

## **Herd Size and Financial Statement Report Preparation for Cow-Calf Producers**

As can be observed in Table 1. 2017 census data the cow-calf sector is dominated by the small herds. In Texas 84.5% of herds have less than 50 cows and 93.5% have less than 100 cows. Although owners of these small herds manage a large part of the grazing lands, they do not make a living from the small cow herds. Small herds do qualify for lower land tax property tax benefits in Texas that can be achieved by owning the cows or leasing the land to cattle owners. These small herd owners that can qualify as a “for profit” business do file the IRS Schedule F report and generate the tax benefits of reduced income tax expense.

There is no question that producers that have 200 or more cows have a significant business that requires filing the IRS Tax Schedule F. There are over 3,114 Texas herds and 29,126 herds nationally with more than 200 cows. These financial reporting efforts go **beyond the IRS Schedule F** tax cash data used for IRS compliance reporting. IRS compliance does not report business profitability, financial position or performance.

The Excel™ spreadsheets are available to calculate and report accrual adjusted financial statements including the statement of cash flow, income statement and balance sheet. Accrual adjusted reports provide the data to report financial criteria including liquidity, solvency, profitability, repayment capacity and financial efficiency. Financial position and performance measures are calculated and reported for each criterion that follows the Farm Financial Standards Council (FFSC) guidelines (See reference list).

### **Spreadsheet Supporting Ranch Annual Financial Performance Reporting**

#### **Annual Financial and Production Cow-Calf and Retained Ownership Benchmark Values**

- Cow-Calf Selling Raised Weaned Calves
- Cow-Calf Selling Raised Preconditioned and Purchased for Resale Calves
- Cow-Calf Selling Raised Feeder Cattle and Purchased for Resale Feeders

Annual Accrual Adjusted Financial Statements and with FFSC Performance Values. Includes Cow-Calf and retained ownership benchmarks performance reports.

### **Beef Cattle Ranch Supporting Spreadsheets Provided for the Annual Closeout**

1. Cow-Calf Sales by Category of Cattle – Raised and Purchased Breeding Stock
2. Cattle and Horse Beginning and Ending Inventory and Death Loss
3. Standardize Performance Analysis (SPA) Cow-Calf Reproduction Data
4. Cow-Calf Herd Production, Sales, Death Loss Data Summary
5. Feed Beginning and Ending Inventory

Addressing Depreciation Data and Calculation Needs

6. Data Records for the Capital Assets Depreciation Schedule
7. Replace IRS Depreciation with Capital Asset Calculated Replacement Cost

### **QuickBooks Pro™ and Family Living Expense/Withdrawals Reports**

Family living expenses/withdrawals are combined with the business cash flow for the **statement of cash flow** report to calculate the business repayment capacity.

<b>Table 1. Texas Number Beef Cows by Herd Size - 2017 Census</b>					
<b>Size of Herds Head</b>	<b>Number of Operations</b>	<b>% by Herd Size</b>	<b>Head of Beef Cows</b>	<b>% by Herd Size</b>	<b>Average Sized Hd.</b>
1 to 49	113,427	84.5%	1,618,628	35.4%	14
50 to 99	12,142	9.0%	804,074	17.6%	66
<b>Less than 100</b>	<b>125,569</b>	<b>93.5%</b>	<b>2,422,702</b>	<b>53.0%</b>	<b>19</b>
100 to 199	5,567	4.1%	727,048	15.9%	131
200 to 499	2,351	1.8%	671,652	14.7%	286
500 or more	763	0.6%	751,340	16.4%	985
<b>200 or more</b>	<b>3,114</b>	<b>2.3%</b>	<b>1,422,992</b>	<b>31.1%</b>	<b>457</b>
<b>Total</b>	<b>134,250</b>		<b>4,572,742</b>		<b>34</b>
<b>Texas - % of Total U.S.</b>	<b>18.4%</b>		<b>14.4%</b>		

<b>Table 2. U.S. Number Beef Cows by Herd Size - 2017 Census</b>					
<b>Size of Herds Head</b>	<b>Number of Operations</b>	<b>% by Herd Size</b>	<b>Head of Beef Cows</b>	<b>% by Herd Size</b>	<b>Average Sized Hd.</b>
1 to 49	576,735	79.1%	8,616,893	27.2%	15
50 to 99	80,411	11.0%	5,373,199	16.9%	67
<b>Less than 100</b>	<b>657,146</b>	<b>90.1%</b>	<b>13,990,092</b>	<b>44.1%</b>	<b>21</b>
100 to 199	42,774	5.9%	5,652,042	17.8%	132
200 to 499	23,188	3.2%	6,609,375	20.8%	285
500 or more	5,938	0.8%	<b>5,470,530</b>	17.2%	921
<b>200 or more</b>	<b>29,126</b>	<b>4.0%</b>	<b>12,079,905</b>	<b>38.1%</b>	<b>415</b>
<b>Total</b>	<b>729,046</b>		<b>31,722,039</b>		<b>44</b>

Source: USDA, National Agricultural Statistics Service, 2017 Census of Agriculture.

**References:**

**Farm Financial Standards Task Force FFST.** “*Recommendations of the Farm Financial Standards Task Force: Financial Guidelines for Agricultural Producers*”. Revised 2022, Farm Financial Standards Council, website [www.FFSC.org](http://www.FFSC.org).

**Texas A&M University** – Department of Agricultural Economics Decision Aids Beef  
<http://agecoext.tamu.edu/resources/decisionaids/beef>

**Contact your certified public accountant (CPA)** for additional information for preparing business financial statement.