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COSTS and RETURNS



**Western
Livestock
Ranches**

1966

FARM COSTS STUDIES

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

The 1966 costs and returns studies have been conducted on the following:

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

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1966 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised 1966.

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

COST AND RETURNS

WESTERN LIVESTOCK RANCHES, 1966

Wylie D. Goodsell, James R. Gray, and Macie J. Belfield¹

SUMMARY

Although production conditions in 1966 varied considerably on Western livestock ranches (fig. 1), prices received as a whole and net incomes,² except on Northern Plains sheep ranches, were favorable. Range conditions were well below those of a year earlier and below normal for cattle and sheep ranches in the Northern Plains, cattle ranches in the Intermountain area, and sheep ranches in western Utah and east-central Nevada. Conditions varied from 12 percent lower on Utah-Nevada sheep ranches to 7 percent lower on Northern Plains cattle ranches. In the Southwest, they were only moderately above 1965 and very slightly above normal on cattle and sheep ranches.

Net ranch production varied even more than grazing conditions and ranged from an increase of 13 percent from 1965 to 1966 on Southwest sheep ranches to a decrease of nearly 7 percent on cattle ranches in the Northern Plains. Net ranch production in 1966 was above the 1957-59 average on all but the cattle ranches in the Intermountain area where production was about 4 percent below 1965 and 2 percent below the 1957-59 average.

Prices received for products sold varied from little or no change on sheep ranches in the Northern Plains to an increase of 14 percent on cattle ranches in the Intermountain area. However, prices received were only 5 percent above the 1957-59 average on the Intermountain cattle ranches, whereas they were 11 percent above the 1957-59 average on the Northern Plains sheep ranches. In 1966, prices received were higher on all ranches than in 1957-59 by at least 5 percent. But prices paid for production inputs also increased in 1966, ranging from 5 to 23 percent above the 1957-59 average and from 2 to about 8 percent above 1965.

As a consequence of these production and price combinations in 1966, net ranch income ranged from a decrease of 10 percent from a year ago on sheep ranches in the Northern Plains to an increase of 26 percent on sheep ranches in the Southwest (fig. 2). On the Northern Plains sheep ranches, net ranch production decreased by nearly 3 percent from 1965 to 1966, prices received remained approximately the same, and prices paid increased by 5 percent. In contrast, net ranch production increased by 13

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²For definition of net income see note at the end of table 1.

LOCATION OF TYPES OF FARMS STUDIED

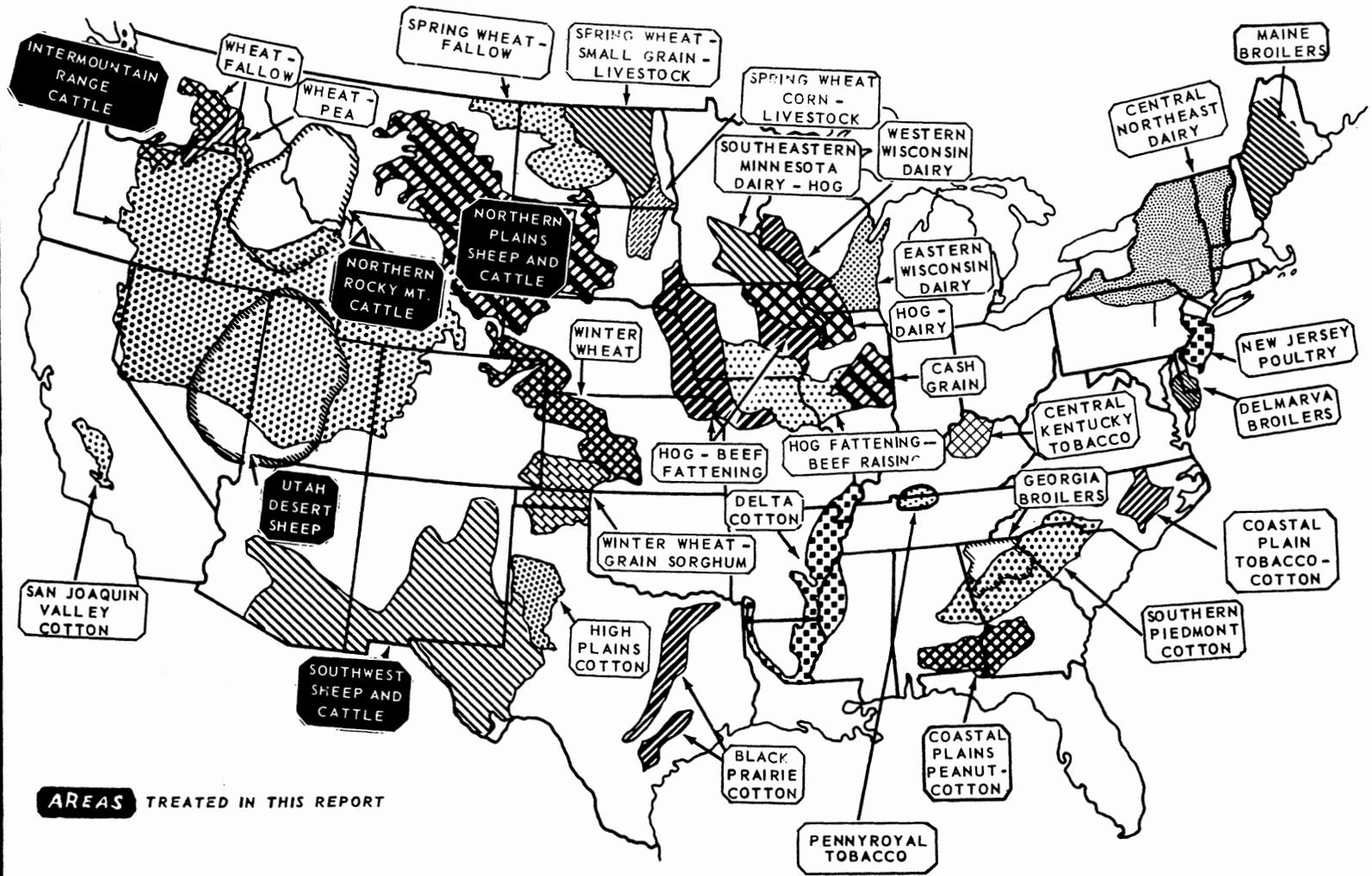
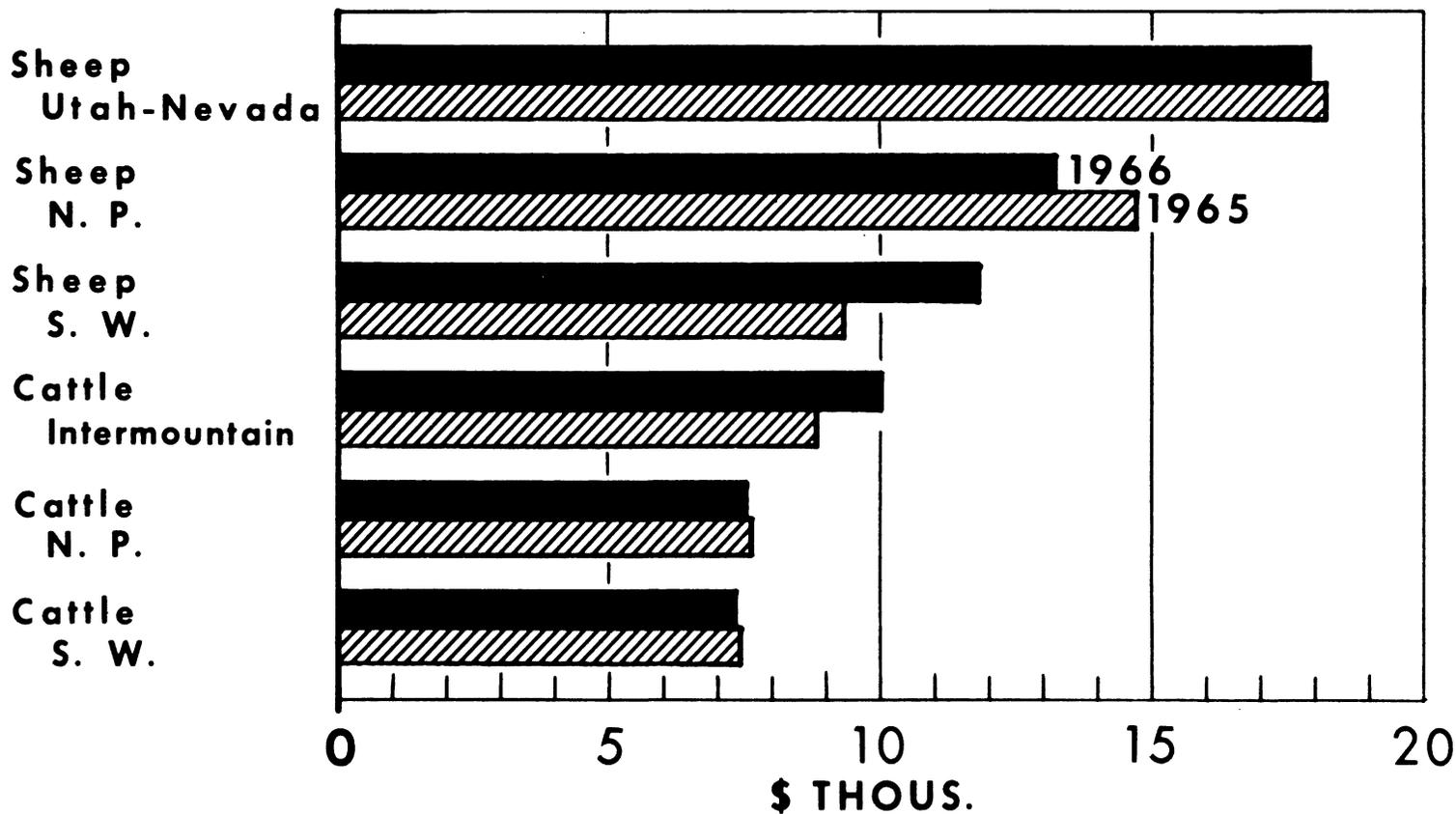


Figure 1

NET RANCH INCOME: WESTERN LIVESTOCK RANCHES



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percent and prices received increased by 6 percent from 1965 to 1966 on Southwest sheep ranches. Prices paid increased by 7 percent on the latter ranches. Net ranch incomes for 1966, 1965, and the 1957-59 average, and percentage changes in income for these typical Western livestock ranches were as follows:

	Average 1957-59	1965	1966	Percentage change--	
				1957-59 to 1966	1965 to 1966
Cattle ranches:					
Northern Plains	\$5,249	\$7,599	\$7,549	44	-1
Intermountain	11,409	8,811	9,982	-13	13
Southwest	7,410	6,146	7,293	-2	19
Sheep ranches:					
Northern Plains	10,603	14,695	13,217	25	-10
Utah-Nevada	18,414	18,158	17,872	-3	-2
Southwest	9,498	9,312	11,778	24	26

CATTLE RANCHES

Northern Plains

Production conditions deteriorated on cattle ranches in the Northern Great Plains during 1966. Excellent conditions in January, February, and March, especially in northern Wyoming, were replaced by drought conditions starting in June. Spring calving conditions and calving rates were favorable. However, with the drought in summer and fall, livestock marketing weights on these ranches were down from the 1965 level. Conditions varied considerably and were relatively poorest in Wyoming and best in western South Dakota.

In 1966, prices received by Northern Great Plains cattle ranchers were the highest since 1962 and were 11 percent higher than in 1965.

Despite the dry weather and shrinking feed reserves, the number of breeding cattle on Northern Plains ranches again increased in 1966. Cow numbers in herds increased

substantially during the year, while reduced numbers of heifer yearlings and calves indicated that the build-up in herd numbers might level off in 1967.

Favorable spring weather in 1966 encouraged ranchers to plant larger acreages of hays and grains. However, the dry summer tended to reduce yields of some crops. Per acre yields of native hay harvest were reduced to the lowest level since 1961, and total production was well below average. Yields were higher than in 1965 for corn and wheat, but lower for oats and barley. Substantial acreages of grain were cut for hay when the grain crop failed to mature properly. Feed grain inventories increased during 1966 as ranchers responded to reports of reduced national supplies of feed grains. Heavy feeding reduced hay inventories on these ranches.

Despite lower marketing weights, higher calving percentages and

higher cattle prices brought about an increase in cash income per ranch in 1966. The average gain in inventory of crops and livestock was reduced to about a third of the 1965 gain. Ranchers reacted to higher retail prices and resorted to the use of ranch-grown products where possible.

Total cash expenditures increased moderately on these cattle ranches as ranchers paid higher prices for labor, replacement livestock, and machinery. Real estate and personal property taxes rose from the 1965 level, adding to the continuing long-term upward trend in the prices ranchers pay for nonagricultural products and services.

Higher prices received for cattle more than offset lower net ranch production, and reductions in quantities purchased partly offset higher prices paid for the many items used in production, so that net incomes in 1966 were about the same as those received in 1965 (table 1). Returns per hour to the operator and family for their labor and management were reduced from those in 1965. Ranchers and their families performed more of the work than has been the case since the early fifties, partially in response to a substantial increase in wage rates to hired labor during 1966 and to the difficulty in getting competent help.

Index numbers of gross ranch income increased while those of net income remained substantially the same in 1966 as in 1965. Net production as well as production per hour of labor and per unit of input decreased. Operating expenses and total cost per unit of production increased. About half of the 11 index points gained in prices received was offset by a 6-point increase in prices paid.

Intermountain Region

Net ranch income in 1966 on typical cattle ranches in the Intermountain area averaged slightly less than \$10,000 per ranch (table 1). This was approximately \$1,200 per ranch higher than in 1965 but slightly more than \$1,400 below the 1957-59 average. It was the highest in the last 3 years.

The higher average ranch incomes in 1966 compared with 1964 and 1965 were due almost entirely to higher prices received for a slightly larger volume of cattle sold. The quantity of cattle sold in 1966 exceeded the quantity sold in 1965 by a very slight amount, but was nearly 14 percent higher than in 1964. In 1966, prices received for calves averaged about \$26.20 per hundredweight compared with \$22.60 in 1965 and \$19.50 in 1964. The 1966 prices represented an increase of about 16 percent from 1965. From 1965 to 1966, prices received for long-yearling steers and heifers increased by 9 percent and prices received for cows increased by 22 percent. The number of beef cows and heifers of breeding age sold remained about the same as in 1965 despite the big increase in prices offered for these animals. The number of brood cows and heifers in the ranch inventory remained about the same in 1966 as in 1965, indicating that ranchers were hopeful of good days ahead and were reluctant to sell breeding animals despite a substantial increase in prices offered. The year-end inventory in 1966 of cows and heifers of breeding age was slightly higher than the beginning inventory, and nearly a fourth greater than the 1957-59 average.

Cattle ranches in the Intermountain Region are cow-calf-yearling

Table 1.--Costs and returns, Western cattle ranches, 1965 and 1966

Item	Unit	Northern Plains		Intermountain Region		Southwest	
		1965	1966 <u>1/</u>	1965	1966 <u>1/</u>	1965	1966 <u>1/</u>
Land in ranch.....	Acre	4,500	4,510	1,775	1,780	11,640	11,660
Livestock on ranch:							
All cattle.....	Number	174	182	306	306	227	232
Cows and heifers, 2 years old and over....	do.	110	113	155	156	151	148
Calf crop.....	Percent	83	85	85	83	83	85
Total ranch capital, Jan. 1.....	Dollar	90,650	100,470	90,540	100,630	187,400	205,420
Land and buildings.....	do.	57,000	60,540	43,310	45,920	155,630	167,540
Livestock.....	do.	22,520	27,690	7,160	7,540	24,160	30,020
Machinery and equipment.....	do.	7,830	8,270	35,900	42,490	5,580	5,900
Crops.....	do.	3,300	3,970	4,170	4,680	2,030	1,960
Total cash receipts.....	do.	13,090	14,635	15,671	17,914	15,073	14,193
Crops.....	do.	1,091	1,090	260	238	0	0
Cattle.....	do.	11,160	12,950	15,269	17,517	14,623	13,824
Other livestock and livestock products....	do.	459	395	0	0	90	119
Other, including Government payments.....	do.	380	200	142	159	360	250
Value of perquisites.....	do.	956	1,141	887	968	778	792
Inventory change:							
Livestock.....	do.	1,110	903	-37	126	260	2,342
Crops.....	do.	388	-367	350	-113	153	292
Gross ranch income.....	do.	15,544	16,312	16,871	18,895	16,264	17,619

Total cash expenditures.....	Dollar	:	8,056	8,667	8,170	9,052	9,772	10,529
Feed and grazing fees.....	do.	:	323	672	1,231	1,751	2,134	2,040
Livestock purchased.....	do.	:	1,181	1,429	437	488	1,654	1,425
Other livestock expense.....	do.	:	179	187	116	121	150	155
Crop expense.....	do.	:	41	35	127	139	8	7
Machinery purchased.....	do.	:	1,794	1,624	1,531	1,626	1,306	1,666
Other machinery expense.....	do.	:	1,428	1,404	1,390	1,436	1,400	1,429
Ranch buildings and fences.....	do.	:	582	591	230	250	450	800
Labor hired.....	do.	:	1,088	1,167	1,356	1,440	897	1,086
Taxes.....	do.	:	1,031	1,104	1,608	1,658	1,250	1,354
Other.....	do.	:	409	454	144	143	523	567
	:	:						
Inventory adjustment:	:	:						
Buildings and fences.....	do.	:	-50	-40	-12	-26	463	129
Machinery and equipment.....	do.	:	-61	136	-98	-113	-117	-332
	:	:						
Gross expense.....	do.	:	7,945	8,763	8,060	8,913	10,118	10,326
	:	:						
Net ranch income.....	do.	:	7,599	7,549	8,811	9,982	6,146	7,293
	:	:						

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

	:	:						
Net ranch production.....	---	:	127	119	102	98	112	113
Range condition.....	---	:	100	92	104	97	98	101
	:	:						
Prices received for products sold.....	---	:	99	110	92	105	94	105
Prices paid, including wages to hired labor.:	---	:	99	105	114	119	113	122
	:	:						

1/ Preliminary.

Note: The information presented here is on an 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.

operations specializing in the production of feeder calves and yearlings which are sold in the fall at roundup time and sent to neighboring valley farmers or Midwest farmers for further feeding and conditioning before slaughter. They are flexible operations in which more calves may be carried over to the next year if price prospects are good, and if feed supplies (roughage and pasture) are adequate or may be obtained at reasonable prices. If these prospects are not favorable, then more calves are sold in the fall. In these operations, practically 100 percent of the income is from the cattle enterprise. Therefore, changes in forage and range production and prices received for cattle and calves largely determine the net returns to the operators.

Range conditions and grazing capacity of ranges varied considerably in 1966 in this fairly large area. The pattern of range conditions in 1966 was almost the opposite of that of a year earlier. In 1965, range conditions were relatively poor in the early part of the year and then gradually improved and were best at the time the livestock were coming off the range and being sold. In 1966, range conditions gradually deteriorated as the grazing season advanced and, particularly in southern Idaho, central and northern Utah, and eastern Nevada, were poorest at roundup and marketing time. In western Wyoming and western Colorado, range conditions held up during the grazing season and were as good or better at roundup time than earlier or later. For the area as a whole, range conditions averaged well below the averages of the last few years, and average weights of cattle sold in 1966, though slightly heavier than in 1965, were down slightly from the last few years. In 1965, market weights of cattle

in this area were the lowest in several years.

Crop yields averaged lower in 1966 than in 1965, and despite a slightly larger acreage of total hay harvested in 1966 compared with a year earlier, total hay production on these ranches averaged about 8 percent below the 1965 crop. Late spring frosts and weevil infestations were largely responsible for reduced hay yield in many localities in the area.

Some ranchers reported that early storms in 1966 and slightly poorer conditions of animals at calving time compared with a year earlier presented calving problems. The number of calves raised in 1966 was lower than in 1965, despite a slightly larger breeding herd in 1966 and a lower death rate of calves.

As a result of these production factors, net ranch production was 4 index points lower in 1966 than a year earlier. The index of net ranch production in 1966 was about 2 percent below the 1957-59 and 1963-66 averages.

Except for a small feed-grain acreage, mostly barley, cropland on these ranches is used for the production of hay. The acreage of grain and of tame hay has not changed significantly in the last 8 or 10 years. The acreage of wild hay harvested during this period has varied as much as 20 percent, and the yield by about the same percentage. In recent years, Intermountain ranchers produced from 220 to 250 tons of hay per year. This is less than is required to winter the cattle. Production in 1966 was around 225 tons and below that produced in 1965. With this lower production of hay in 1966, and a breeding herd similar

to that in 1965, these ranchers increased substantially their purchases of hay in 1966, compared with a year earlier. The price paid for hay in 1966 averaged about 5 percent higher than a year earlier; total expenditures for hay purchased were nearly 75 percent greater than in 1965, and except for wages paid to hired labor was the largest single item of expense. Grazing fees to operate on the public domain are tied to prices received for cattle and vary directly with them. Total expenditures for feed including grazing fees were around 42 percent higher in 1966 than a year earlier.

Total ranch expenses in 1966 were nearly 11 percent greater than in 1965. Expenditures in 1966 for all major groups were higher than a year earlier due to an increase in quantity of inputs purchased and an increase in prices paid for the inputs. Prices paid by Intermountain ranchers for goods and services used in production increased by 4 percent from 1965 to 1966 and the quantity of inputs purchased increased by 6 percent. Prices paid for nearly all items continued to trend upward and were higher than in 1965.

Southwest

After an uncertain and somewhat hazardous start in 1966, range conditions improved considerably in most portions of the ranching area in the Southwest. Poor range conditions were reported in west Texas in March and April. Most of the region experienced fair to good conditions beginning in July, the mid-summer rainfall season in the Southwest. Ranges in Texas at the end of 1966 were generally in excellent condition while those in New Mexico and Arizona were dry. Most re-

ports of dry ranges and poor production during 1966 came from eastern New Mexico.

The calf crop on Southwest cattle ranches reached a record high in 1966--85 percent. Although calves in some areas did not receive good starts because of the dry spring, fall market weights were slightly higher than the moderate weights obtained in 1965. Prices received for cattle were favorable, with calf prices the highest since 1959.

High cattle prices in 1966 and prospects for another good year encouraged ranchers to keep potential breeding animals off the market and to increase herd sizes again. As a result, cash receipts were down moderately. The inventory gain in livestock more than offset the reduction in cash receipts. Gross incomes on these cattle ranches were the highest since 1962.

Cash expenditures increased moderately in 1966. Higher feed expenditures in eastern New Mexico were offset by much lower expenditures for feed in west Texas. Labor expenditures increased in 1966 mainly because of higher wage rates. Ranchers increased their expenditures for ranch improvements and for machinery and related vehicles in 1966.

Net incomes were higher in 1966 than in 1965, advancing 19 percent over the 1965 average. In turn, incomes in 1965 were less than for the 1957-59 average, but much higher than the catastrophically low average incomes received in 1964.

Capital investment continued the upward trend which began in the early fifties. Increases in land prices were responsible for much of the increase in investment.

Around 80 percent of total investment per ranch was in land. The per acre value of land in this area in 1966 was 8 percent higher than in 1965. Net ranch income was not sufficiently large to permit a charge for capital based on 1966 land prices at current interest rates, and still yield a return to the operator and his family for their labor and management.

The index numbers of gross and net ranch incomes advanced sharply from 1965 and the 1957-59 average.

Net production per ranch and range conditions improved slightly in 1966. Production per hour of labor decreased somewhat in 1966 while production per unit of input remained the same as in 1965. Operating expenses and total cost per unit of production increased sharply from 1965 to 1966. Prices received by ranchers increased around 12 percent from 1965 to 1966 but prices paid increased 8 percent, thus offsetting some of the advantages of higher prices received, particularly for cattle.

SHEEP RANCHES

Northern Plains

Sheep ranchers in the Northern Plains livestock area experienced another good year in 1966, despite slightly less favorable range conditions than prevailed in 1965. The lamb crop was good, and the relatively high prices received for lambs in 1965 continued through 1966. Wool prices in 1966 were about 4 cents per pound higher than in 1965 and the highest in recent years. When the wool incentive payments were added, the total wool price received in 1966 was only slightly higher than in 1965 and the highest since 1951. Counteracting the favorable price situation were lower lamb market weights and fewer animals sold per ranch. The liquidation in sheep numbers per ranch that started some time ago on ranches in the Northern Great Plains Region continued through 1966. However, a noticeable buildup in the ewe lamb replacements during 1966 suggested that the trend might soon be reversed.

Gross incomes were the same in 1966 as in 1965, with ranchers relying on ranch-grown products and

cutting cash outlays where possible. Inventories of crops and livestock were increased slightly, with much of the inventory gain occurring in the small cattle enterprise maintained on many of these ranches.

Cash expenditures increased about 5 percent in 1966 as ranchers were forced to purchase more feed for their bands. Other increases in expenditures were for livestock replacements, hired labor, and taxes. Sheep ranchers did not replace worn-out machinery as in previous years and thus reduced expenditures for machinery and improvements. Total operating expenses were about 8 percent higher in 1966 than in 1965.

Summary indexes of production generally were higher in 1966 than in 1965. The effort to maintain production was more costly in 1966 than in 1965 mainly because of poorer range conditions and higher prices paid for production inputs. The return per hour to the operator and his family for their labor and management in 1966 was lower than in 1965, partly as a result of higher investment and higher interest rates charged for capital.

The index measures of expenses and prices demonstrated the generally less favorable income position of Northern Plains sheep ranchers in 1966 compared with 1965. Operating expenses per unit of production and total cost per unit of production were substantially higher in 1966 than in 1965. A 1-percent decrease in prices received and a 5-percent increase in prices paid for production inputs eliminated the favorable price margin that existed in 1965. On the favorable side was an increase in production per unit of input.

Utah-Nevada

Although net ranch income on typical 2-band desert-operated sheep ranches in western Utah and east-central Nevada averaged around 2 percent lower in 1966 compared with 1965, 1966 was the second best income year in 8 years. Net income was 3 percent below the 1957-59 average, but the 1964-66 period was the highest consecutive 3-year period, except for 1950-52, since this study began. During 1950-52, lambs sold for \$26 per hundredweight and wool brought an average of 68 cents per pound. Prices of lambs and wool, including incentive payments to these producers, have not averaged as high since that time.

Changes in several important production and price factors from 1965 to 1966 which caused the change in net returns to these speciality sheep operators were not all in the same direction and for the most part were only moderately different in the 2 years. Small as the changes may appear, they generally have a significant effect on net returns.

Perhaps the greatest percentage change was in range conditions which declined 13 points from 1965 to 1966 (table 2). In 1965, range

conditions were very good in the critical months and remained relatively good throughout the entire season. In fact, at marketing time they were the best in the season. They began to decline in April 1966 and were substantially lower at the close of the season. Although the range condition index was relatively high in 1965, particularly at marketing time, ranchers reported that the grass and forage was so succulent that sheep and lambs failed to put on the weight they would have done had the forage been less succulent. Market weights of sheep and lambs on these ranches were substantially unchanged from 1965 to 1966. Market weights have gradually increased over the years and were a record high in 1965 and 1966.

There was no change in the number of lambs sold in 1965 and 1966, and with less than a 50-cent decline in price received per hundredweight of lamb, total receipts from lambs declined less than 2 percent from 1965 to 1966. However, ranchers culled heavier ewes in 1966 and receipts from the sale of ewes, though relatively small compared with receipts from lamb sales, increased substantially from a year earlier. This occurred despite a 14-percent decrease in the price received per hundredweight of ewes sold. Total combined cash receipts from sales of sheep and lambs were virtually unchanged from 1965 to 1966, but the size of the breeding herd at the close of 1966 was below that of a year ago. Thus, the livestock inventory was reduced in 1966 (table 2). To operate efficiently and effectively, Utah-Nevada ranchers must maintain the size of unit near the economic unit or reduce it substantially and then combine with some other operator with about the same number of animals to make up an economic

Table 2.--Costs and returns, Western sheep ranches, 1965 and 1966

Item	Unit	Northern Plains		Utah-Nevada		Southwest	
		1965	1966 <u>1/</u>	1965	1966 <u>1/</u>	1965	1966 <u>1/</u>
		Land in ranch.....	Acre	6,842	6,927	10,250	10,260
Livestock on ranch:							
Sheep.....	Number	1,323	1,307	2,208	2,217	1,250	1,278
Ewes.....	do.	1,186	1,151	1,926	1,893	991	980
Lamb crop.....	Percent	83	86	85	86	79	82
Fleece weight.....	Pound	10.1	10.2	10.2	10.6	9.8	9.6
Total ranch capital, Jan. 1.....	Dollar	111,360	123,900	169,290	183,330	235,220	254,950
Land and buildings.....	do.	76,930	82,150	104,600	110,200	207,820	222,170
Livestock.....	do.	26,210	33,070	55,620	63,400	21,240	26,230
Machinery and equipment.....	do.	7,130	7,460	7,030	7,360	5,210	5,560
Crops.....	do.	1,090	1,220	2,040	2,370	950	990
Total cash receipts.....	do.	26,916	26,567	42,309	43,889	20,332	23,696
Crops.....	do.	464	718	921	1,212	0	0
Sheep and lambs.....	do.	15,250	14,745	27,772	27,732	10,308	12,763
Wool.....	do.	6,444	7,091	9,423	11,118	4,980	5,491
Wool payments.....	do.	2,258	1,841	3,398	2,950	1,658	1,387
Other livestock and livestock products.....	do.	2,000	1,872	795	877	3,046	3,795
Other, including Government payments.....	do.	500	300.	0	0	340	260
Value of perquisites.....	do.	1,035	1,143	723	756	805	941
Inventory change:							
Livestock.....	do.	216	350	-4	-1,175	632	-226
Crops.....	do.	119	-116	283	-64	105	274
Gross ranch income.....	do.	28,286	27,944	43,311	43,406	21,874	24,685

Total cash expenditures.....	Dollar	:	14,131	14,865	25,412	25,767	12,087	12,303
Feed and grazing fees.....	do.	:	2,830	3,784	4,512	4,679	2,359	2,356
Livestock purchased.....	do.	:	1,112	1,201	1,950	1,500	1,177	1,032
Other livestock expense.....	do.	:	286	289	2,629	2,729	260	288
Crop expense.....	do.	:	18	23	199	216	8	7
Machinery purchased.....	do.	:	1,856	1,616	1,758	1,828	1,268	1,438
Other machinery expense.....	do.	:	1,437	1,411	1,265	1,260	1,372	1,388
Ranch buildings and fences.....	do.	:	1,000	800	807	814	900	700
Labor hired.....	do.	:	2,949	3,023	9,003	9,471	2,532	2,724
Taxes.....	do.	:	1,364	1,465	2,709	2,670	1,400	1,517
Other.....	do.	:	1,279	1,253	580	600	811	853
	:	:						
Inventory adjustment:	:	:						
Buildings and fences.....	do.	:	-481	-254	-235	-216	647	849
Machinery and equipment.....	do.	:	-59	116	-24	-17	-172	-245
	:	:						
Gross expense.....	do.	:	13,591	14,727	25,153	25,534	12,562	12,907
	:	:						
Net ranch income.....	do.	:	14,695	13,217	18,158	17,872	9,312	11,778
	:	:						

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

	:	:						
Net ranch production.....	---	:	106	103	103	102	106	120
Range condition.....	---	:	102	92	108	95	98	101
	:	:						
Prices received for products sold <u>2</u> /.....	---	:	112	111	107	109	99	105
Prices paid, including wages to hired labor..	---	:	106	111	118	120	115	123
	:	:						

1/ Preliminary.

2/ Including wool incentive payments.

Note: The information presented here is on an 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.

unit. This requirement accounts for the fact that the average size of herd per ranch has varied only slightly over the years. The record high number per ranch in 1960 was only 6 percent greater than the number in the 1966 beginning inventory.

The lamb crop (percentage) was slightly higher in 1966 than in 1965, but the death rate of lambs was also slightly higher in 1966. The death rate of mature sheep was much less in 1966 than in 1965.

Because these operators rely heavily on the public domain for winter range as well as summer range, crops are not as important as they are to operators where heavier winter feeding is required. These operators produce a few acres of small grains and around 50 or 60 tons of hay each year. Both acres and yields of crops remained about the same in 1965 and 1966. Total net ranch production declined only 1 percent as a somewhat heavier wool clip per animal nearly offset slightly fewer sheep shorn.

The price received per pound of wool sold by these producers averaged about 7 cents higher in 1966 compared with a year earlier, but Government wool-incentive payments per pound of shorn wool sold and wool payment for unshorn lambs marketed averaged lower than in 1965. Including incentive payments, the 1966 price averaged around 5 cents per pound higher than in 1965. The overall index of prices received by Utah-Nevada sheep ranchers for products sold averaged around 2 percent higher in 1966 compared with a year earlier.

Prices paid for production inputs continued their upward trend and were a record high on these ranches in 1966. They averaged about 2 per-

cent higher than in 1965 and 20 percent higher than in 1957-59. The total quantity of inputs purchased declined very slightly from 1965 to 1966, and, as a consequence, total cash expenditures remained relatively unchanged.

Southwest

Lamb and wool production in the Southwest Region is concentrated in southeastern New Mexico and the Big Bend area of western Texas. Range conditions were generally unfavorable in both areas in early 1966, but improved in May in Texas and in July in New Mexico. Sheep ranchers reported a corresponding gain in livestock condition at the close of the year. Livestock production rates generally followed the seasonal change in range conditions. Early spring lamb crop percentages which increased from 79 percent in 1965 to 82 percent in 1966 reflect the favorable fall and winter pasture conditions. Death losses of mature sheep were lower in 1966 than in 1965, and fall lamb weights were up 3 pounds per head over the 1965 level.

Perhaps two of the most disappointing factors on these sheep ranches in 1966 were lower fleece weights and a continuing low price received for wool. The announcement of an increase in the wool program incentive payment to 65 cents from the 62 cents per pound level of the past several years encouraged ranchers to anticipate an increase in returns. However, the big price increase expected for wool failed to materialize. The disappointment was increased when ranchers realized that prices received in the Southwest were less than the national average. Incentive payments plus the market price for

wool in the Southwest in 1966 totaled 56 cents per pound, only 2 cents above the 1965 combined price, but 9 cents below the national incentive level.

Partially compensating for the unfavorable price of wool was the 1- to 2-cent increase in the prices received per pound for lambs. Cash receipts increased to a very favorable level as sheep ranchers with large numbers of sheep in their inventories cashed in on the higher prices and the buildup in band sizes that was begun in 1964. Band sizes were reduced during 1966 while the small cattle enterprise was expanded. Gross income per ranch in 1966 reached a record level, surpassing the previous record of 1951 by \$3,000 per ranch.

Cash expenditures remained at or near the high plateau established in 1963. Although sheep ranchers attempted to reduce expenses for labor, feed, and machinery, prices for all three items increased, and property taxes crept upward.

Of special concern to ranchers in the Southwest Region in 1966 was the

continuing increase in the market value of rangeland. Ranchers who attempted to expand their operations were hindered by high land prices and high interest rates.

Although net ranch income in 1966 on Southwest sheep ranches was the highest on record, it was not enough to cover a charge for capital calculated at current interest rates. If a capital charge is estimated, using long-term interest rates, only a very modest return is left for the operator and his family for their labor and management.

Summary index numbers demonstrate the effect of a substantial increase in production in 1966 on sheep ranches in the Southwest. Cost rates, measured by the index of prices paid, advanced 7 percent from 1965 to 1966. However, chiefly because of a gain of 13 percent in net ranch production, efficiency in terms of production per unit of input and per hour of labor showed considerable improvement. Because the increase in efficiency was greater than the increase in cost rates, operating expense per unit of production and total cost per unit of production declined in 1966.

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