

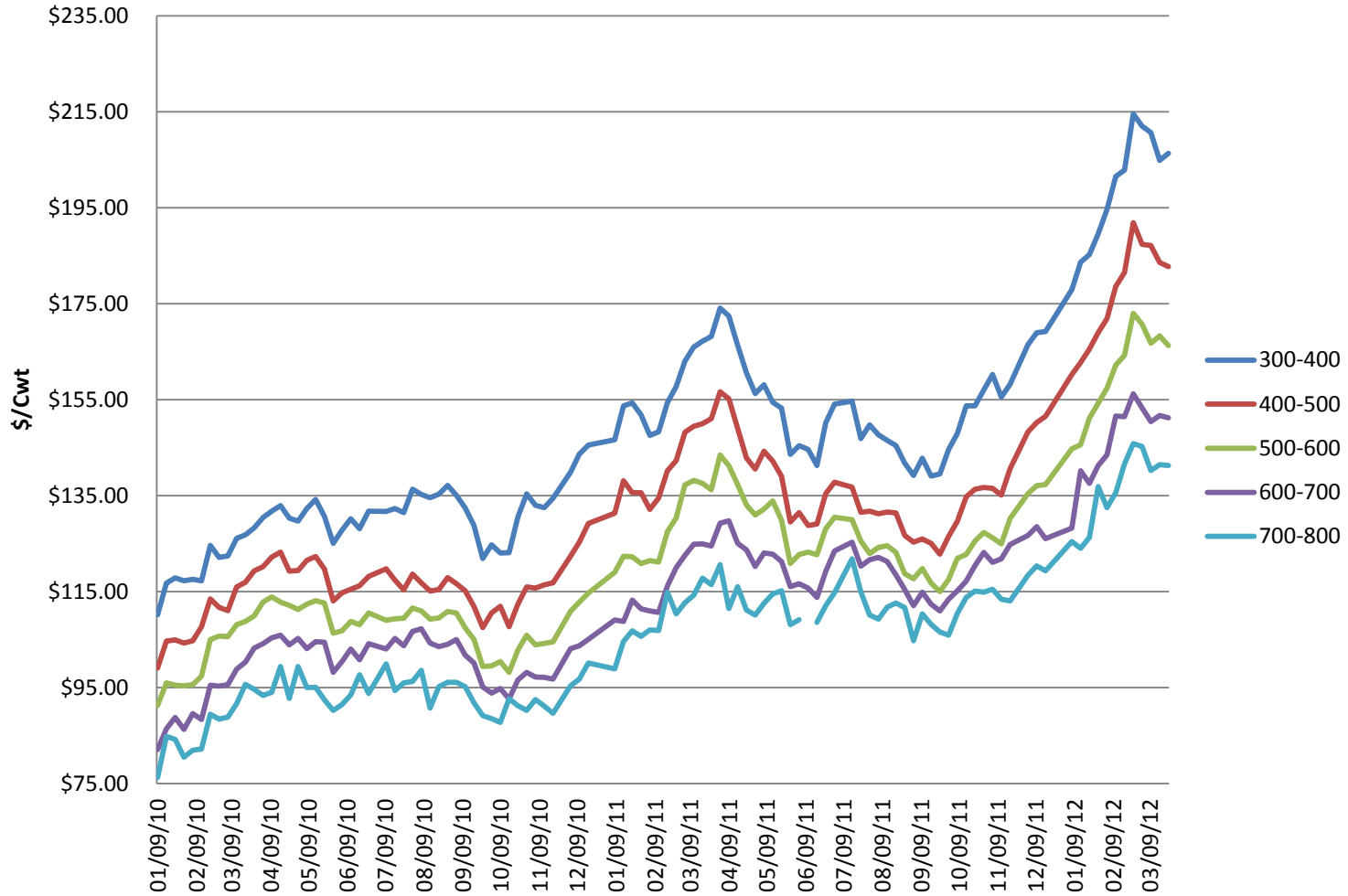
Should I sell off the cow or precondition?

Dr. Curt Lacy

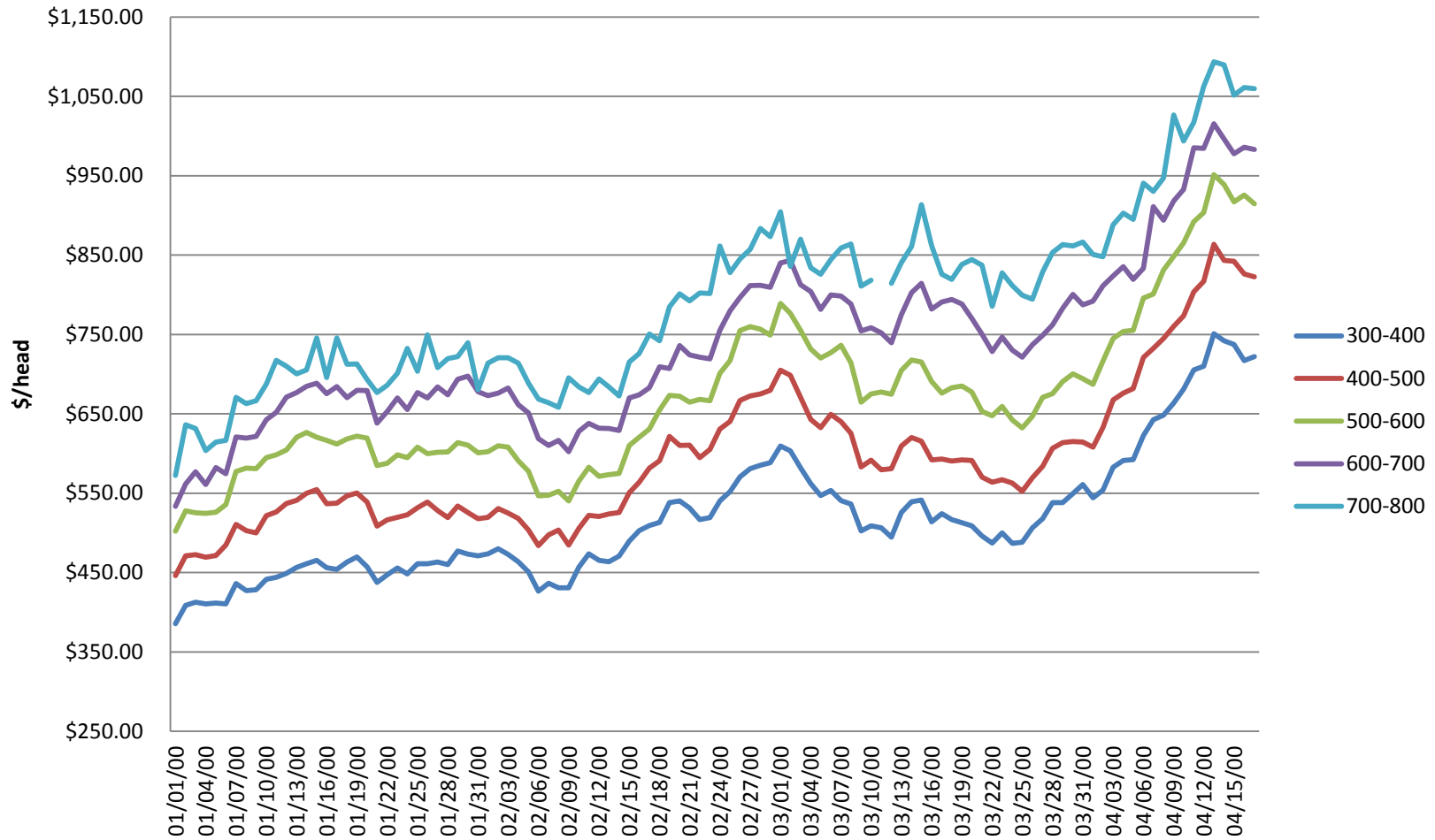
Extension Economist-Livestock



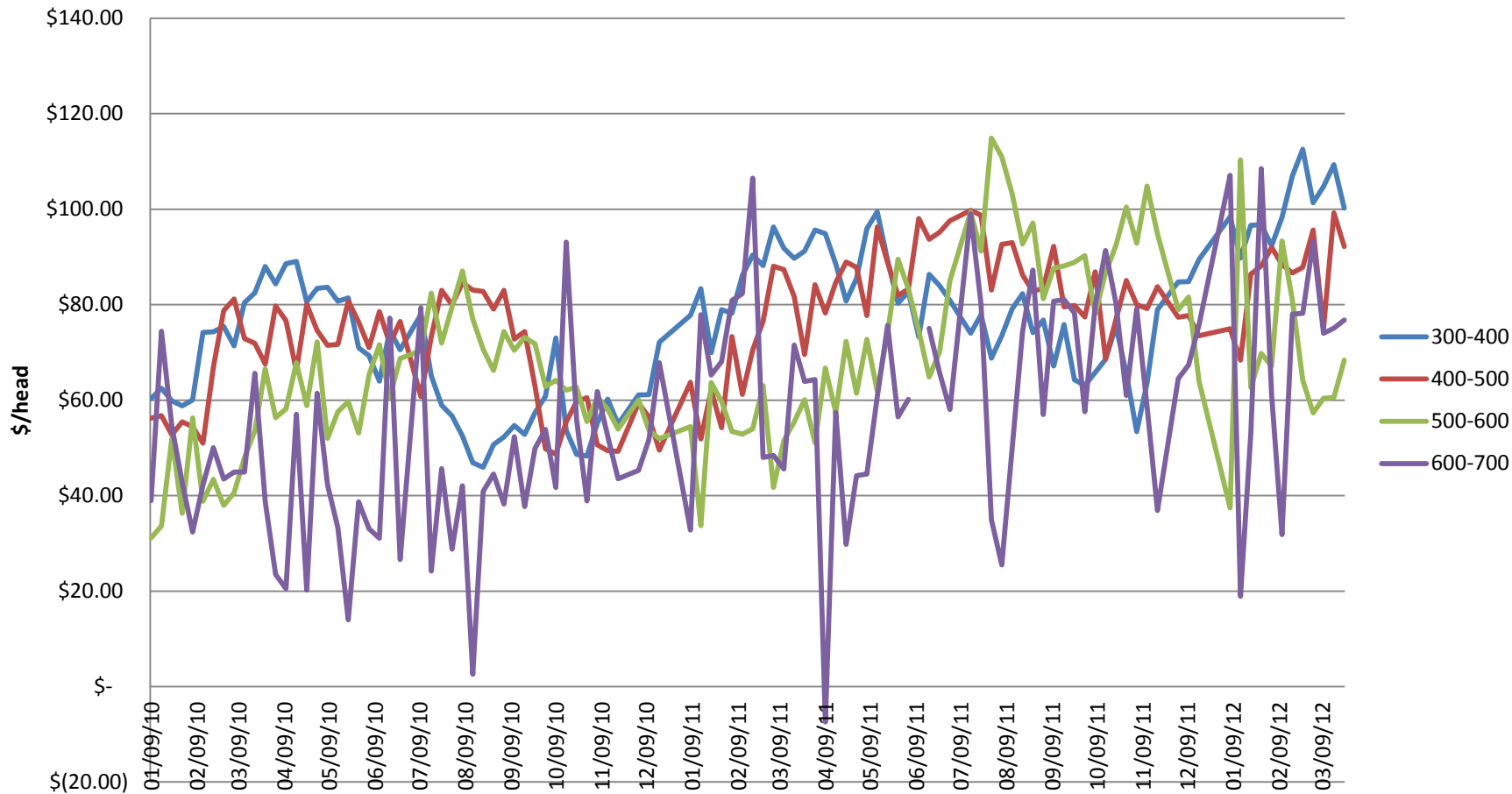
Prices for GA Cattle 2010-Current



Values for GA Cattle 2010-Current



Additional Value by Adding 100 Pounds 2010-Current



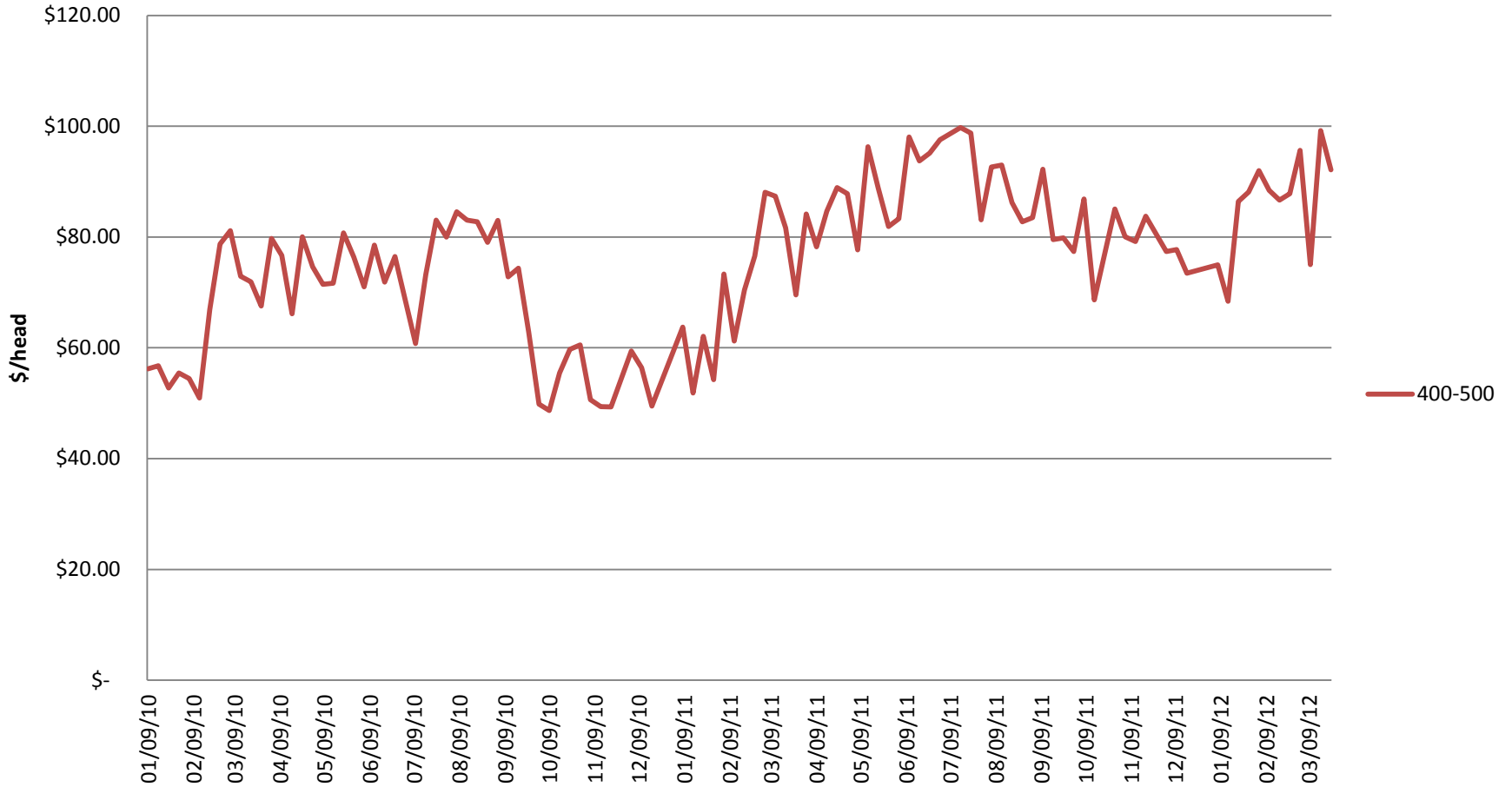
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Southeast Cattle Advisor

Additional Value by Adding 100 Pounds 2010-Current



Considerations for Adding Weight to Calves

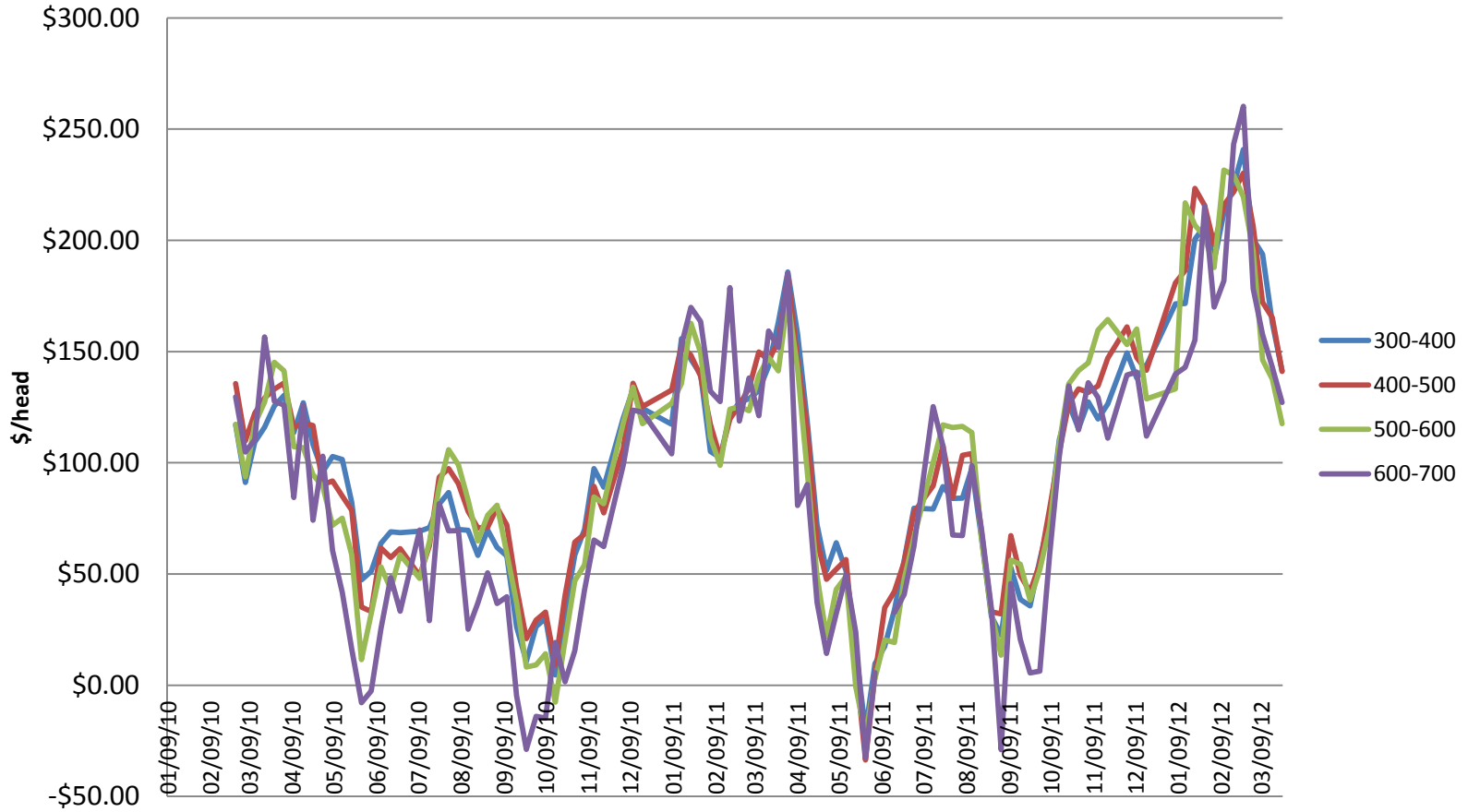
Upside

- Extends marketing window
- Opportunity to wean early
- Potentially add value

Downside

- Increases market exposure
- Possibility of death loss
- Additional land/facility requirements
- Additional management

8-Week Change in Value for 100 Pounds



When is RO Profitable?

ITEM	Total Dollars
Final Value of Feeders (Price X Sales Weight X Number Sold)	
- Marketing Costs	
Net Final Value (NFV)	
Initial Value of Calves (Price X Sales Weight X Number Sold)	
- Marketing Costs	
Net Beginning Value (NBV)	
Additional Costs	
Pasture (seed, fertilizer, fuel, etc.)	
Feed	
Hay	
Vet & mineral (implants, vaccines, etc.)	
Repairs	
Additional labor	
Land rent	
TOTAL ADDITIONAL COSTS (TAC)	
Profits (NFV-NBV-TAC)	

Three Numbers to Know Considering Retaining Ownership

- Cost of Gain – COG
- Value of Gain – VOG
- Breakeven Price – BE



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What is COG of Gain (GOG)?

COG is the cost of putting the additional weight on the animal excluding the initial value of the animal. Usually expressed as \$/Cwt.

$$\text{COG} = \frac{\text{Total cost of adding weight}}{\text{Pounds of additional gain}}$$

What is Value of Gain (VOG)?

VOG is the value of the additional weight placed on the animal.
Usually expressed as \$/Cwt.

VOG is NOT the sales price!!

What is Value of Gain (VOG)?

$$\text{VOG} = \frac{\text{Ending Value} - \text{Beginning Value}}{\text{WG}}$$

$$\text{VOG} = \frac{(\text{EW} \times \text{EP}) - (\text{BW} \times \text{BP})}{\text{WG}}$$

Where, EW = ending weight

EP = ending price

BW = beginning weight

BP = beginning price

How do I know what prices are going to be?



Buy/Sell Margin Calculator Version 4.0

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The buy/sell margin (the difference between a feeder calf or yearling purchase price and a sale price at some later date) is a critical component in the profitability of beef cattle backgrounding and finishing systems. In fact, the margin can make or break a producer in a single year.

This program allows you to look at historical buy/sell margins for buy-sell periods that you select for steers, heifers, Holstein steers, and finished cattle (5-Market Area).

These historical buy/sell margins can give you some feel for the price risk exposure on purchased cattle as well as calves from a cow/calf program. The absolute buy/sell margins in dollars per hundredweight are one measure of price risk.

The BSM Calculator will calculate the minimum (worst), average, and maximum (best) buy/sell margins for the past 10 years based on your selections of both buying and selling months, state, sex, weight ranges, and grades.

To learn more about the buy/sell margin and the Buy/Sell Margin Calculator click on the User's Guide button below.



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Buy/Sell Margins Calculator - Input

Sex	<input type="text" value="Steers"/>		
Beginning State	<input type="text" value="Georgia"/>	Ending State	<input type="text" value="Georgia"/>
Beginning month	<input type="text" value="Jul"/>	Ending month	<input type="text" value="Sep"/>
Beginning weight	<input type="text" value="525"/>	Ending weight	<input type="text" value="625"/>
Beginning grade	<input type="text" value="Medium #1"/>	Ending grade	<input type="text" value="Medium #1"/>
Percent Medium #1	<input type="text" value="100"/>	Percent Medium #1	<input type="text" value="100"/>

Historical Buy/Sell Margins - Results

Year	Selling Month		Year	Buying Month		Buy/Sell Margin \$/cwt	Value of Gain \$/cwt	Selling Price as % of Buying Price	
	M1 Price \$/cwt	M2 Price \$/cwt		M1 Price \$/cwt	M2 Price \$/cwt				
2001	81.00	0.00	2001	90.27	0.00	-9.27	32.33	90%	
2002	71.41	0.00	2002	75.08	0.00	-3.67	52.14	95%	
2003	86.92	0.00	2003	87.86	0.00	-0.94	81.99	99%	
2004	102.46	0.00	2004	113.90	0.00	-11.44	42.40	90%	
2005	104.65	0.00	2005	110.95	0.00	-6.30	71.57	94%	
2006	104.61	0.00	2006	111.33	0.00	-6.72	69.33	94%	
2007	104.20	0.00	2007	110.88	0.00	-6.68	69.13	94%	
2008	94.58	0.00	2008	98.40	0.00	-3.82	74.53	96%	
2009	87.33	0.00	2009	95.28	0.00	-7.95	45.59	92%	
2010	99.18	0.00	2010	109.87	0.00	-10.69	43.06	90%	
						Minimum	-11.44	32.33	90%
						Average	-6.75	58.21	93%
						Maximum	-0.94	81.99	99%



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What price do I need?

$$\text{Breakeven sales price} = \frac{\text{Total stockering cost (including calf value)}}{\text{Sales weight}}$$

Example

Compare selling 525 in July vs. 625 in Sep (60d).

- Sales price in July = \$160 vs. \$152 in Sep
 - July value = \$840/hd.
 - Sep value = \$950/hd.
- Feed cost* = \$45/hd. + \$15 other cost = \$60/hd.

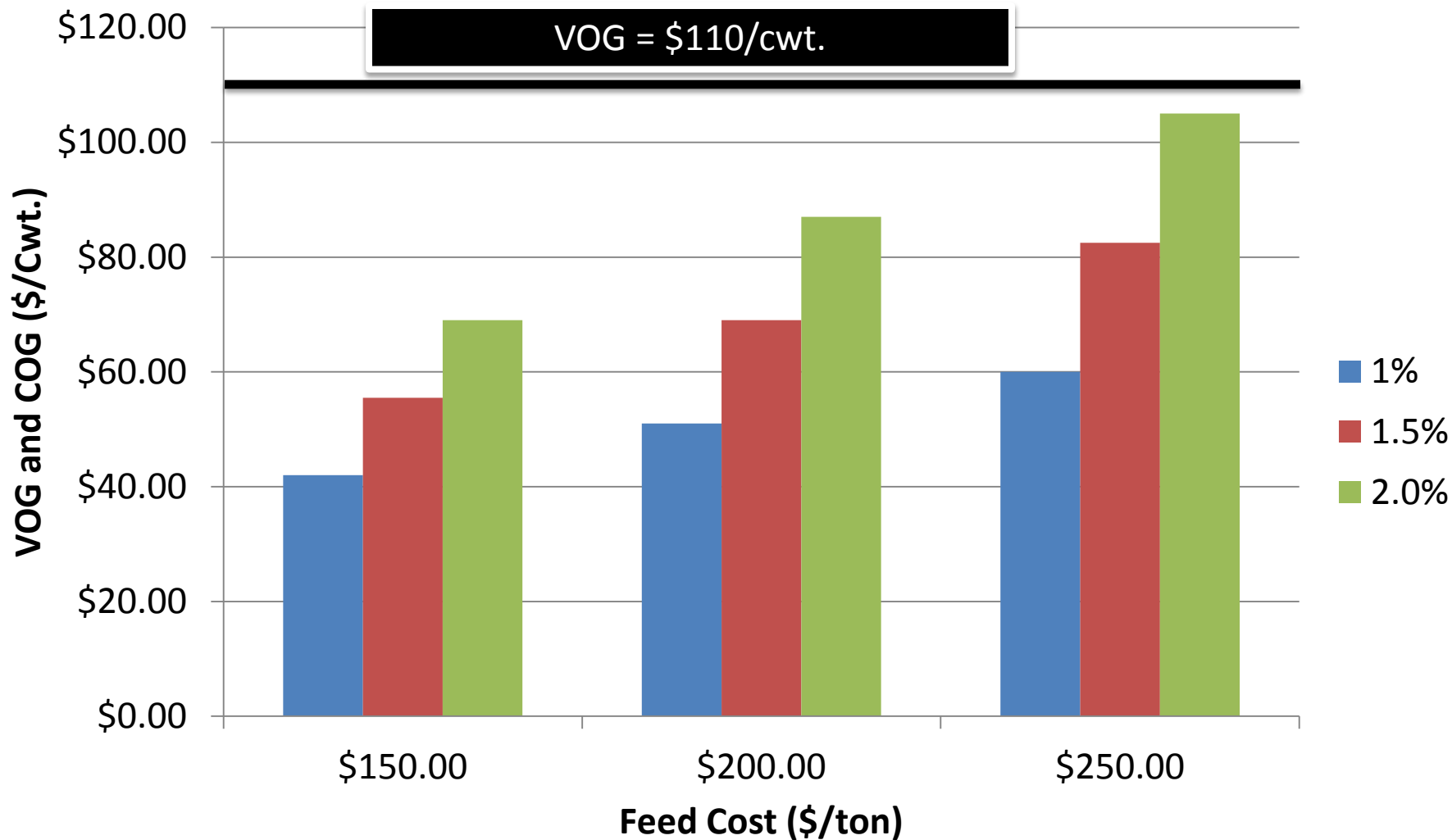
*Feed cost = \$250/ton fed @ 6#/day = \$60 feed bill/head

Example

Compare selling 525 in July vs. 625 in Sep (60d).

- $VOG = \$110/\text{Cwt. } (\$950 - \$840)/100 \text{ lbs.}$
- $COG = \$60/\text{cwt. } (\$60/\text{hd. } /100 \text{ lbs.})$
- $B/E = \$144/\text{cwt. } (\$840+60)/625 \text{ sales weight}$

Impacts of Feed Cost on the Decision



Summary

- Adding weight during these high prices can be profitable. It can also be costly.
- Spring and mid-summer are the best bets for making money.
- Be cautious if you will be selling in late spring and late fall/early winter.
- Pay attention to Value of Gain and Cost of Gain.
- Use the BSM Calculator.

Should I Sell off the Cow or Precondition

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