Determining What I Can Pay for Replacement Females

North Central Texas Cattlemen’s Clinic
November 3, 2011
Graham, Texas

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Vernon, Texas

What’s She Worth

• Simple Equations
• Difficult and Risky Assumptions
• Initial Cost of the Investment
• Annual Income (positive or negative) from the investment
• Salvage Value at the end of the useful life of the investment

• Collectively, is she a good investment?
What Does a Beef Cow Do?

Did she have a calf annually?
How big was the calf?
What did I spent on her annually?
What was the calf worth?
What is her cull value?

Difficult & Risky Assumptions to Make

- **Productivity Level**
  - Weaning Percentage
    - Current RP SPA average = 83.2
  - Weaning Weights
    - Current RP SPA Average = 531

- **Costs to Run a Cow Annually**
  - Current RP SPA Average = $595

- **Future Calf Market Prices**
  - FAPRI
FAPRI Price Projections
http://www.fapri.missouri.edu

FAPRI's Projection is for 600-650 OKC Feeder Steers

Now, Reverse the Process

Net Present Value:
Initial Investment plus the Sum of the Flow of Discounted NI's equals today's value of Replacement Females.
Keep In Mind: "Tomorrow's $ is not worth today's $"
An Illustration: Buying a Young Pair Early Next Summer

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Cull Value (1,075 lbs @ $74.11)</th>
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</thead>
<tbody>
<tr>
<td>Price</td>
<td>$145.79</td>
<td>$154.66</td>
<td>$155.11</td>
<td>$121.19</td>
<td>$146.79</td>
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<td>W: 95%</td>
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<tr>
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What Does the $2,000 Mean?

- Given our Assumptions, your long-term investment analysis projects exactly $0.39 over the projected time period on your long-term investment.
  - Pay more than $2,000 (given our assumptions) you lose money on your long-term investment
  - Pay less than $2,000 (given our assumptions), you make money on your long-term investment

Obvious Assumptions

- Productivity Level
  - Weaning percentage annually
  - Weaning weights annually
- Costs to maintain a female annually
- Calf Market Prices
Considerations

- What type of female do you purchase?
  - Ongoing productivity (pairs, bred cows, etc.)
  - Those requiring a development phase (heifers)
- Number of Years of Ownership (Longevity)
  - The longer you keep a “productive” female, the cheaper she gets?
- Did I borrow the money?
- Genetic Potential
- Management Requirements
- Culling Rate

Excel Spreadsheet to run many scenarios. Send me an email and I will send it to you. Requires MS Excel.
Questions/Comments

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