

Should I Buy Hay or Sell Cows?

Ag In Uncertain Times webinar
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Drought?


Decision Time.

- Forced to buy supplemental feed.
- Cull the herd.
- Sell the herd.





Decision Tool



Should I Buy Hay or Sell Cows?

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This 'decision aid' is designed to help cow-calf producers determine whether it is financial better to sell beef cows now or retain ownership given "high" feed prices. It is a guide only. Producers should consult with their lenders, tax practitioners, and/or other professional before making any final decisions. More information and other decision tools are available at www.coopect.colostate.edu/ABM/.

What is the current year? **2012**

Annual "cow costs" this year? (\$/cow) **0**

Number of cows in herd? **1**

Non-feed costs this year? (\$/cow) **0**

Typical conception rate? **95%**

Annual percentage change in non-feed costs? **0%**

Typical weaning rate? **95%**

Average Weaning Weights

Steers (lbs per head) **550**

Heifers (lbs per head) **515**

Estimated Future Prices:

	2012	2013	2014	2015	2016
500-550 lb Steers (\$/lb)	1.00	1.00	1.00	1.00	1.00
Alfalfa Hay (\$/ton)	1	1	1	1	1
Market Value of Cows (\$/cow)	1	1	1	1	1

Hay To Be Fed:


	2012	2013	2014	2015	2016
Days per year hay fed	1	1	1	1	1
Quantity of hay fed (lbs/day/cow)	1	1	1	1	1

INFORMATION PER COW IN THE HERD (\$/cow)					
	2012	2013	2014	2015	2016
Revenues	0	0	0	0	0
Expenses					
Non-feed costs	0	0	0	0	0
Hay costs	0	0	0	0	0
Pre-Tax Profits	(0)	(0)	(0)	(0)	(0)
Accumulated Profits	(0)	(0)	(0)	(0)	(0)
Salvage Value of Cow	1	1	1	1	1
Value of Cow Kept in Herd	1	1	1	1	1
Annual Speculative Profit	(0)	(0)	(0)	(0)	(0)
Accumulated Speculative Profit	(0)	(0)	(0)	(0)	(0)
If Cow & Calf Sold Each Year	1	1	1	1	1

If **Value of Cow Kept in Herd** is greater than market value of cow, the cow is worth more to keep.

Accumulated Speculative Profit is the dollar amount you would realize if you retained ownership for sale in five years hence.

If **Cow & Calf Sold Each Year** is what that cow is worth to the owner (salvage+calf+profits) if sold in the fall of that specific year.



Decision Tool - Step 1

What is the current year? **2012**

Number of cows in herd? **100**

Typical conception rate? **95%**

Typical weaning rate? **95%**

Average Weaning Weights


Steers (lbs per head) **550**

Heifers (lbs per head) **515**

Annual "cow costs" this year? (\$/cow) **595**

Non-feed costs this year? (\$/cow) **300**

Annual percentage change in non-feed costs? **3%**



Decision Tool - Step 2



Estimated Future Prices:	2012	2013	2014	2015	2016
500-550 lb Steers (\$/lb)	1.49	1.60	1.75	1.55	1.60
Alfalfa Hay (\$/ton)	300	350	225	225	225
Market Value of Cows (\$/cow)	1,100	900	1,500	1,800	2,000
Hay To Be Fed:					
Days per year hay fed	120	240	120	120	120
Quantity of hay fed (lbs/day/cow)	25	25	25	25	25

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Decision Tool - Results



INFORMATION PER COW IN THE HERD (\$/cow)					
	2012	2013	2014	2015	2016
Revenues	698	751	822	727	751
Expenses					
Non-feed costs	300	309	318	328	338
Hay costs	450	1,050	338	338	338
Pre-Tax Profits	(52)	(608)	167	61	75
Accumulated Profits	(52)	(661)	(494)	(433)	(357)
Salvage Value of Cow	1,100	900	1,500	1,800	2,000
Value of Cow Kept in Herd	743	595	1,803	1,937	2,075
Annual Speculative Profit	(357)	(305)	303	137	75
Accumulated Speculative Profit	(357)	(662)	(359)	(222)	(147)
If Cow & Calf Sold Each Year	1,048	239	1,006	1,367	1,643

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Consult Advisor - Before Action



- Your income tax preparer.
- Lender.
- Partners.
- People from whom you lease pasture.
- Family.

Resources:

- ✓ farmmanagement.org
- ✓ ruraltax.org
- ✓ coopext.colostate.edu/tranel/



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What to do during drought?

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