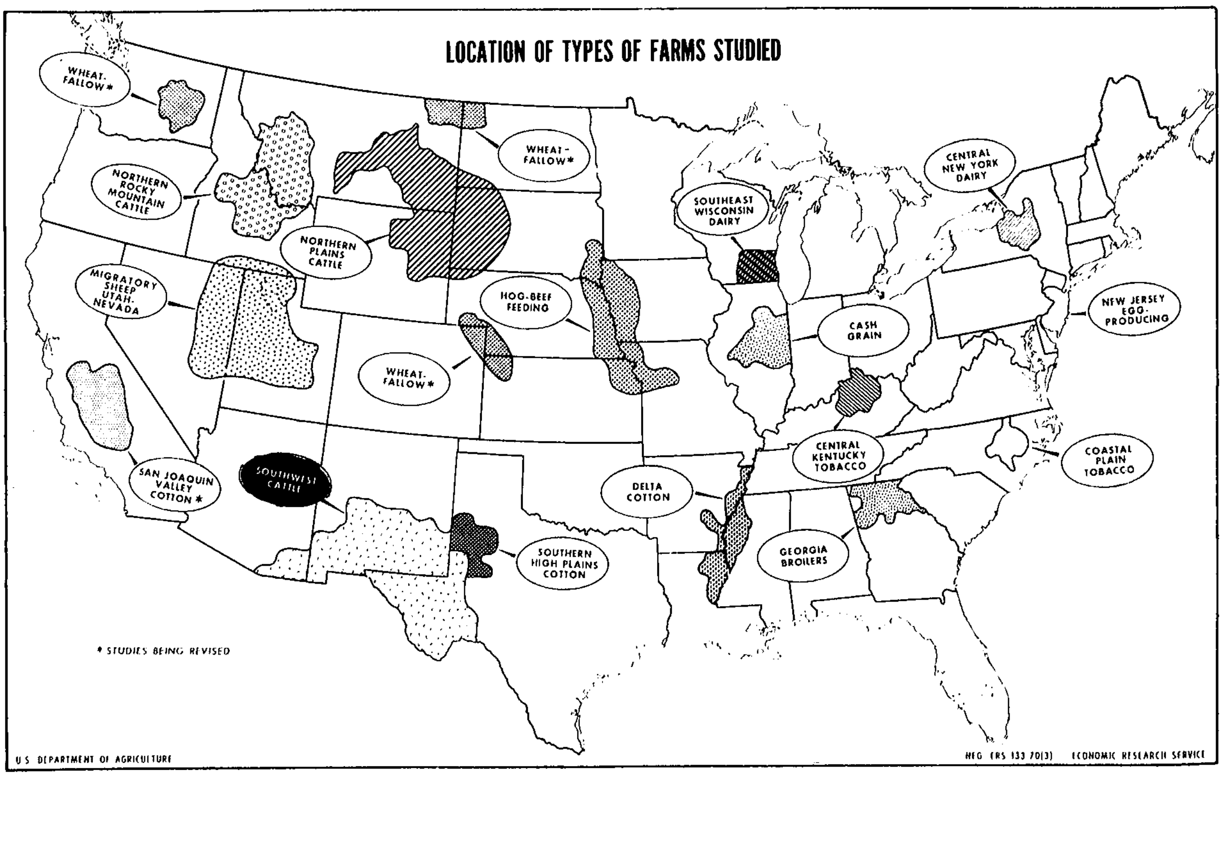
This report is part of a continuing nationwide study of costs and returns on commercial farms and ranches in selected farming regions. The study is conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas studied.

The 1969 costs and returns studies cover the following commercial farms and ranches by type and size:

Dairy Farms, Southeastern Wisconsin and Central New York
Cash Grain Farms, Corn Belt
Hog-Beef Feeding Farms, Corn Belt
Egg-Producing Farms, New Jersey
Broiler Farms, Georgia
Cotton Farms, Mississippi Delta
Cotton Farms, Southern High Plains, Texas
Tobacco Farms, Coastal Plain, North Carolina
Tobacco-Livestock Farms, Bluegrass Area, Kentucky
Northwest Cattle Ranches
Migratory Sheep Ranches, Utah-Nevada
Southwest Cattle Ranches

Substantial revisions have been made in some series to portray farming operations representative of major producers of specified products. Some series were discontinued because they no longer represent a major sector of commodity production or because the farm enterprise could be better represented by another series.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250.



COSTS AND RETURNS
SOUTHWEST CATTLE RANCHES, 1969

by James R. Gray, Wylie D. Goodsell, and Macie J. Belfield[1]

Abstract: Returns in 1969 were above average because of favorable prices received for cattle. Production rates and range conditions decreased from 1968 to 1969. Investments per ranch reached a record high in 1969. The major expenses in 1969 were feed and grazing fees, labor, and livestock purchases. Feed costs and grazing fees increased 14 percent from 1968. Net returns in 1969 were less than anticipated because of lower production rates and higher costs.

Key Words: Cattle ranches, Southwest, production, costs, returns, investment, cattle prices.

INTRODUCTION

Commercial cow-calf ranches are the predominant kind of enterprise in a 30-county southwestern area in portions of west Texas, southern New Mexico, and southeast Arizona (figure 1). Operators of these ranches produce feeder calves for further conditioning and finishing in feedlots mainly in central Arizona, the Panhandle area of Texas, neighboring portions of New Mexico, and the Midwest.

The extensive type of ranching in the Southwest involves year-long grazing of the sparse grasses and browse species of the area, and requires about 60 acres per animal unit (cow and suckling calf). Large areas of federally owned grazing land are common in western New Mexico and Arizona, whereas much of the land in Texas and eastern Mexico is privately or state owned.

The major source of income from Southwest ranches is the sale of Hereford and Angus calves. About 240 high-quality calves are produced each year from the typical herd of 300 brood cows. Calving percentages are mainly in the low 80's. Death losses vary from 2 to 4 percent, depending on the severity of early spring weather conditions and the frequency and severity of drought.

The typical ranch reported here is based on a survey of ranches with 200 to 500 head of brood cows and averaging about 300 head. Around 39 percent of all ranches in the area with more than 100 head of cows and heifers are of this size. Operators with less than 100 cows and heifers are either employed part-time off the ranch, or they have another major farming enterprise in combination with their livestock enterprise. Units with more than 500 head often have hired managers and a combination of enterprises such as crop farming, registered cattle, and cattle feeding.

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[1]Professor, New Mexico State Univ.; Agricultural Economist, and Statistical Assistant, Farm Prod. Econ. Div., Econ. Res. Serv., U.S. Dept. Agr., respectively.

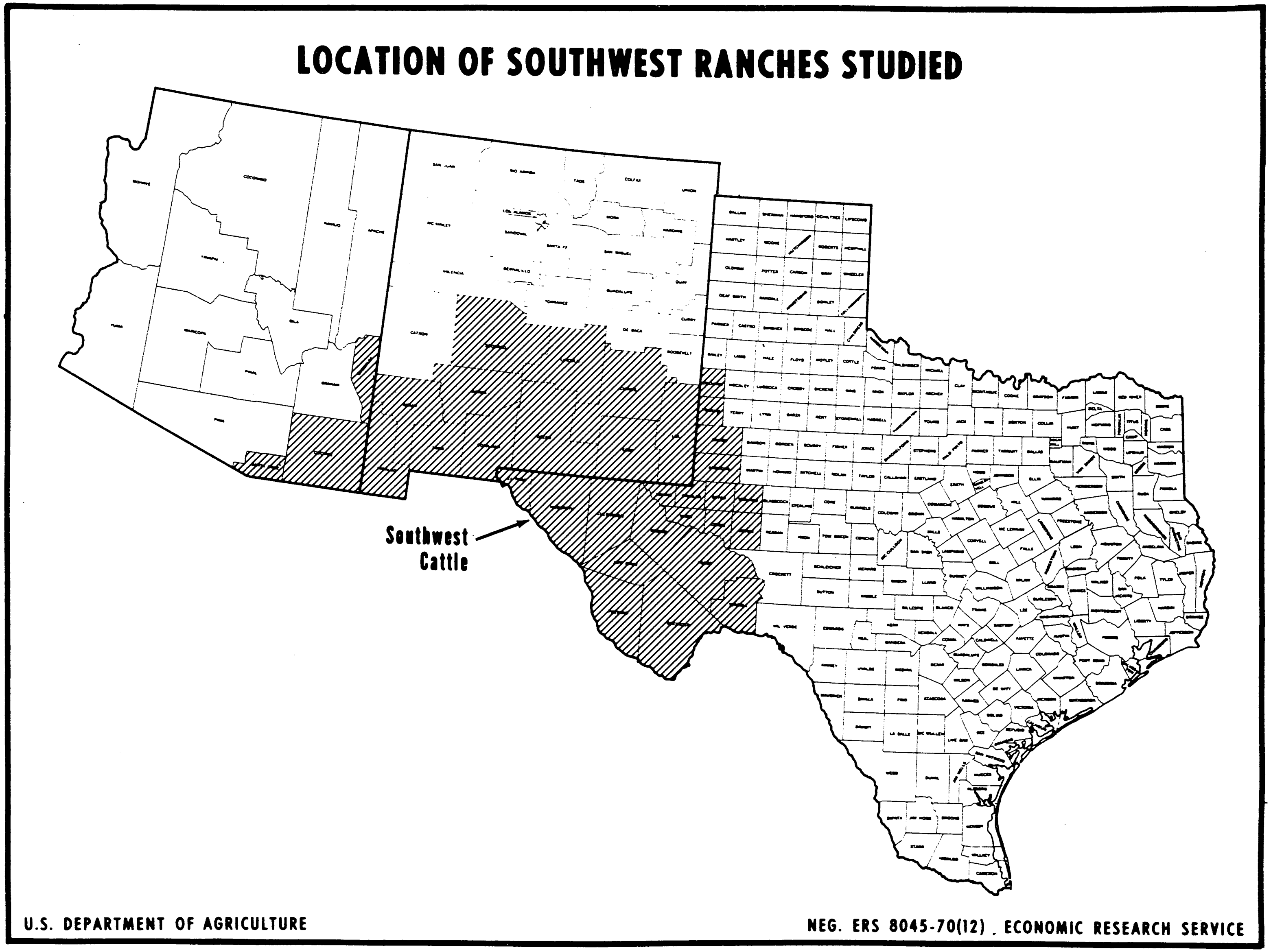
LOCATION OF SOUTHWEST RANCHES STUDIED
Southwest Cattle
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Figure 1

COSTS AND RETURNS ON

SOUTHWEST CATTLE RANCHES

Net returns in 1969 averaged $10,468 per ranch, highest since 1965 (table 1). This was only slightly above the return realized in 1966, but 17 percent more than in 1968 and 28 percent more than in 1965-67.

Mainly responsible for favorable returns in 1969 were higher prices received for cattle. The 1969 price of $32.86 per hundredweight for steer calves was 14 percent above the 1968 level, and 38 percent above the 1965-67 average. Likewise, prices received for mature cows and bulls were substantially higher than in 1968 or 1965-67. Slaughter cows brought $19.40 per hundredweight in 1969, or about the same as received in 1965 for steer calves.

For years a limited yearling enterprise has been common on cow-calf ranches in the Southwest mainly to deal with off-season calves resulting from year-long breeding programs, but more and more emphasis is being placed on yearlings. Calves are still the major source of income. But in periods of below average precipitation, receipts from a combination of yearlings and mature animals approach those for calves.

In 1969, precipitation was below average in the area. Due to short supplies of range forages and favorable slaughter prices, some liquidation of mature animals occurred. Calf sales constituted only 48 percent of the total sales while older animals constituted about 52 percent, around twice the usual portion.

Calving percentages have been decreasing slightly and consistently since a peak of 85 percent was reached in 1966. The 81 percent in 1969 was the lowest since 1964. Death losses of 3 percent in 1969 were the same as in 1965-67 and for the last several years.

Gross ranch income reached a record high in 1969 of about $37,800. It was 11 percent more than in 1968, and 19 percent more than in 1965-67.

Total ranch capital of about $520,000 per ranch also reached a record high in 1969. This was a 25-percent increase over 1965-67, and an 8-percent increase from 1968. The investment in land and buildings, including range structures, was 84 percent of the total. The livestock investment made up 14 percent of the total investment, and machinery investment, only 2 percent.

The major operating expense on these ranches is feed including grazing fees. In 1969, this made up 28 percent of the total. Feed costs were 60 percent while grazing fees, including lease costs for privately owned lands, were 40 percent. Feed and grazing costs increased 14 percent in 1969 from an unusually low level in 1968. The 1969 feed cost consisted of the purchase of 57 tons of hay at about $33 per ton, 20 tons of protein concentrates at $98 per ton, and small expenses for grains, salt, and minerals.

Grazing fees consisted of 450 animal units months of federal grazing at 33 cents per AUM (animal-unit-month), about 3,300 acres of State land for which lease fees averaged 27 cents per acre, and 4,110 acres of private land for which ranchers paid 55 cents per acre to graze.

Southwest ranchers buy replacement livestock each year, mainly bulls. When large numbers of cows are sold, ranchers normally buy a few head of promising replacement heifer calves or young cows. In 1969, a large sell-off of cows occurred because of high prices and poor range conditions early in the season. Ten young cows were bought for replacement at an average price of $188 per head. Five bulls were bought at an average price of $452 per head.

Other livestock expenses consist of medicines, vaccines, and veterinary fees. Although total use of medicines and services remains about the same each year, the total expense

Table 1.--Costs and returns, Southwest cattle ranches

Item	Unit	Average 1965-67	1968	1969[1]
Total land operated[2]	Acre	17,720	17,720	17,720
Land owned	do.	10,160	10,320	10.320
Livestock on ranch:				
All Cattle	Number	391	392	393
Cows and heifers, 2 years old and over	do.	297	304	309
Calf crop	Percent	84	82	81
Total ranch capital, Jan. 1[3]	Dollar	414,590	481,280	519,620
Land and buildings	do.	353,350	411,890	434,450
Livestock	do.	50,670	58,020	73,320
Machinery and equipment	do.	10,570	11,370	11,850
Crops	do.	0	0	0
Total cash receipts	do.	30,043	32,290	37,896
Calves	do.	16,702	19,577	18,163
Steers and heifers	do.	5,799	5,515	4,776
Other cattle	do.	7,542	7,198	14,957
Value of perquisites	do.	1,409	1,485	1,772
Inventory change:				
Livestock	do.	376	294	-1,848
Crops	do.	0	0	0
Gross ranch income	do.	31,828	34,069	37,820
Total operating expense	do.	23,659	25,137	27,352
Feed and grazing fees	do.	7,431	6,779	7,734
Livestock purchased	do.	3,140	3,698	4,140
Other livestock expense	do.	339	393	418
Crop expense	do.	0	0	0
Machinery purchased	do.	1,542	1,651	1,709
Other machinery expense	do.	2,557	2,810	2,861
Ranch buildings and fences	do.	1,866	1,983	2,028
Labor hired	do.	3,587	4,286	4,821
Taxes	do.	1,805	2,034	2,062
Other	do.	1,392	1.503	1,579
Return to operator labor and management, and capital[4]	do.	8,169	8,932	10,468
Ranch production and price indexes (1965-67 = 100)				
Net ranch production	---	100	99	90
Range condition	---	100	99	97
Prices received for products sold	---	100	111	128
Prices paid, including wages to hired labor	---	100	108	112

[1] Preliminary. [2] Land rented is grazing land. Some of it is rented on an animal unit month basis and some on an acre basis. These charges are included in expenditures for feed and grazing fees. Thus the value of this rented land is not included in ranch capital, and real estate tax or related costs are not included in ranch expenditures. [3] Does not include estimated value of grazing permits or rented land. [4] The information presented here assumes ranches are debt-free and producers are full owners, primarily for comparability between types of farms.

has been increasing at a rate of 6 to 7 percent per year because of price increases.

Expense for hired labor is one of the three major expenses on these cattle ranches. In 1969, it consisted mainly of payments for a full-time man plus about 4 months of day labor. Wage rate increases have been mainly responsible for the 8 percent annual increase in labor costs. The monthly wage rate in 1969, with room and board, was $265 per month. The daily rate, without room and board, was $11.20 per day. Day labor wage rates increased 13 percent from 1968 to 1969.

Although the typical Southwest ranches do not have crop enterprises, substantial outlays are made each year for operation of pickup trucks, trucks, automobiles, tractors, and other equipment. The latter two items are used mainly to maintain ranch structures and make range improvements. The 1969 machinery expenses of $4,570 for repair, replacement, and operating costs were slightly higher than in 1968. Purchases of new equipment were deferred in 1969 because of uncertainty of economic prospects, high credit costs, and price rises for many machinery and related items.

Real estate and personal property taxes are of considerable magnitude. The tax bill on these ranches increased an average of 6 percent per year over the 1965-69 period, and the 1969 total tax was 14 percent more than in 1965-67. Total taxes in 1969 increased only 1 percent from 1968.

Other expenses include the ranch share (less personal expenses of the ranch family) for telephone service, electricity, business insurance, and other miscellaneous costs. Changes in this expense parallel changes in the cost of living index. A 5-percent increase occurred from 1968 to 1969.

Some of the causes for the major income changes on these cattle ranches are shown by the index numbers of production and prices. Net production in 1969 was much less than in 1968 or in 1965-67, partly because of the relatively poor range conditions in 1969. However, the greatest encouragement in 1969 was the very favorable level of livestock prices. The combination of lower production rates and the continuing increase in the level of prices paid by ranchers combined to cancel a part of the benefit of higher livestock prices.

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