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COSTS and RETURNS

Western
Livestock
Ranches

1962

This report is part of a continuing nationwide study of costs and returns on farms and ranches by type and size in some of the important farming regions of the United States, 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 covered in the study.

Publications in this series are:

Costs and Returns, Commercial Dairy Farms, Northeast and Midwest, 1962
 Costs and Returns, Commercial Corn Belt Farms, 1962
 Costs and Returns, Commercial Egg-Producing Farms, New Jersey, 1962
 Costs and Returns, Commercial Broiler Farms, Delmarva and Maine, 1962
 Costs and Returns, Commercial Cotton Farms, 1962
 Costs and Returns, Commercial Tobacco Farms, Coastal Plain, North Carolina, 1962
 Costs and Returns, Commercial Tobacco-Livestock Farms, Bluegrass Area, Kentucky, 1962
 Costs and Returns, Commercial Wheat Farms, Plains and Pacific Northwest, 1962
 Costs and Returns, Western Livestock Ranches, 1962

Summary statistics for all types of farms in the series are presented in the annual report, Farm Costs and Returns, Commercial Farms, by Type, Size, and Location, Agriculture Information Bulletin No. 230, Revised, 1963. In this annual report, information is given for 1962 and comparisons with 1961 and 1960 and the period 1957-59.

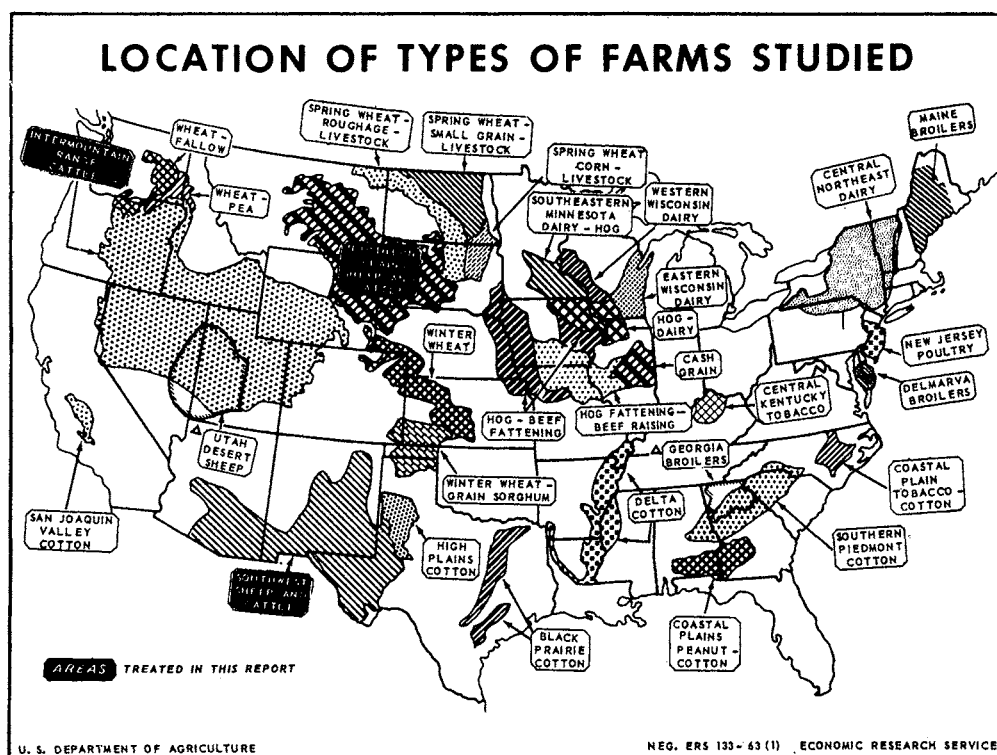


Figure 1

COSTS AND RETURNS

WESTERN LIVESTOCK RANCHES, 1962

Wylie D. Goodsell and James R. Gray¹

SUMMARY

Costs and returns data for 1962 indicate a slight to large improvement in net ranch incomes of typical western livestock ranches in three widely separated areas: (1) cattle ranches in the Southwest; (2) sheep ranches in the Southwest; (3) cattle ranches in the Intermountain region; (4) cattle ranches in the Northern Plains; and (5) sheep ranches in the Northern Plains (fig. 1).

The 1961 and 1962 net ranch incomes on these ranches were as follows:

	<u>1961</u>	<u>1962</u>	<u>Percentage change from 1961 to 1962</u>
Cattle ranches:			
Southwest.	\$8,167	\$8,237	1
Intermountain.	9,998	11,730	17
Northern Plains	6,277	7,252	16
Sheep ranches:			
Southwest.	8,652	9,267	7
Northern Plains	6,831	11,850	73

Drought was a problem in 1962 in a few scattered areas, mostly in the southwestern portion of the Intermountain region and the western portion of the Southwestern region. However, following unfavorable moisture conditions in the early spring, abundant rainfall in most areas permitted western ranchers to market animals at considerably heavier weights. Lush range conditions in most areas increased beef production significantly. Favorable livestock prices and feed production and supplies on most ranches and on the irrigated farms in the valleys encouraged ranchers to increase livestock inventories.

Prices for range calves, lambs, and wool improved in 1962 compared with 1961. Lamb prices increased spectacularly after the 1961 lows. Calf prices continued to trend upward and were near record highs.

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CATTLE RANCHES

Southwest

Livestock numbers increased slightly from 1961 to 1962 as they did during the previous year (table 1). Favorable moisture conditions resumed in the eastern portion of the area following an early spring drought. However, drought continued throughout 1962 in the western portion of the Southwest, and overall range conditions were slightly less favorable in 1962 than in 1961. Because of the drought in some portions of the area in 1962 breeding animals were not in good condition and calving rates were not as high as in 1961 and death loss was higher. But the affect of lower calving rates and higher death loss on net ranch production were partially offset by lower feeding rates as range and forage supplies increased later in the year.

Cash receipts in 1962 were above levels achieved during the previous 4 years. Calf prices in the Southwest continued to recover from the 1960 low, and averaged \$25.65 per hundredweight in 1962. Beef cattle prices were about the same as in 1961 and slightly higher than in 1960.

Cash expenditures increased from 1961 to 1962 as ranchers continued to replace worn out machinery and vehicles, and repaired and improved buildings and fences. Most of the items ranchers bought in 1962 cost more than in 1961, particularly those from nonfarm sources. Prices paid for replacement animals for the breeding herd also advanced in 1962.

Net ranch incomes on Southwest cattle ranches increased about 1 percent from 1961 to 1962, from an average of \$8,167 in 1961 to \$8,237 in 1962 (fig. 2). Returns per hour

to operator and family labor were less in 1962 than in 1961 as capital charges continued high. Prices received by cattle ranchers in 1962 advanced 5 percent from the 1961 level, but prices paid, including wages to hired labor also increased about 3 percent.

Intermountain Region

Cattle ranching was extremely varied in 1962 for operators in the Intermountain Region. Drought plagued operators in the southwestern portion of the area for the third successive year. However, range and livestock conditions in the eastern and northern portions of the area were the best in a long time. As a result, the overall output of ranges was unusually good and net output of beef was 3 percent above the 1957-59 average and 6 percent above 1961 (table 1).

Although range conditions were poor in the early part of 1962 they improved significantly in the late spring and summer, the crucial period, and cattle generally came off the ranges in good flesh. Weights of calves and steers at market time averaged higher than in 1961 and 1957-59, but not quite as heavy as in 1959 and 1960.

Hay and forage production in the irrigated valleys was the highest in several years and carryover from 1961 was a record high in most localities. As a result, the demand for feeder calves increased and prices received for calves were the highest since 1958. In the northern portion of the area some buyers were paying as much as 34 cents per pound for good uniform feeder

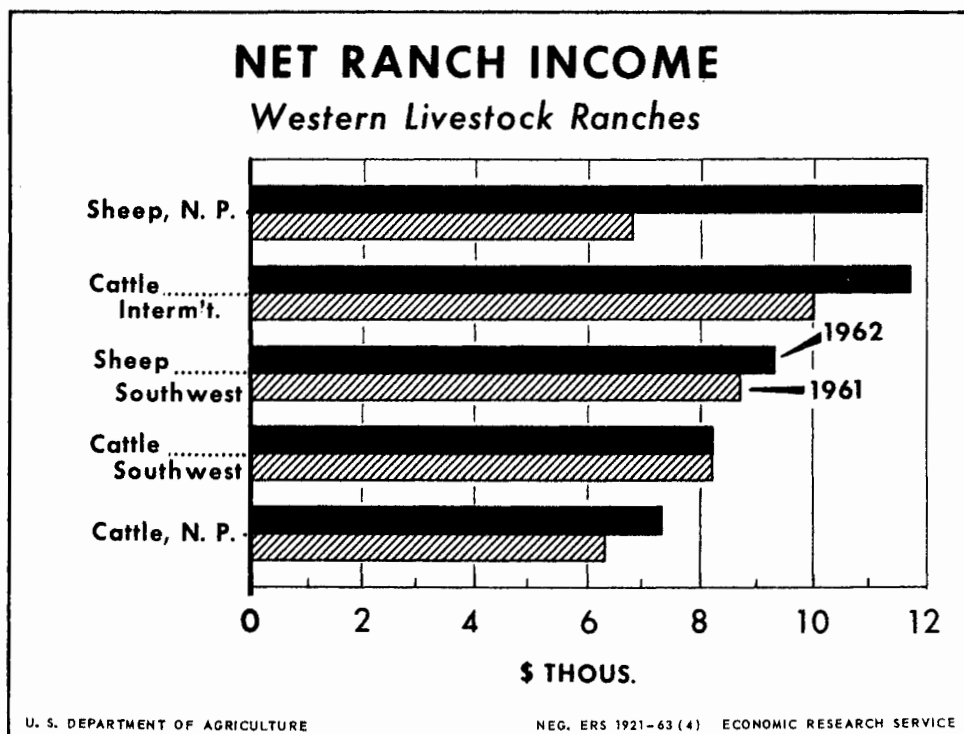


Figure 2

calves. As a result, gross receipts from cattle sales were a record high in 1962 on Intermountain cattle ranches.

Prices paid for production inputs continued to increase. In 1962, they were 2 percent above 1961 and 9 percent higher than in 1957-59. Total production expenditures on these ranches were near the record high of 1960 when feed purchases were the highest in 7 years. Despite record high gross incomes in 1962 on these ranches, net ranch incomes averaged 12 and 5 percent, respectively, below the record highs in 1958 and 1959. However, they were about 17 percent higher than in 1961 (fig. 2).

Favorable price prospects for feeder cattle and the relatively high feed inventories in the area were inducements to ranchers to build up breeding herds in 1962.

Breeding herds at the close of 1962 averaged the largest on record for these ranches. The year closed, however, with ranchers in the southwestern portion of the area faced with another drought.

Northern Plains

Range and cattle conditions improved spectacularly in the Northern Plains between April and July 1962. Range conditions were reported as "poor" in April and "excellent" in July. Because of the poor range conditions in the spring, feeding was unusually heavy and feed carryover was reduced significantly. With heavy feeding, calving rates were maintained and with improved range conditions in mid-summer, animals developed well. Market weights of calves

Table 1.- Costs and Returns, Western Cattle Ranches, 1961 and 1962

Item	Unit	Southwest		Intermountain region		Northern Plains	
		1961	1962 <u>1/</u>	1961	1962 <u>1/</u>	1961	1962 <u>1/</u>
Land in ranch.....	Acre	11,210	11,250	1,745	1,755	4,390	4,410
Livestock on ranch:							
All cattle.....	Number	228	232	279	284	141	130
Cows and heifers, 2 years old and over.....	do.	140	151	139	145	99	91
Calf crop.....	Percent	83	82	83	83	86	86
Total ranch capital, Jan. 1.....	Dollar	160,700	164,730	86,000	89,910	83,890	83,510
Land and buildings.....	do.	125,790	126,640	36,470	37,730	50,160	50,660
Livestock.....	do.	28,700	31,510	38,120	41,190	21,960	21,900
Machinery and equipment.....	do.	4,490	4,860	5,940	6,190	7,850	7,830
Crops.....	do.	1,720	1,720	5,470	4,800	3,920	3,120
Total cash receipts.....	do.	15,245	16,296	15,542	17,125	13,932	10,554
Crops.....	do.	0	0	0	0	1,412	871
Cattle.....	do.	14,776	15,796	15,319	16,940	11,840	8,914
Other livestock and livestock products.....	do.	149	130	47	41	320	409
Other, including Government payments.....	do.	320	370	176	144	360	360
Value of perquisites.....	do.	1,120	1,057	817	833	1,073	1,091
Inventory change:							
Livestock.....	do.	989	567	753	863	-1,877	1,975
Crops.....	do.	-29	-27	-283	54	-723	479
Gross ranch income.....	do.	17,325	17,893	16,829	18,875	12,405	14,099

Total cash expenditures.....	Dollar	:	9,689	10,528	7,044	7,374	5,979	6,382
Feed and grazing fees.....	do.	:	1,429	1,198	842	818	507	498
Livestock purchased.....	do.	:	2,059	2,544	477	507	534	1,015
Other livestock expense.....	do.	:	139	151	101	104	144	135
Crop expense.....	do.	:	13	7	93	115	32	49
Machinery purchased.....	do.	:	1,422	1,583	1,466	1,492	1,457	1,181
Other machinery expense.....	do.	:	1,334	1,346	1,366	1,386	1,285	1,410
Ranch buildings and fences.....	do.	:	1,000	1,300	230	235	590	450
Labor hired.....	do.	:	789	851	989	1,202	225	370
Taxes.....	do.	:	1,006	1,041	1,344	1,376	932	950
Other.....	do.	:	498	507	136	139	273	324
	:	:						
Change in inventory:	:	:						
Buildings and fences.....	do.	:	-117	-388	-15	-20	-66	29
Machinery and equipment.....	do.	:	-414	-484	-198	-209	215	436
	:	:						
Gross expense.....	do.	:	9,158	9,656	6,831	7,145	6,128	6,847
	:	:						
Net ranch income.....	do.	:	8,167	8,237	9,998	11,730	6,277	7,252
	:	:						

Ranch production and price indexes (1957-59=100)

	:	:						
	:	:						
Net ranch production.....	---	:	116	116	97	103	108	98
Range condition.....	---	:	100	97	94	101	86	99
	:	:						
Prices received for products sold.....	---	:	97	102	98	104	98	117
Prices paid, including wages to hired labor..	---	:	107	110	107	109	94	98
	:	:						
	:	:						

1/ Preliminary.

Note: The information presented here is on owner-operator basis primarily for comparability between types of ranches. Net ranch income is the return to operator and unpaid members of the family for their labor and management on the ranch and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

at 430 pounds per animal rivaled those achieved in 1959.

Cash receipts on Northern Plains cattle ranches decreased in 1962 from 1961 levels despite improved prices because ranchers held back unusually large numbers of replacement animals (table 1). Feed inventories improved significantly in 1962 as ranchers cut native hay from 30 percent more hayland. Hay yields averaged 29 percent more than in 1961.

Cash expenditures were higher in 1962 than in 1961, mainly because of increased investments in breeding animals, higher machinery costs to produce and harvest the bumper crop, and price advances in most nonfarm-produced inputs. Where possible, ranchers continued their

belt-tightening tactics by reducing expenditures for new machinery, buildings, and fences.

Net ranch incomes averaged about 15 percent higher in 1962 than in 1961. Higher prices received by ranchers for products sold accounted for much of the increase. However, prices paid for goods and services used in production also increased but to a lesser extent. More inputs were purchased and, as a result, cash expenditures were increased by 7 percent and gross ranch expense was increased by 12 percent. For the first time since the early 1950's, net returns were high enough to allow a return in excess of \$1.00 per hour for operator and family labor and management, after charges were deducted for capital at average rates of about 4 percent.

SHEEP RANCHES

Southwest

Although weather conditions in this area were not as favorable in 1962 as in 1961, prices received for lambs were higher, and sheep ranchers in the Southwest held incomes above the 1961 levels (table 2). Lamb prices at \$16.10 per hundredweight were well above 1960 and 1961 levels, but below the highs of \$20.30 in 1957 and 1958. Wool prices in 1962 averaged about the same as in 1961 and wool payments averaged higher than a year earlier.

Average investment per ranch reached a new peak of nearly \$210,000 after the temporary decline in 1961. This average investment exceeds that of livestock ranches in other areas studied.

Cash receipts were maintained during 1962 largely because of the wool enterprise. Wool sales and wool payments totaled about \$9,000, or 42 percent of total cash receipts.

Average total cash expenditures were about the same in 1962 as in 1961 on Southwestern sheep ranches. Ranchers reduced expenditures slightly for five categories, and increased expenditures slightly for five categories. The largest increase (\$111 per ranch) was for the purchase of breeding livestock.

Net cash ranch incomes in 1962 averaged about 13 percent less than in 1961. However, ranch inventories were improved in 1962. Inventory changes more than made up the reduction in net cash incomes.

Consequently, net ranch income in 1962 averaged about 7 percent higher than a year earlier.

Although net ranch production in 1962 was below 1961, higher prices received for sheep and lambs more than made up for the lower production. In addition, prices paid for production inputs generally averaged slightly lower in 1962.

Northern Plains

Greatly improved range conditions and prices received for lambs combined to make 1962 a favorable income year for operators of sheep ranches in the Northern Plains (table 2). After culling sheep bands substantially in 1961, producers found they had more forage available than they could use with their reduced herds. In the fall of 1962 most operators held back substantial numbers of ewe lambs and culled the current breeding herd less severely.

Despite the reduction in numbers of lambs and ewes marketed during 1962, cash receipts increased from an average of about \$20,709 per ranch in 1961 to \$23,600 in 1962. Prices received per hundredweight of lambs plus heavier lambs at market time were mainly responsible for the increase. Prices received for lambs averaged about \$14.60 per hundredweight in 1961 compared with \$18.25 per hundred-

weight in 1962; a 25-percent increase. Market weights of lambs increased 10 percent, from an average of around 69 pounds per animal in 1961 to 76 pounds in 1962.

Cash expenditures increased about 14 percent. Most of this was due to greater outlays for purchasing breeding ewes to rebuild herds. Expenditures for nearly all other items increased largely because of greater amounts purchased. Prices paid for items used in production remained unchanged from 1961 to 1962.

Inventory gains in sheep herds, and to a lesser extent feed, were substantial on Northern Plains sheep ranches in 1962. In 1961 ranchers reduced inventories by \$1,110. In 1962, they increased inventories by \$2,316 per ranch.

Net ranch incomes per ranch averaged about \$11,850 in 1962. This was almost 75 percent greater than a year earlier.

Changes in four important index measures of productivity and price were favorable in 1962. Net ranch production increased 12 index points, range condition 13 points, and prices received 16 points. Prices paid by ranchers remained unchanged as somewhat higher prices of nonfarm-produced items were offset by price decreases in farm-produced items, mainly hay and some livestock replacements.

Table 2.- Costs and Returns, Western Sheep Ranches, 1961 and 1962

Item	Unit	Southwest		Northern Plains	
		1961	1962 <u>1/</u>	1961	1962 <u>1/</u>
Land in ranch.....	Acre	13,460	13,510	6,674	6,638
Livestock on ranch:					
Sheep.....	Number	1,496	1,309	1,362	1,294
Ewes.....	do.	1,200	1,018	1,196	1,137
Lamb crop.....	Percent	81	77	87	87
Fleece weight.....	Pound	9.6	9.6	10.2	10.3
Total ranch capital, Jan. 1.....	Dollar	205,320	209,460	97,100	95,350
Land and buildings.....	do.	174,910	181,330	65,020	66,020
Livestock.....	do.	24,380	22,660	23,970	21,520
Machinery and equipment.....	do.	4,510	4,720	6,670	6,660
Crops.....	do.	1,520	750	1,440	1,150
Total cash receipts.....	do.	22,834	21,570	20,709	23,600
Crops.....	do.	0	0	434	571
Sheep and lambs.....	do.	10,079	8,875	9,731	11,675
Wool.....	do.	6,393	5,713	5,378	5,850
Wool payments.....	do.	2,485	3,271	3,030	3,459
Other livestock and livestock products.....	do.	3,587	3,401	1,836	1,745
Other, including Government payments.....	do.	290	310	300	300
Value of perquisites.....	do.	941	885	967	1,012
Inventory change:					
Livestock.....	do.	-1,697	-368	-833	1,891
Crops.....	do.	-663	-155	-277	425
Gross ranch income.....	do.	21,415	21,932	20,566	26,928

Total cash expenditures.....	Dollar	:	11,578	11,772	13,739	15,615
Feed and grazing fees.....	do.	:	1,862	1,888	4,316	3,984
Livestock purchased.....	do.	:	1,674	1,785	583	1,966
Other livestock expense.....	do.	:	459	417	280	268
Crop expense.....	do.	:	9	8	16	15
Machinery purchased.....	do.	:	1,072	1,244	1,219	1,657
Other machinery expense.....	do.	:	1,389	1,387	1,325	1,409
Ranch buildings and fences.....	do.	:	330	450	869	970
Labor hired.....	do.	:	2,701	2,552	2,913	3,039
Taxes.....	do.	:	1,163	1,209	1,228	1,237
Other.....	do.	:	919	832	990	1,070
	:	:				
Change in inventory:		:				
Buildings and fences.....	do.	:	1,311	1,142	-339	-415
Machinery and equipment.....	do.	:	-126	-249	335	-122
	:	:				
Gross expense.....	do.	:	12,763	12,665	13,735	15,078
	:	:				
Net ranch income.....	do.	:	8,652	9,267	6,831	11,850
	:	:				

Ranch production and price indexes (1957-59=100)

	:	:				
	:	:				
Net ranch production.....	---	:	115	102	91	103
Range condition.....	---	:	100	97	86	99
	:	:				
Prices received for products sold.....	---	:	86	92	81	97
Prices paid, including wages to hired labor.....	---	:	105	104	98	98
	:	:				

1/ Preliminary.

Note: The information presented here is on owner-operator basis primarily for comparability between types of ranches. Net ranch income is the return to operator and unpaid members of the family for their labor and management on the ranch and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

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