

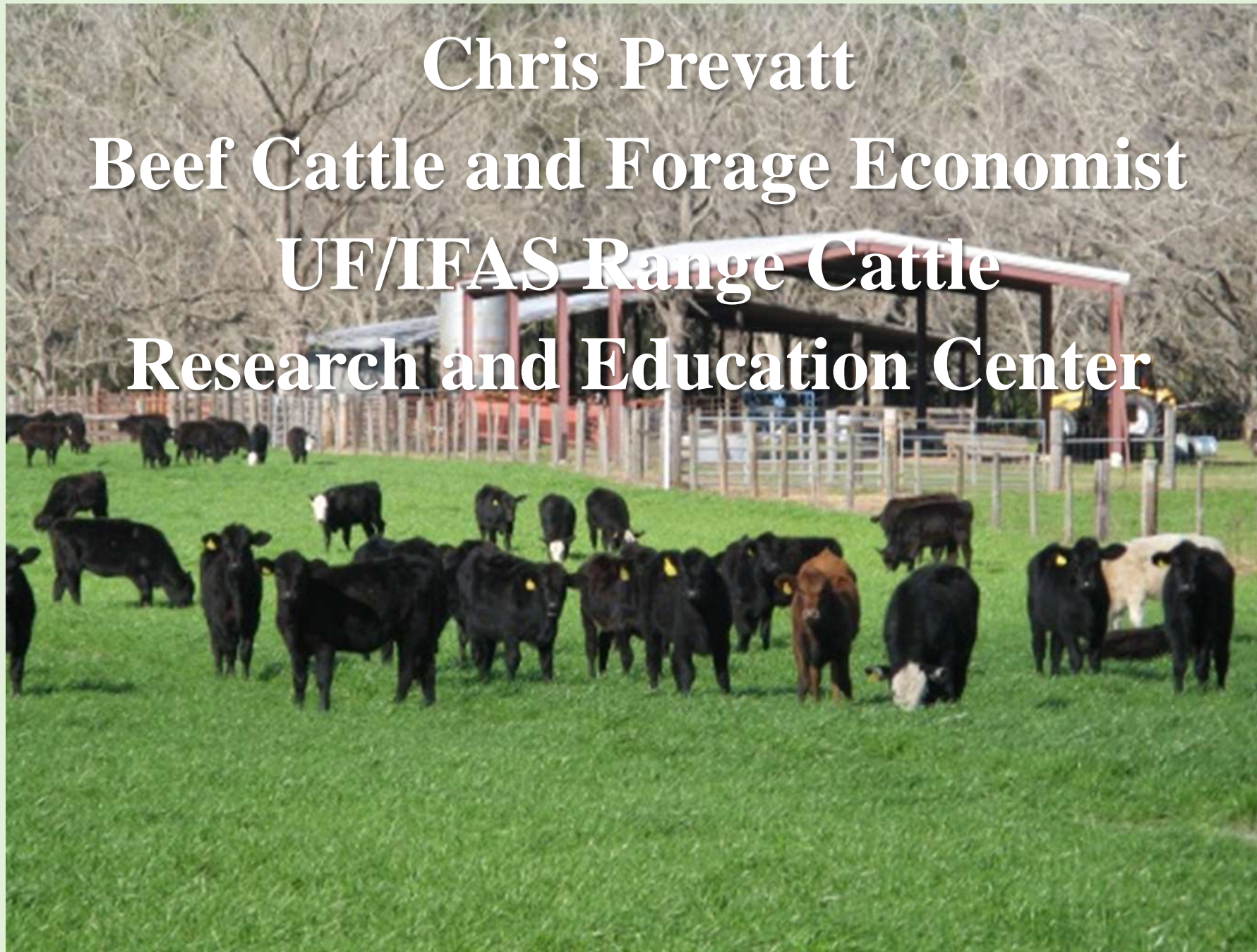
Crunching the Numbers for Taxes and Analysis

Chris Prevatt

University of Florida, Range Cattle REC

Extension Economist

Chris Prevatt
Beef Cattle and Forage Economist
UF/IFAS Range Cattle
Research and Education Center



2017 Beef Cattle Market

Both beef supplies and cattle prices increased in 2017 relative to 2016, this outcome is only possible because of demand growth.

Projected Cow-Calf Profits

During the Four Phases of the Cattle Price Cycle

Phase of Cattle Price Cycle	Projected Cow-Calf Profits/Losses
	<ul style="list-style-type: none">➤ This is simply a projection about cow-calf profit trends based on the past history using a 12-year cattle price cycle.➤ No one knows for certain the length of the four phases of the cattle price cycle.➤ We will update this projection as time progresses and new economic information becomes available.

Projected Cow-Calf Profits

During the Four Phases of the Cattle Price Cycle

Phase of Cattle Price Cycle	Projected Cow-Calf Profits/Losses
Top of Price Cycle (2013-2015)	
Downward Price Transition (2015-2019?)	
Bottom of Price Cycle (2019-2021?)	
Upward Price Transition (2021-2024?)	

Projected Cow-Calf Profits

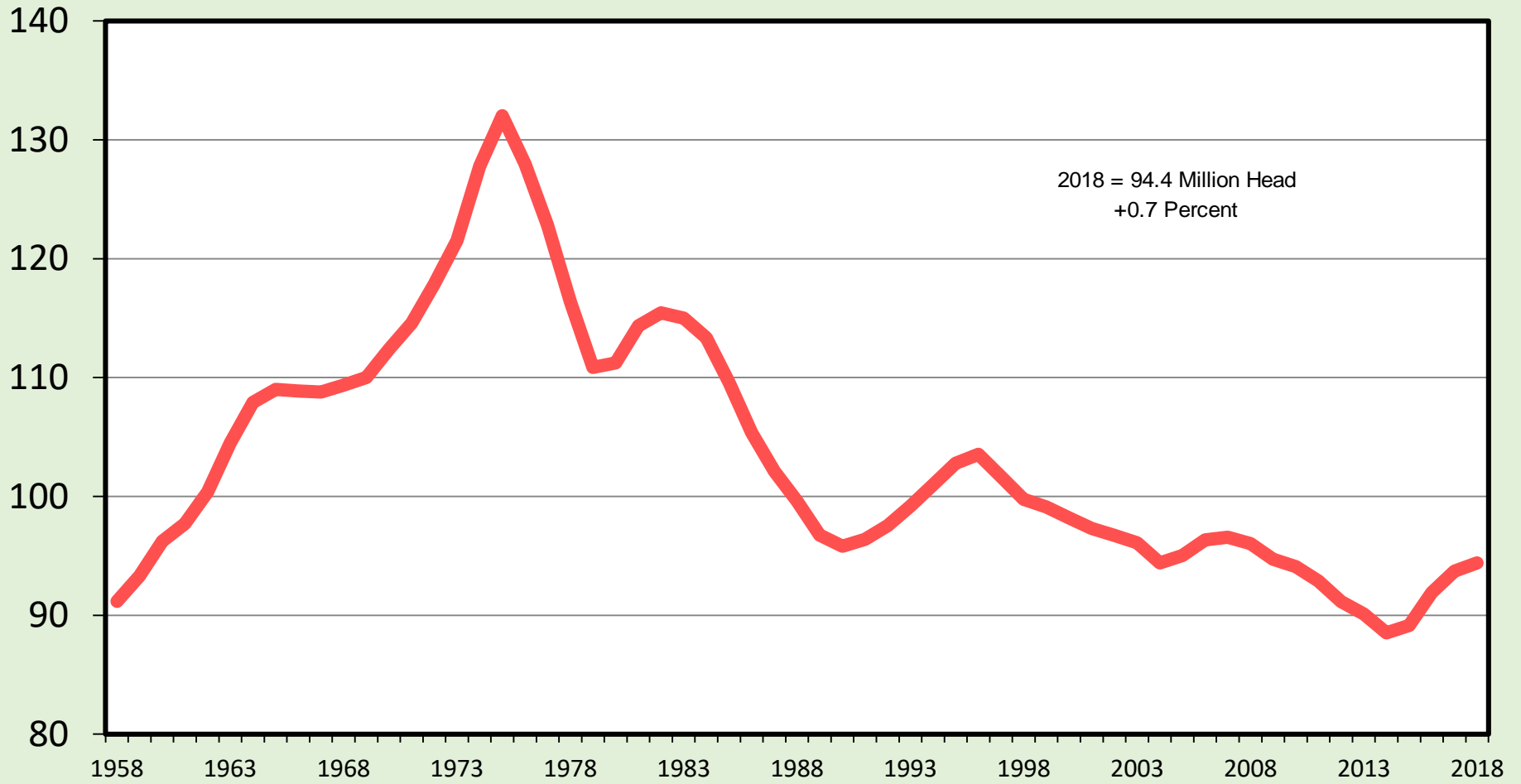
During the Four Phases of the Cattle Price Cycle

Phase of Cattle Price Cycle	Projected Cow-Calf Profits/Losses
Top of Price Cycle (2013-2015)	Significant Profits
Downward Price Transition (2015-2019?)	Profits/Losses Declining Profitability
Bottom of Price Cycle (2019-2021?)	Significant Losses
Upward Price Transition (2021-2024?)	Profits/Losses Improving Profitability

JANUARY 1 TOTAL CATTLE INVENTORY

U.S., Annual

Mil. Head



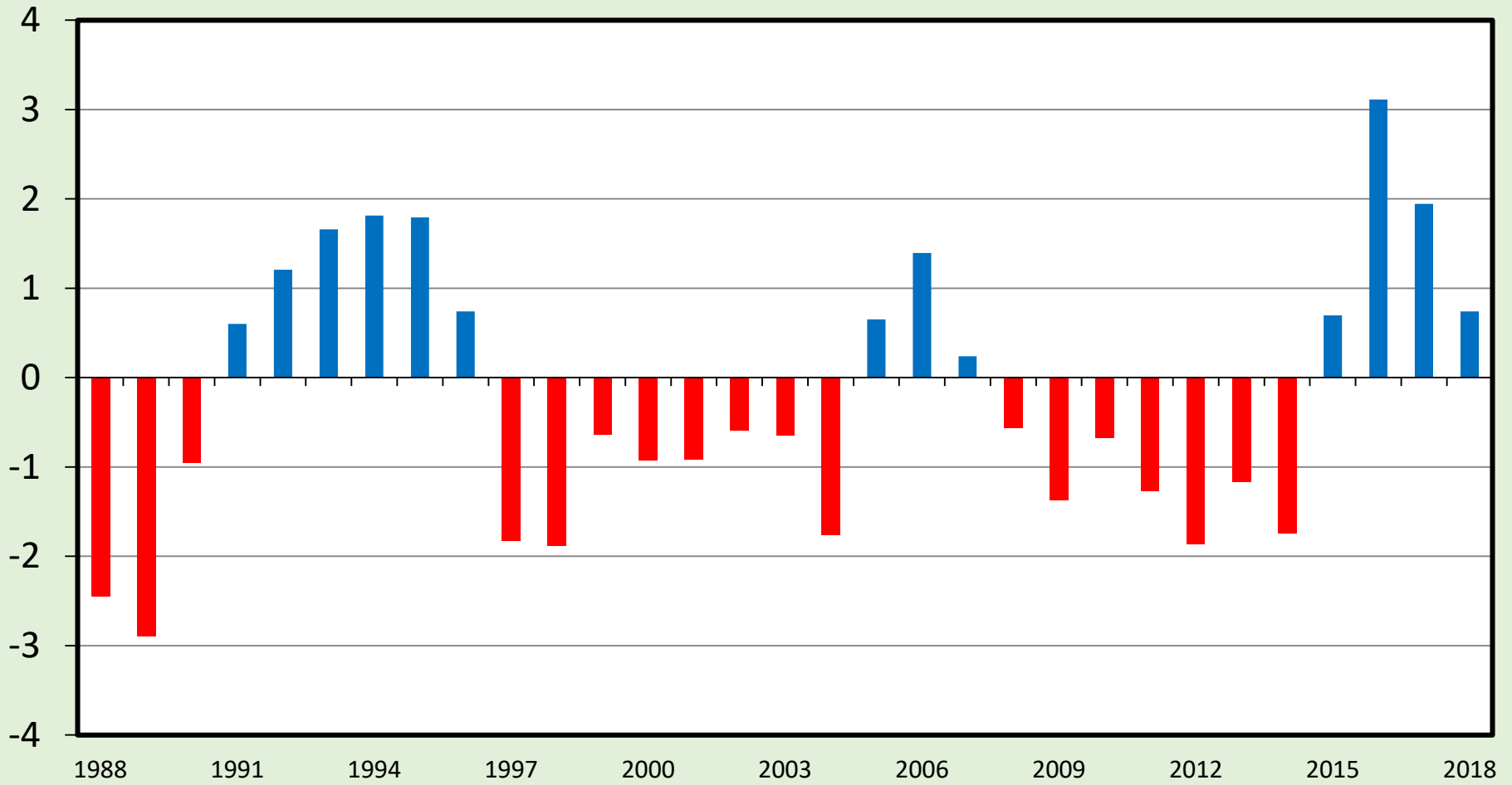
Data Source: USDA-NASS

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C-N-01
01/31/18

PERCENT CHANGE IN CATTLE INVENTORY

U.S., January 1



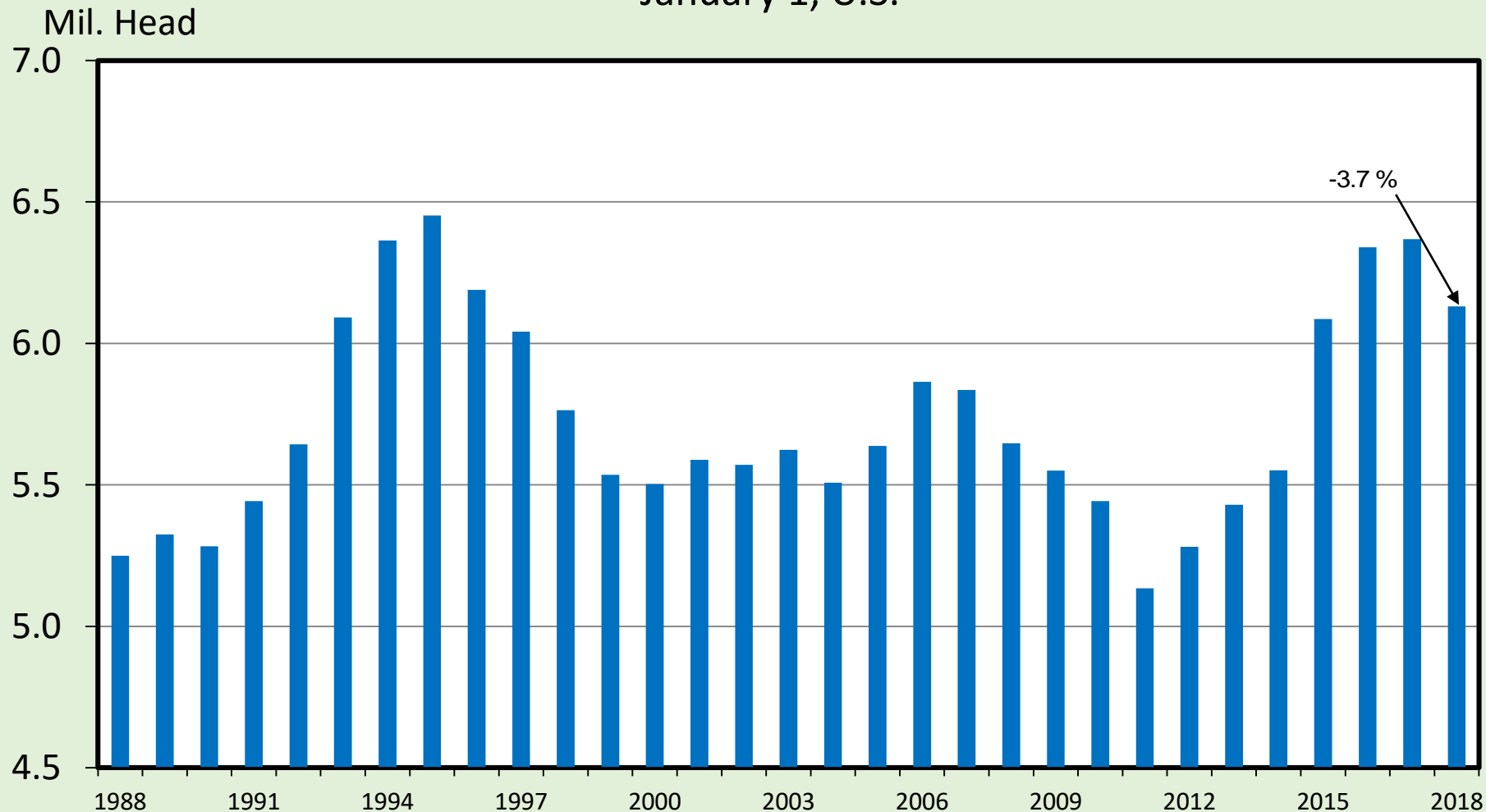
Data Source: USDA-NASS, Analysis by LMIC

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C-N-48
01/31/18

HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



Data Source: USDA-NASS

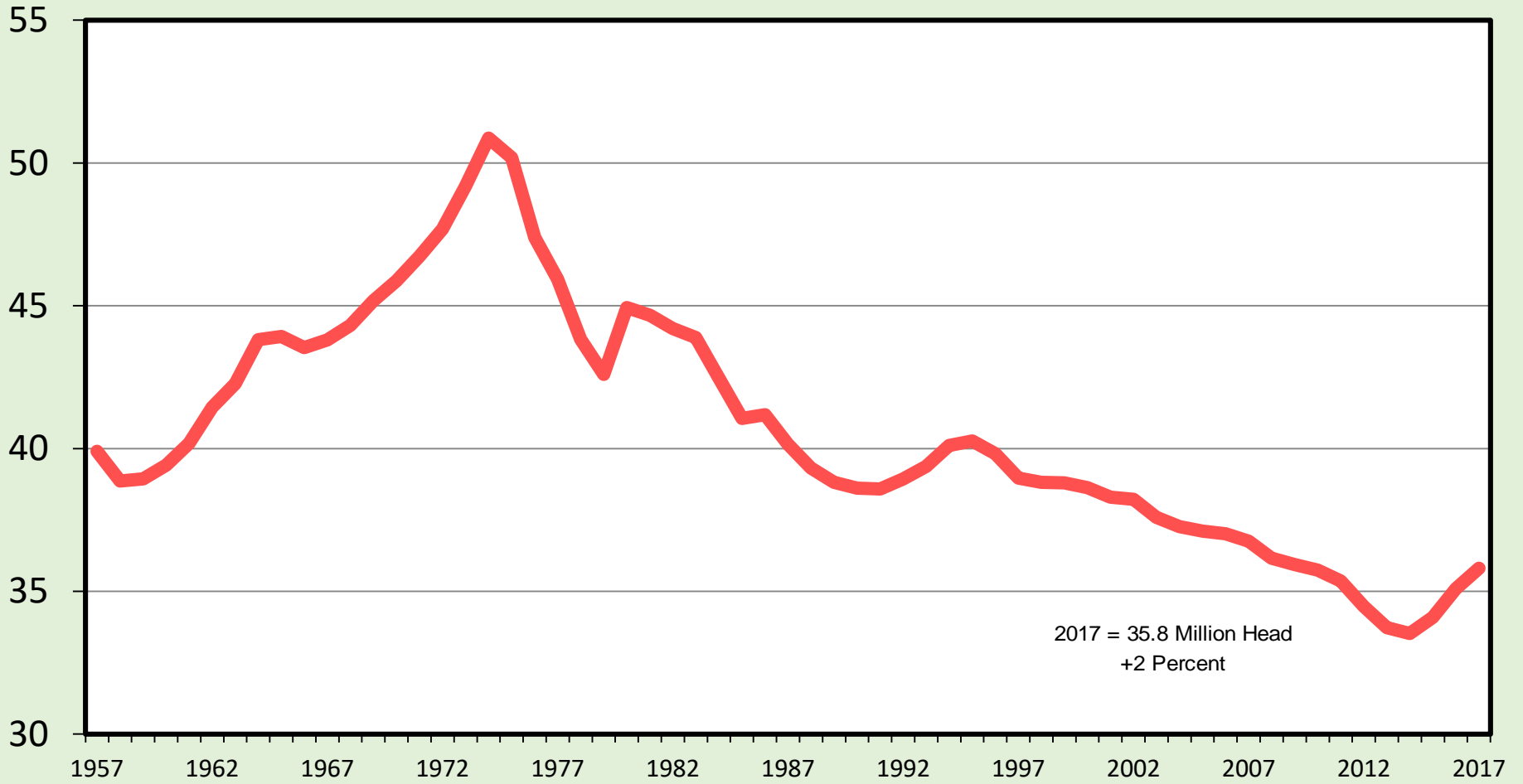
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01/31/18

CALF CROP

U.S., Annual

Mil. Head



Data Source: USDA-NASS

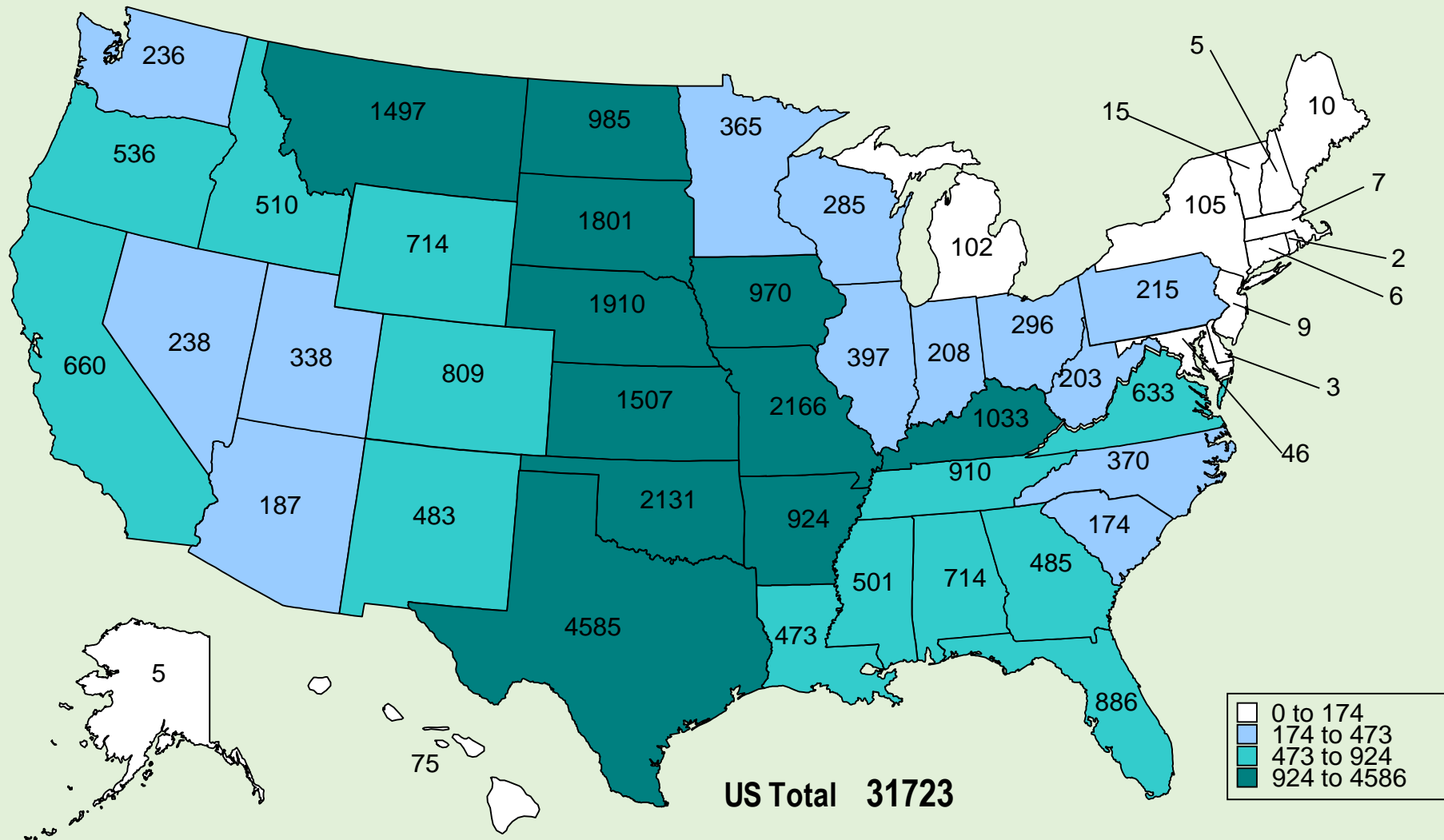
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C-N-18A

01/31/18

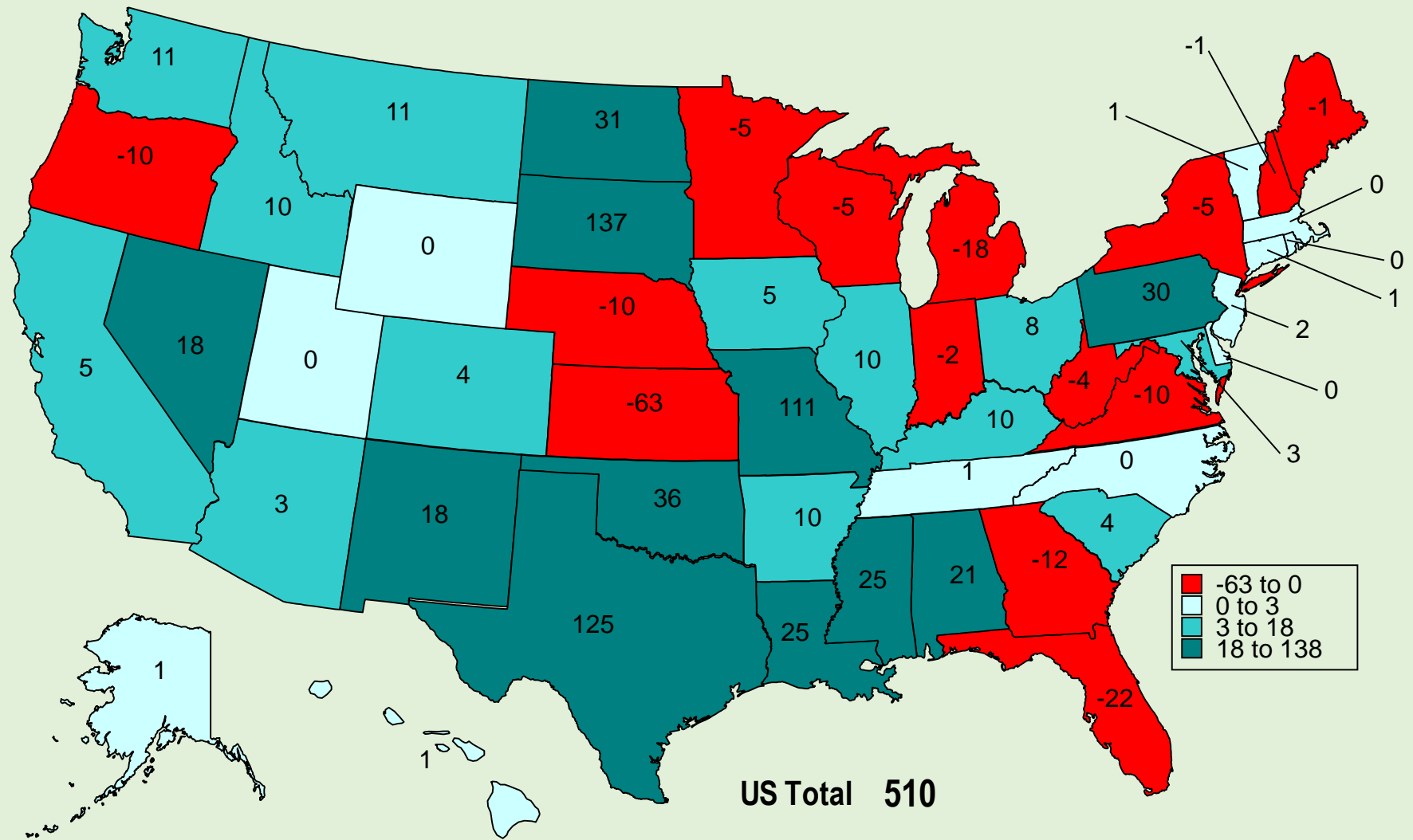
BEEF COWS THAT CALVED JANUARY 1, 2018

(1000 Head)



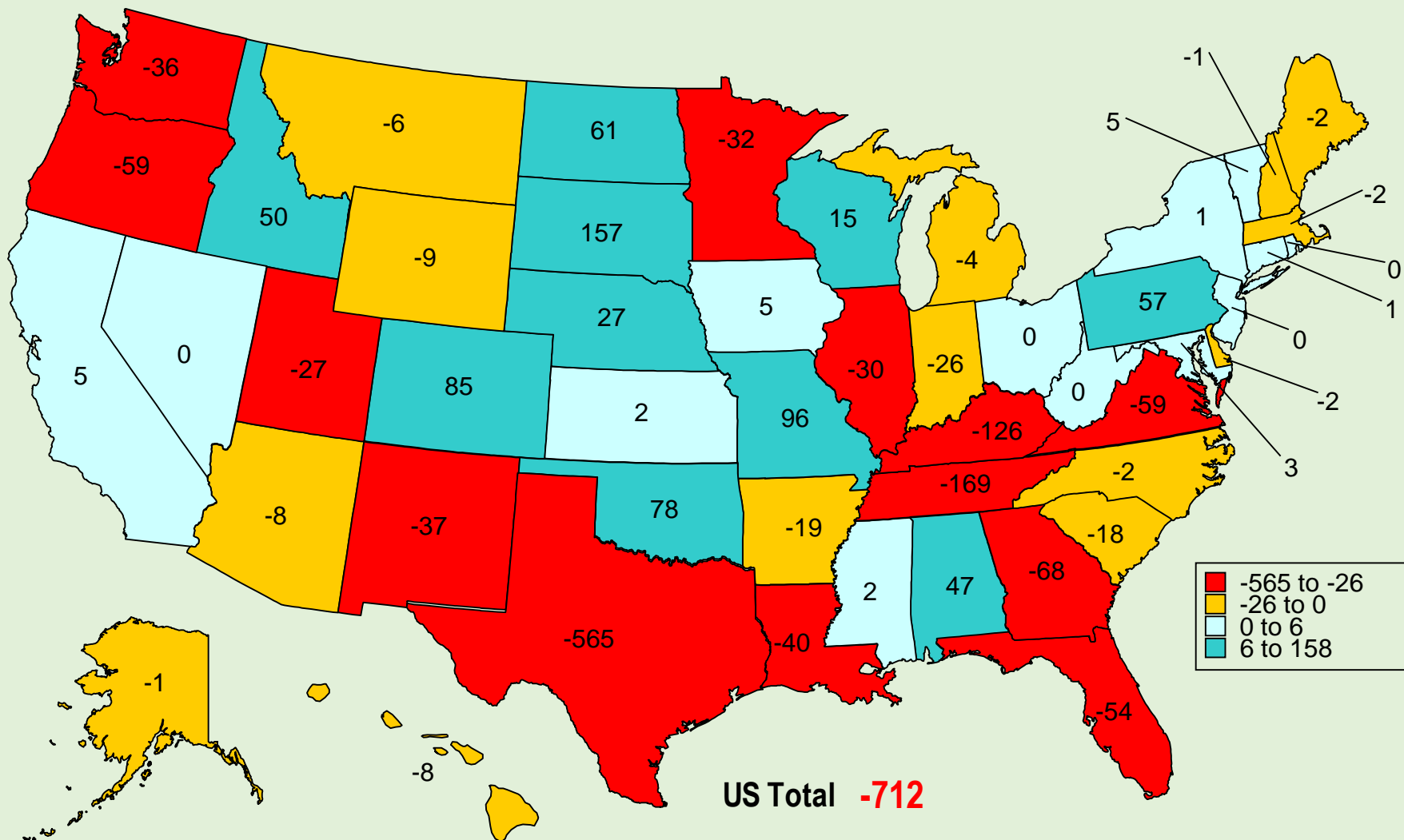
CHANGE IN BEEF COWS NUMBERS 2017 TO 2018

(1000 Head)



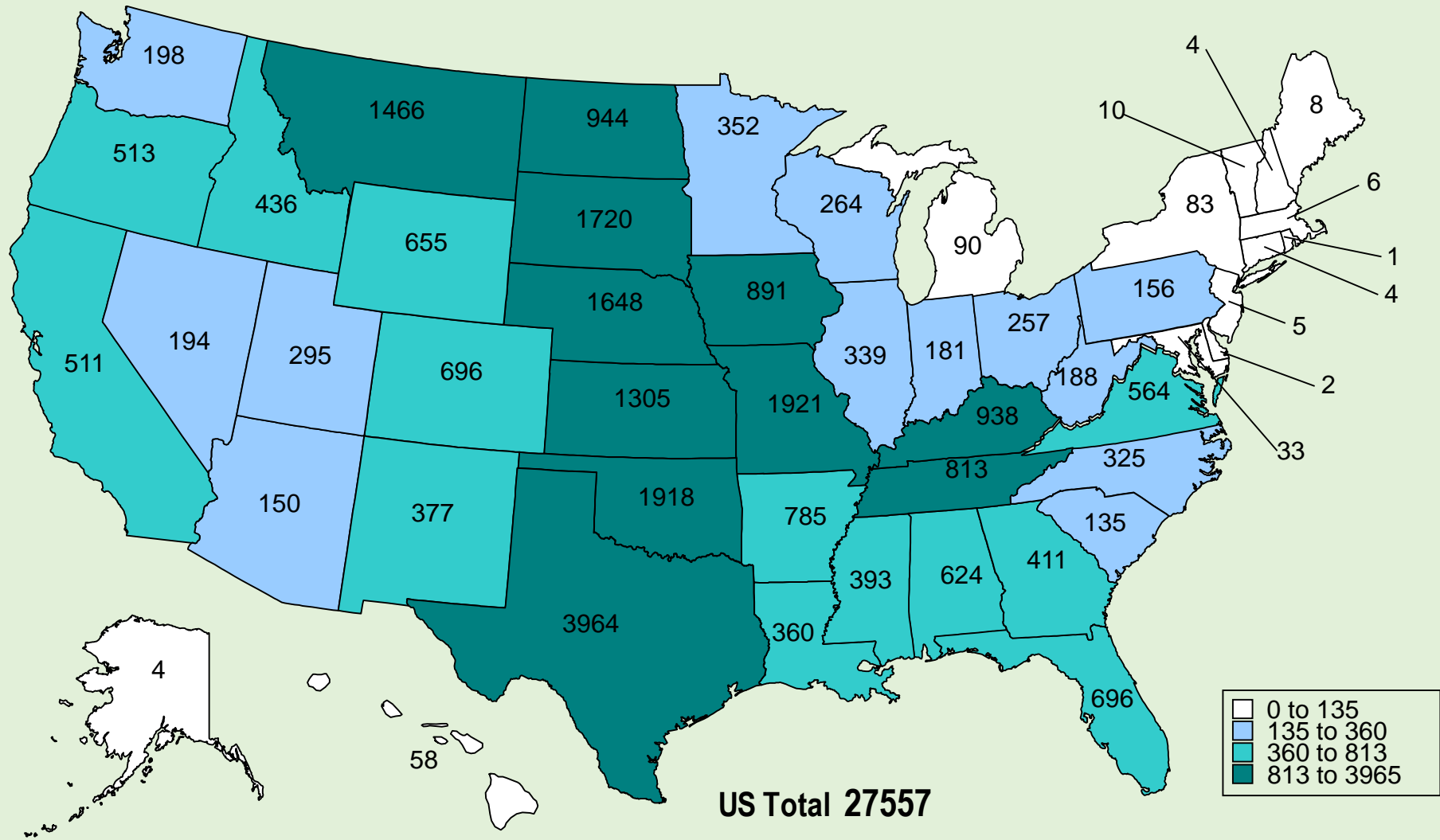
CHANGE IN BEEF COWS NUMBERS 2008 TO 2018

(1000 Head)



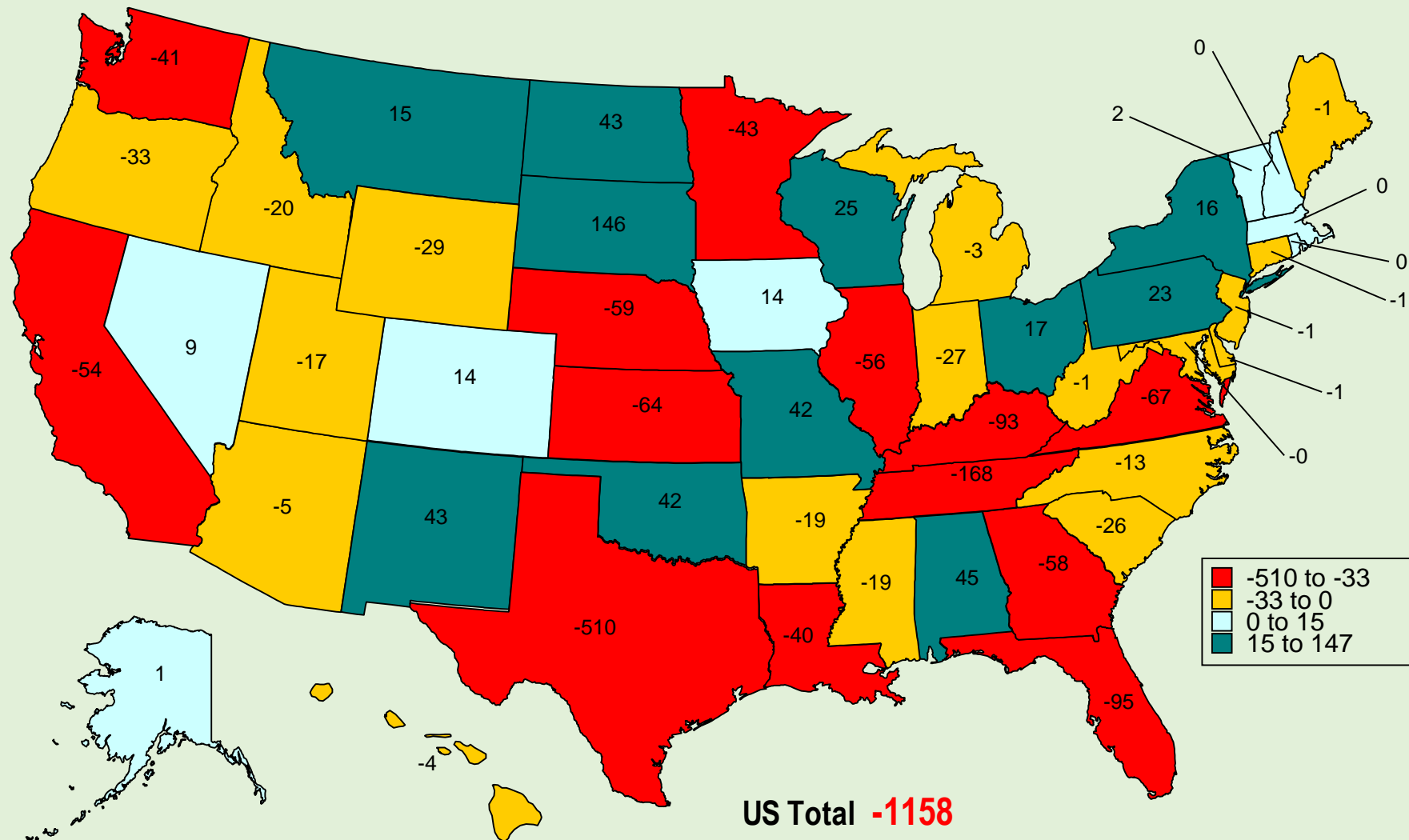
CALCULATED BEEF CALF CROP 2017

(1000 Head)



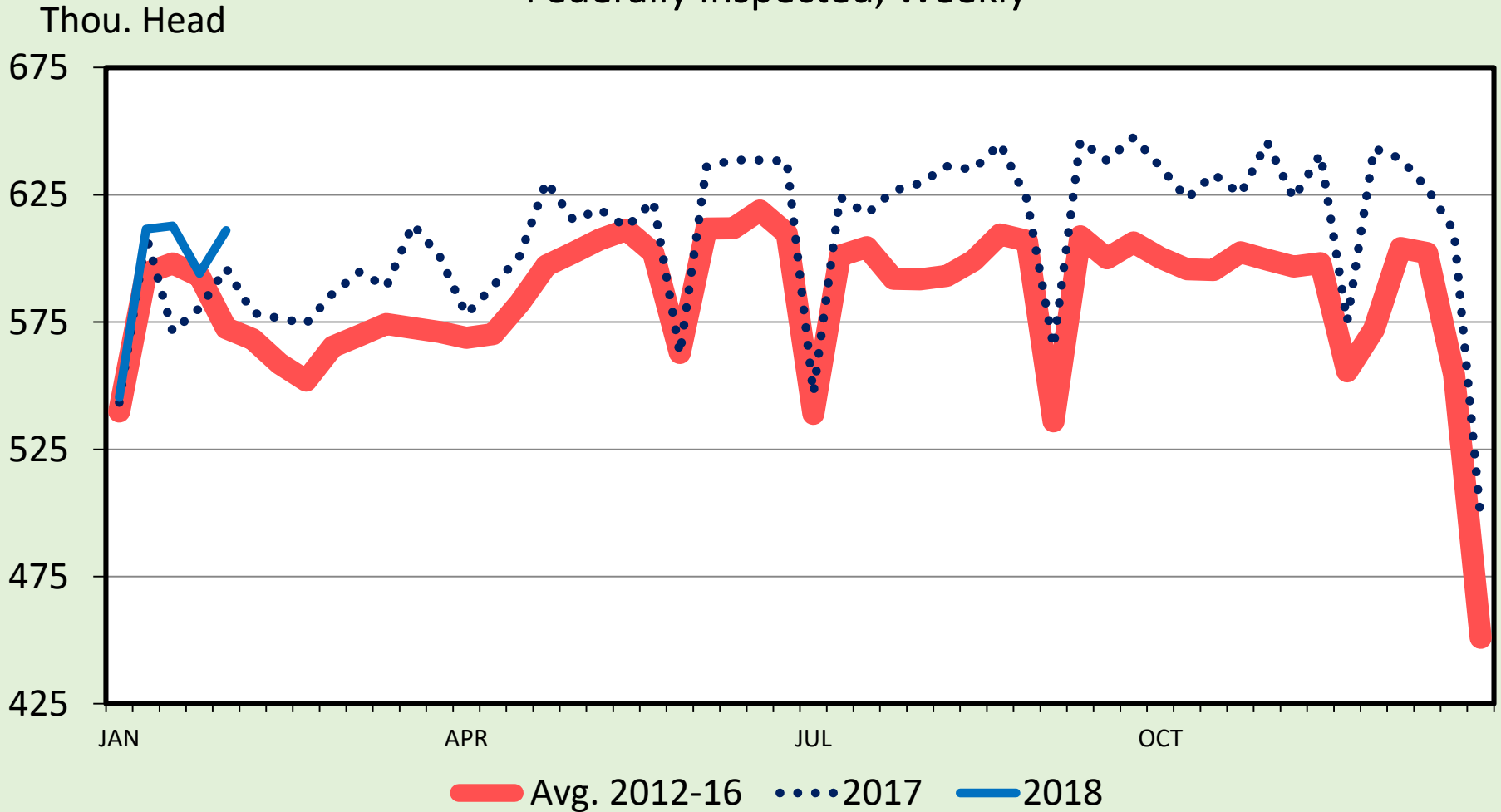
CHANGE IN BEEF CALF CROP 2007 - 2017

(1000 Head)



CATTLE SLAUGHTER

Federally Inspected, Weekly



Data Source: USDA-AMS & USDA-NASS

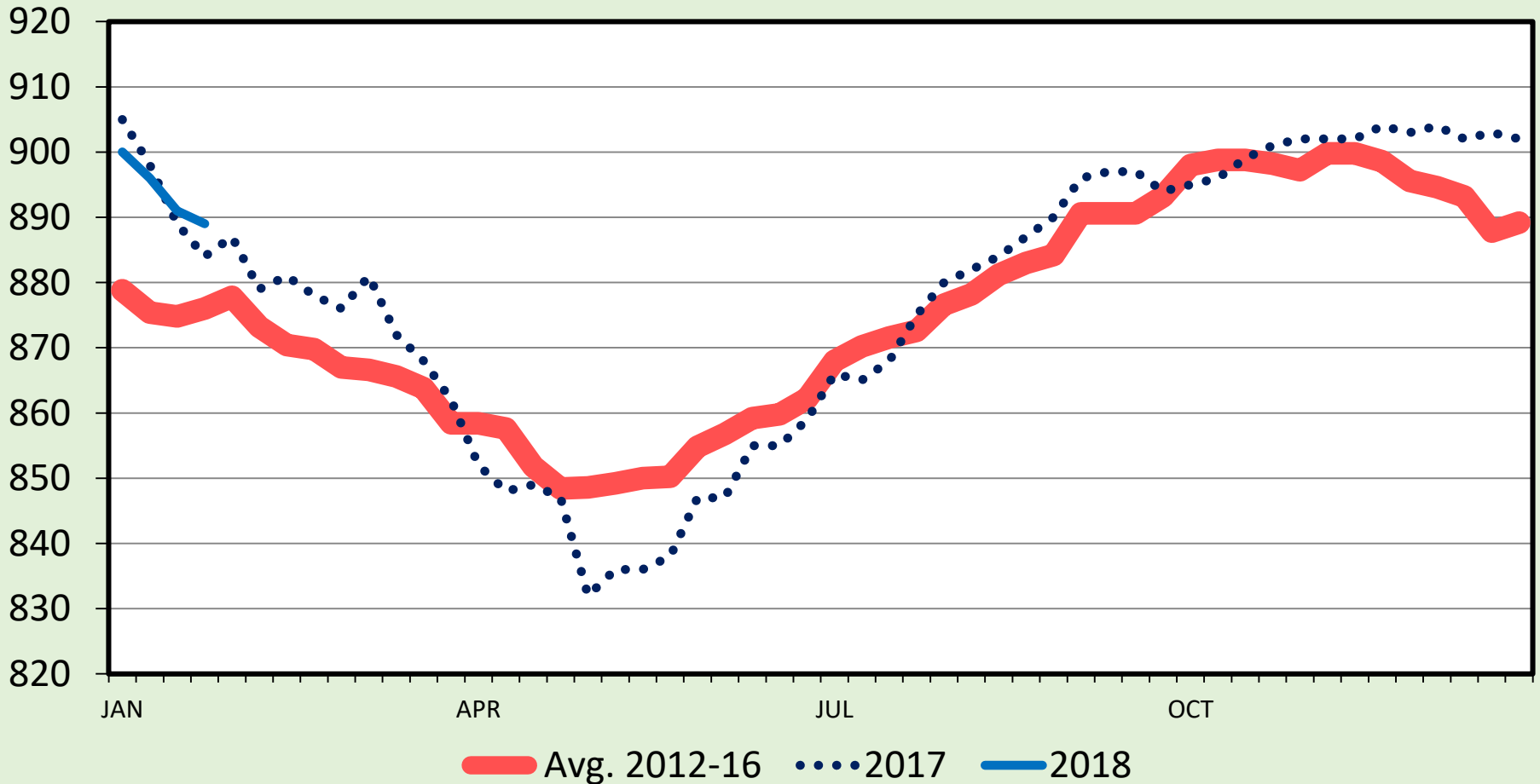
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C-S-08
02/08/18

STEER DRESSED WEIGHT

Federally Inspected, Weekly

Pounds



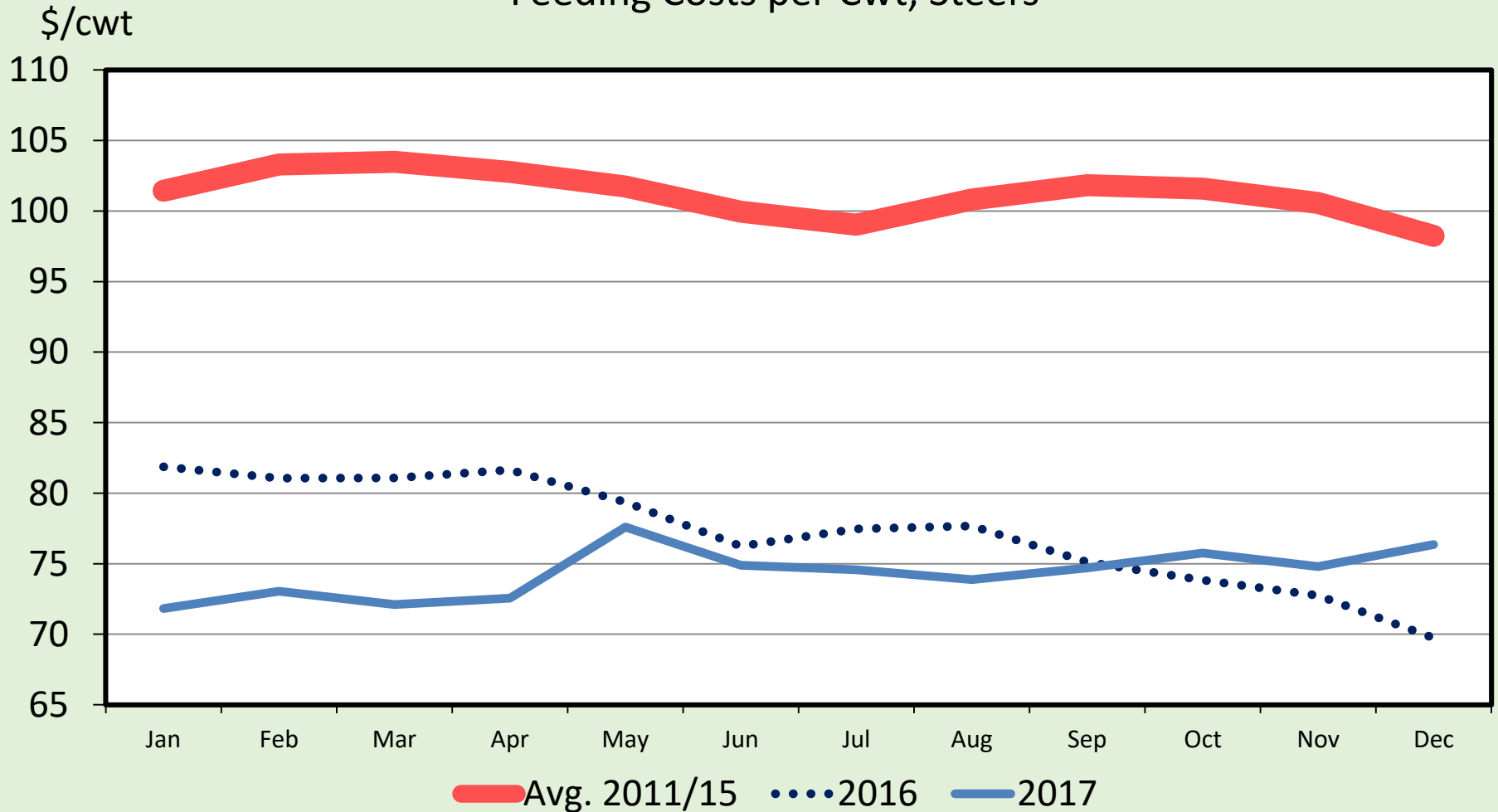
Data Source: USDA-AMS & USDA-NASS

Livestock Marketing Information Center

C-S-18
02/08/18

KANSAS FEEDLOT CLOSEOUTS

Feeding Costs per Cwt, Steers



Data Source: KSU Focus on Feedlots, Compiled by LMIC

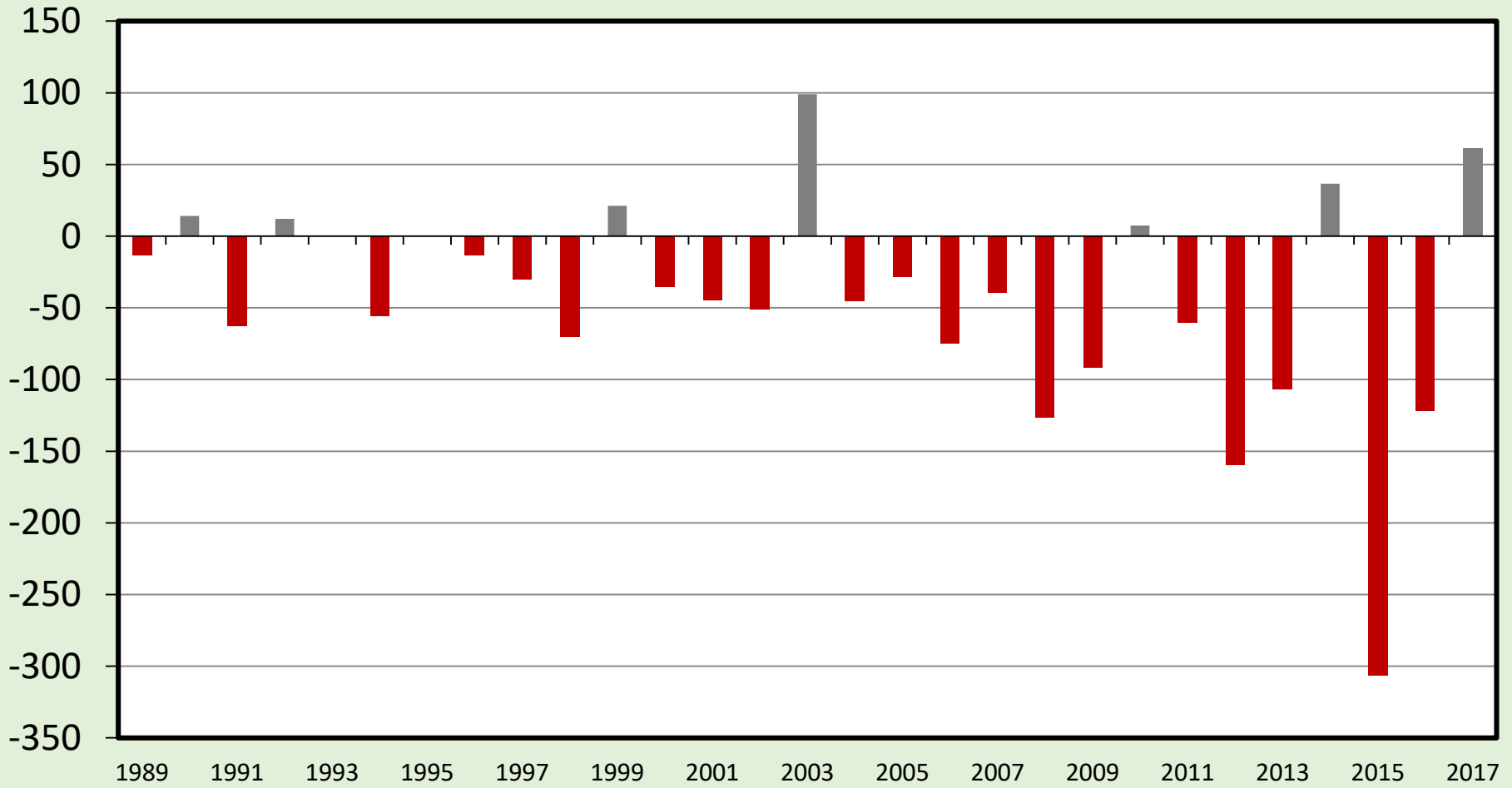
02/05/18

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AVERAGE ANNUAL RETURNS TO CATTLE FEEDERS

Feeding 750 Lb. Steers, S. Plains, Custom Feeding Total Costs

\$ Per Head



Data Source: USDA-AMS, Analysis and Forecasts by LMIC

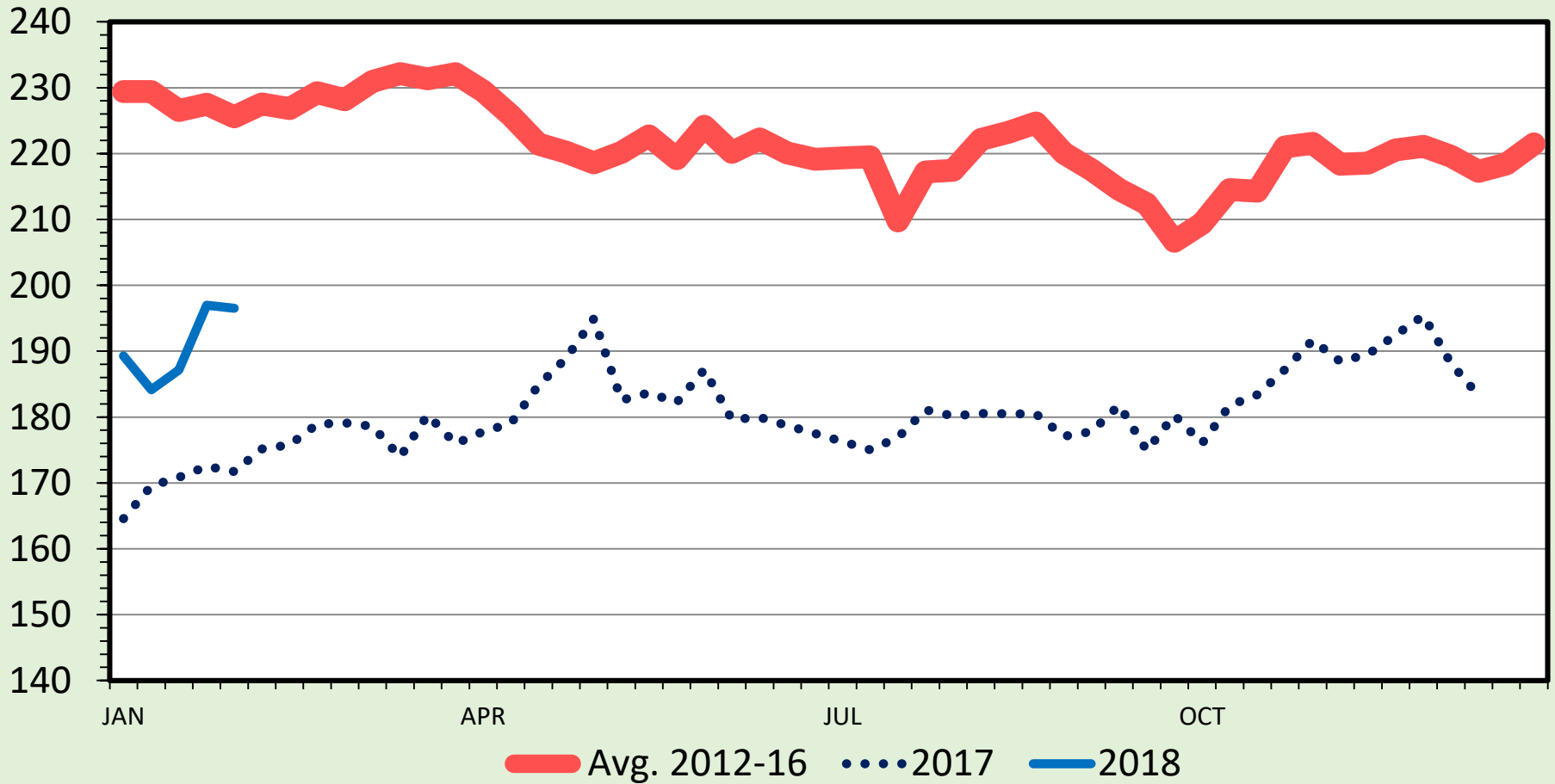
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C-P-10
02/05/18

MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

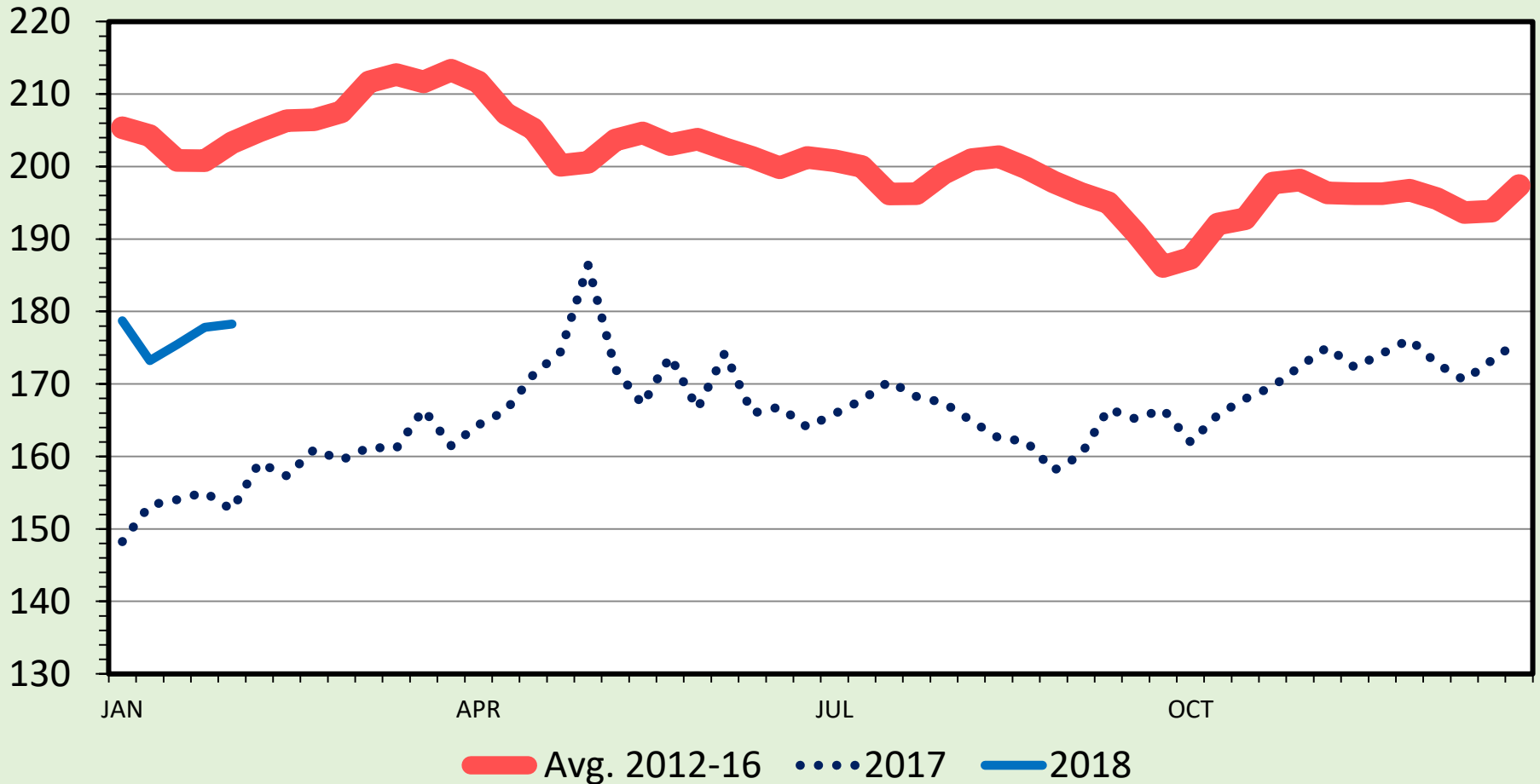
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C-P-49A
02/05/18

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

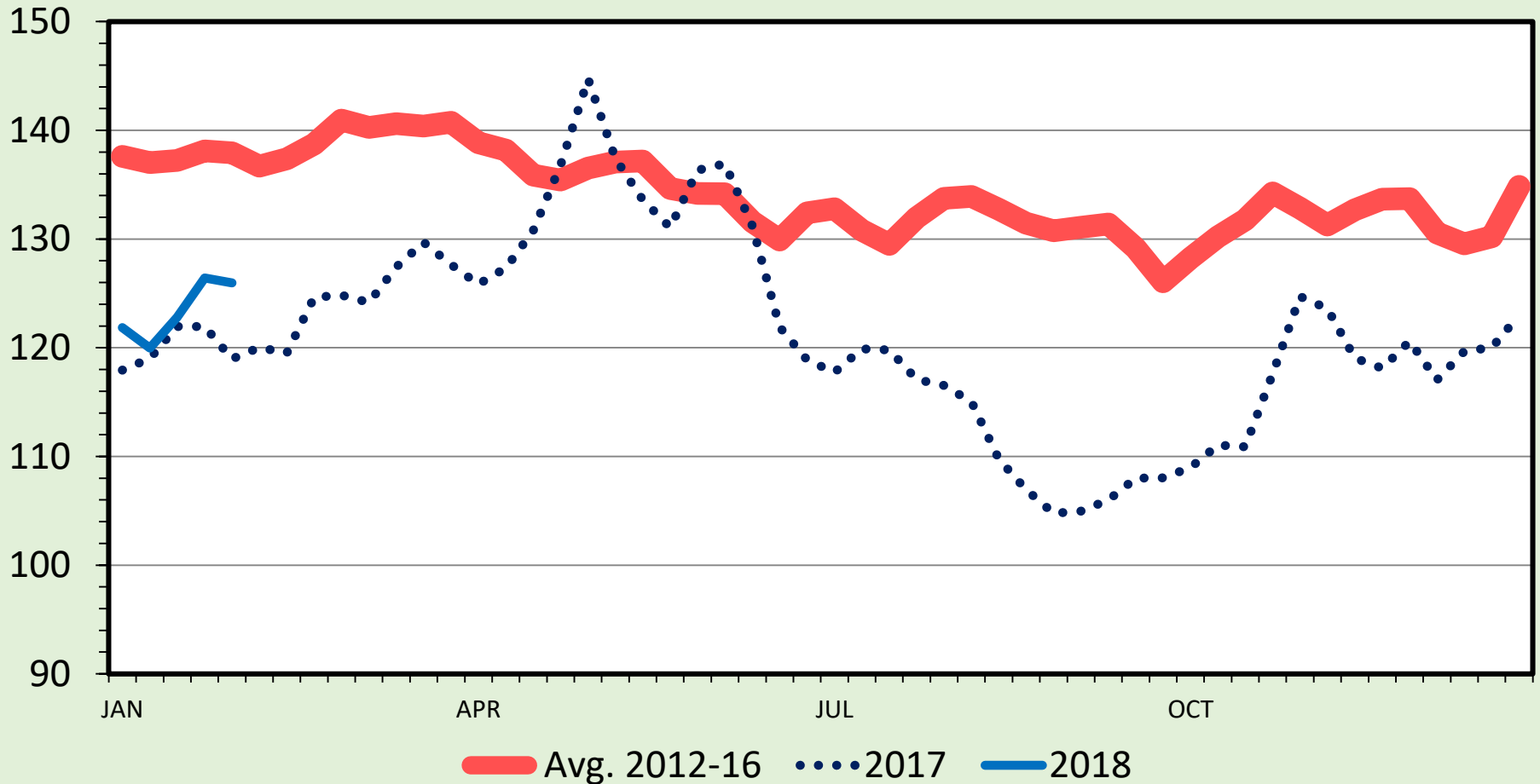
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C-P-54
02/05/18

SLAUGHTER STEER PRICES

Southern Plains, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

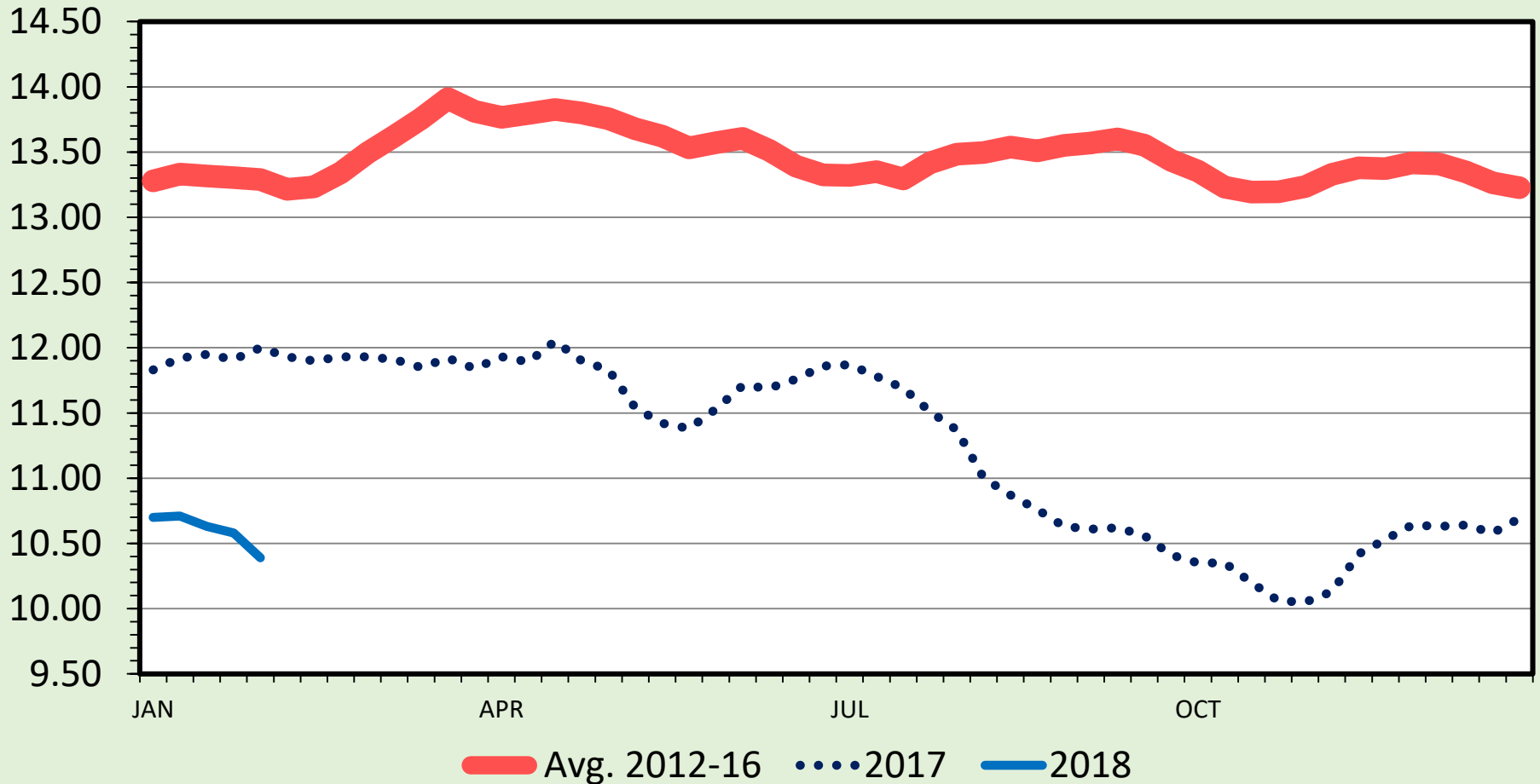
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C-P-52
02/05/18

STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

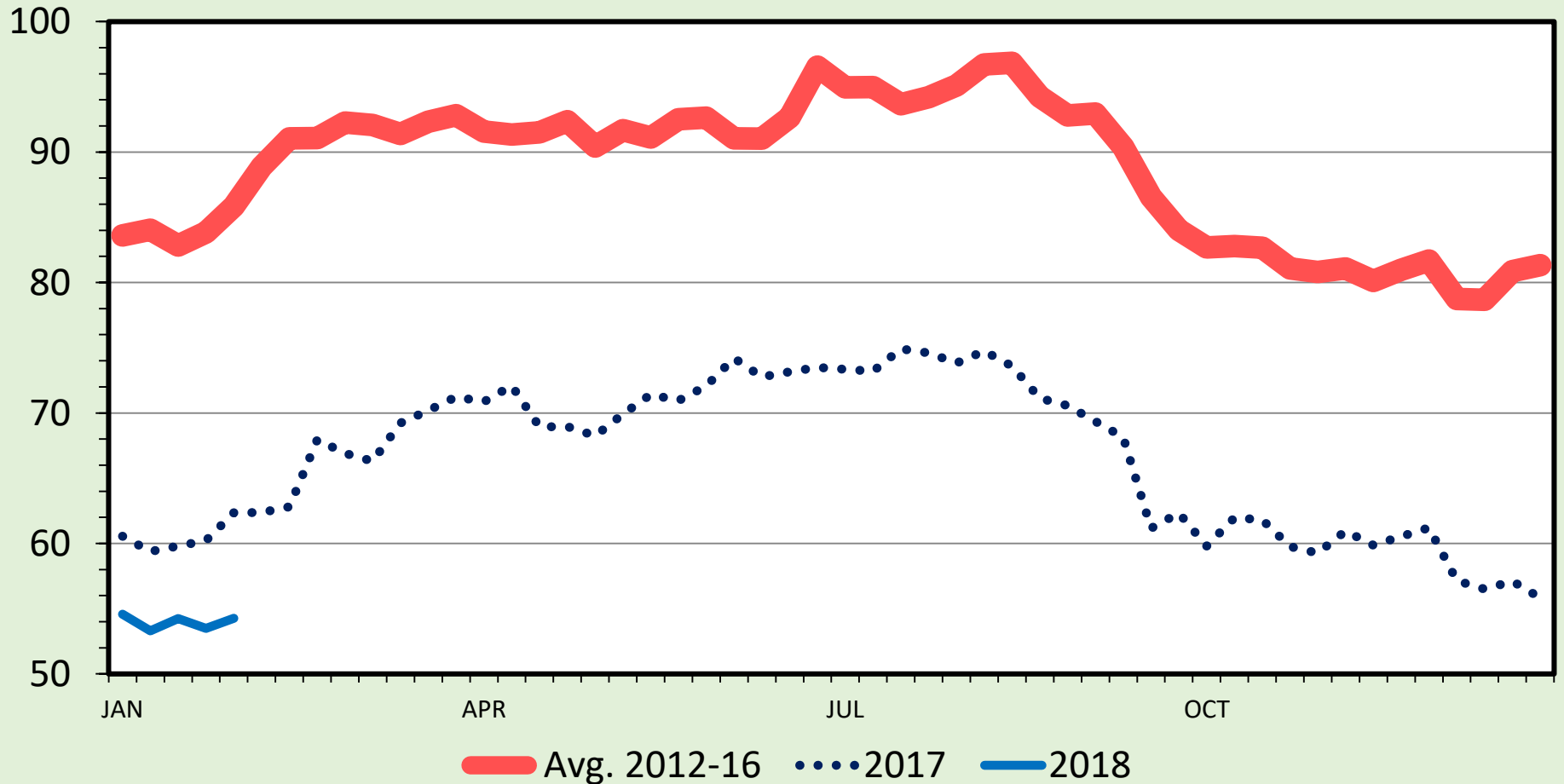
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C-P-39
02/05/18

SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

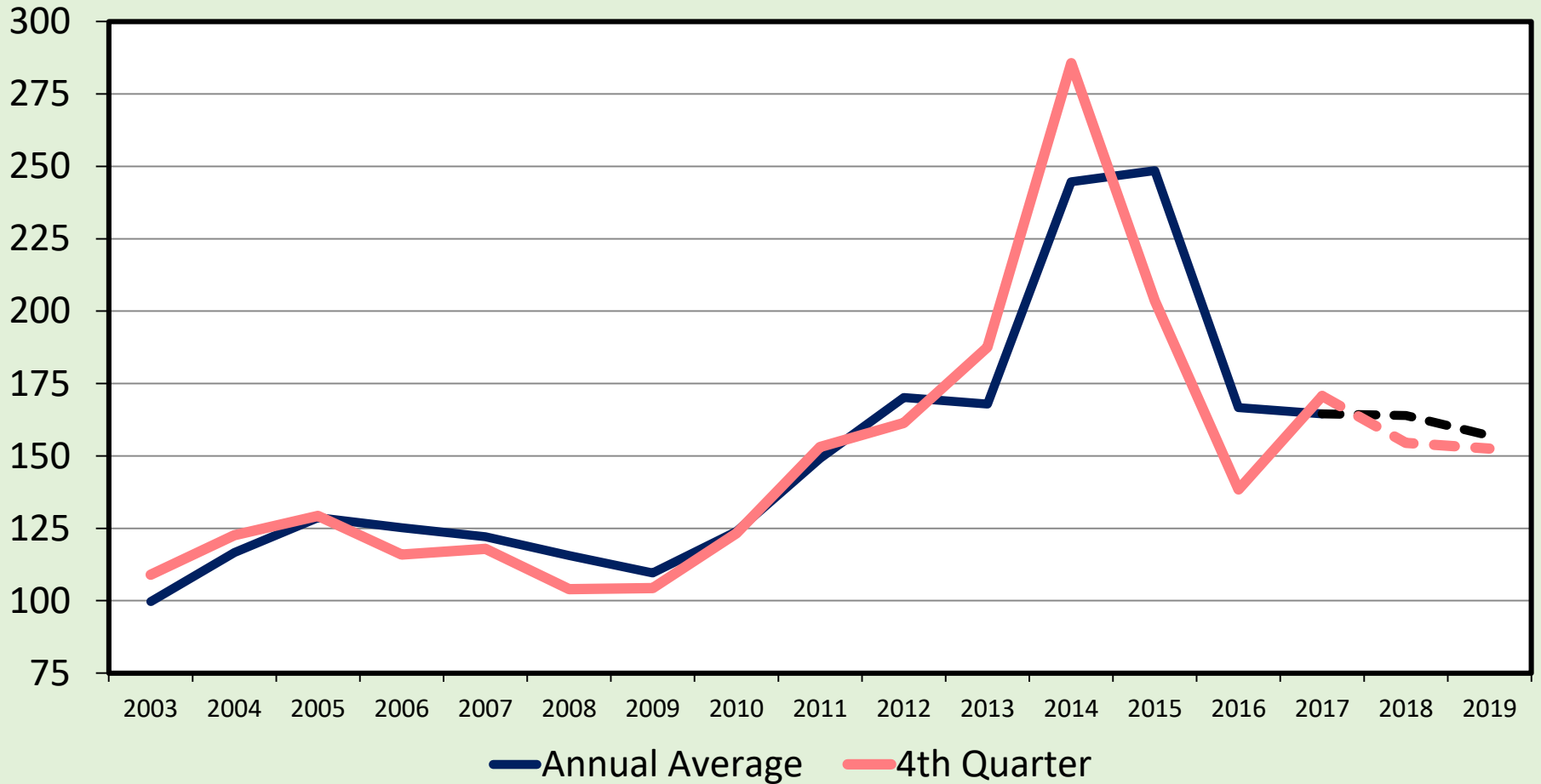
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C-P-35
02/05/18

AVERAGE CALF PRICES

500-600lb Steer Calves, Southern Plains

\$ Per Cwt



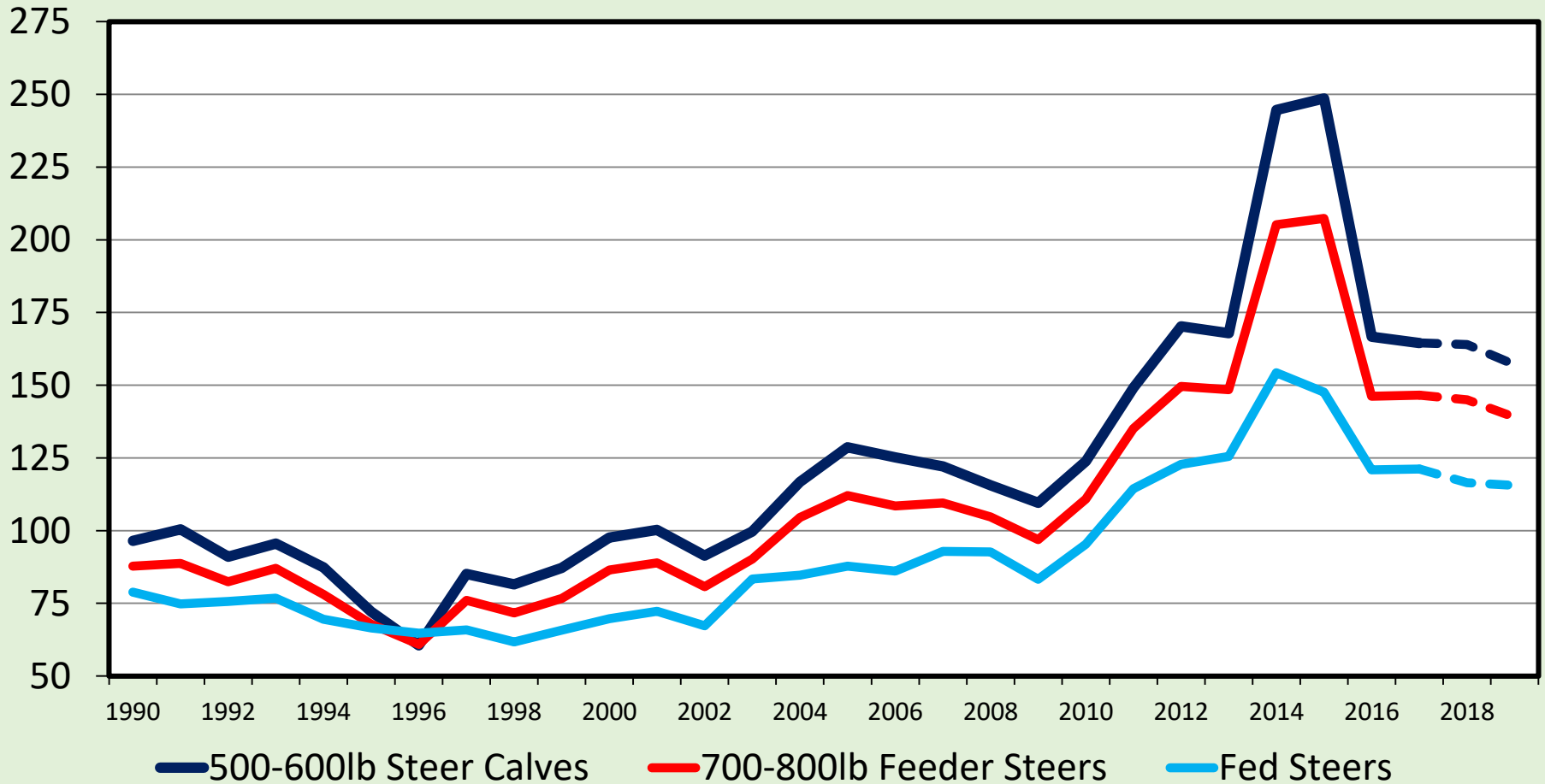
Data Source: USDA-AMS, Compiled and Forecasts by LMIC

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AVERAGE ANNUAL CATTLE PRICES

Southern Plains

\$ Per Cwt



Data Source: USDA-AMS, Compiled and Forecasts by LMIC

Livestock Marketing Information Center

C-P-06
02/08/18

For 2018 cattle prices are projected to average:

- Fed Cattle: \$115/cwt (\$100-130)
- 750 lb. Feeder Steer: \$145/cwt (\$135-160)
- 550 lb. Steer Calf: \$158/cwt (\$135-180)
- Utility Cow: \$60/cwt (\$50-70)

Cattlefax Projections for Marianna, Florida:

550 lb. Steer Calf: \$144/cwt. (\$121-\$164)

750 lb. Feeder Steer: \$134/cwt. (\$124-\$149)

Utility Cow: \$58/cwt. (\$48-\$68)

You Can't Manage What You Don't Measure

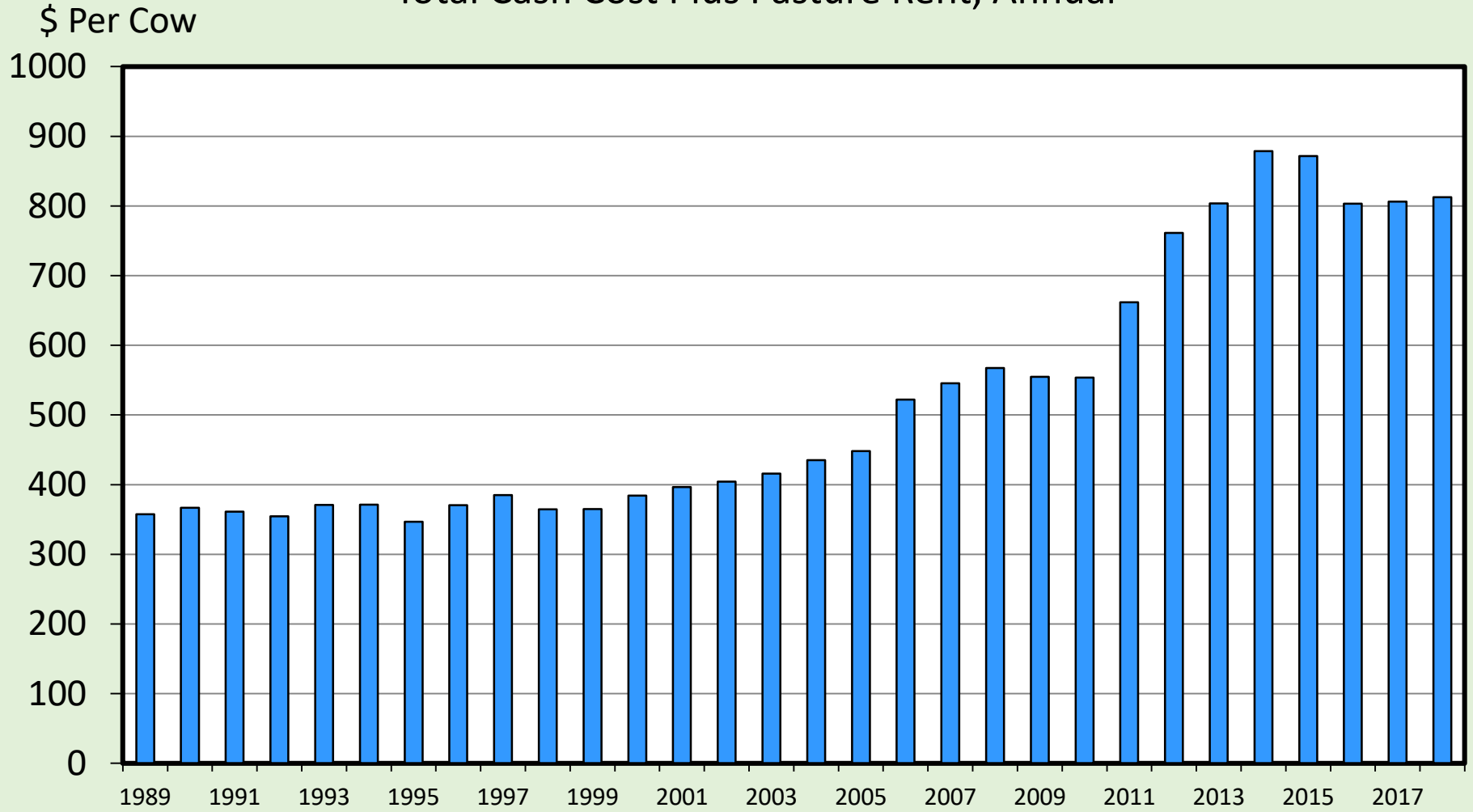
Chris Prevatt

UF/IFAS Range Cattle REC

Livestock and Forage Economist

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC

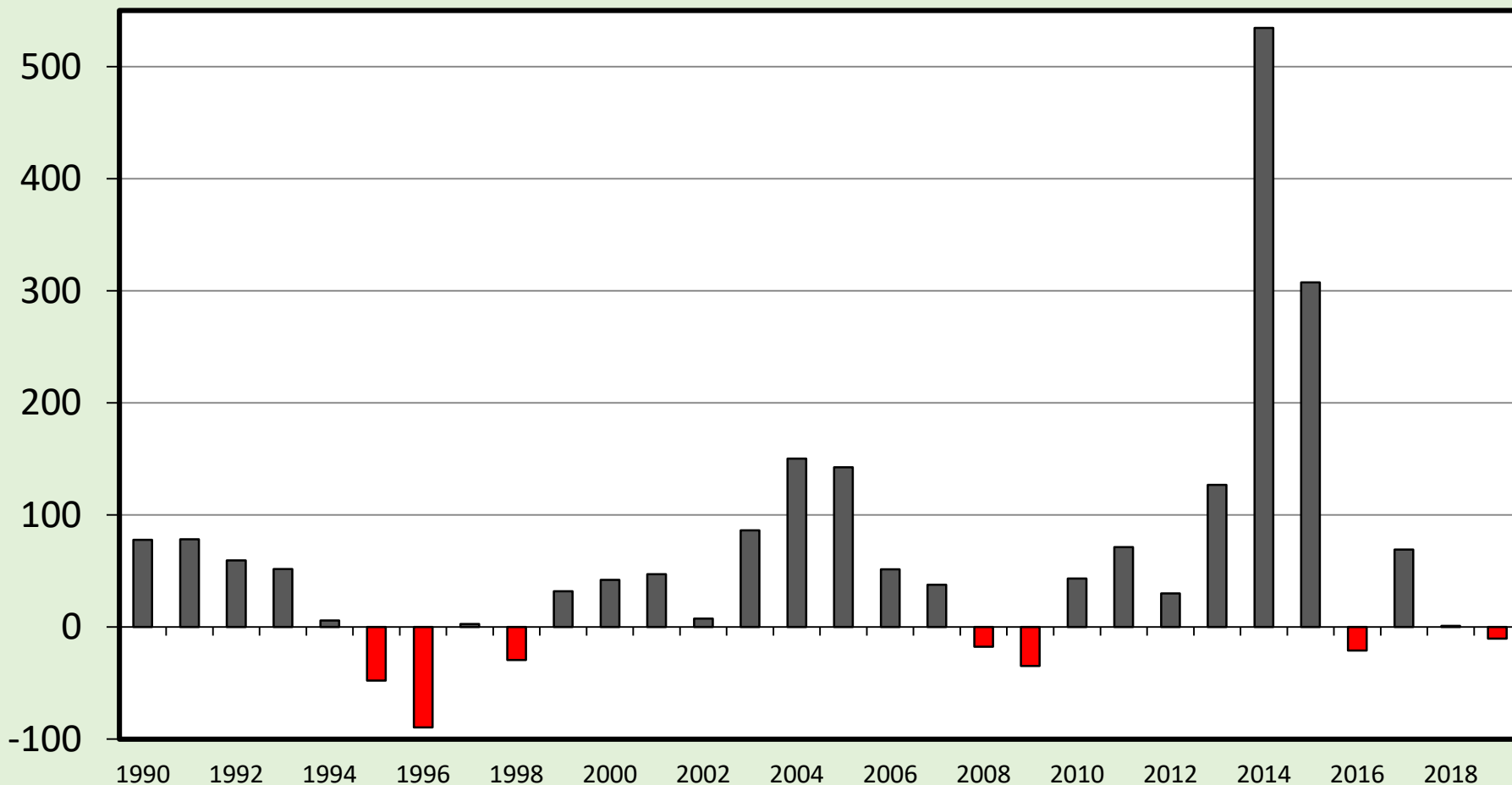
Livestock Marketing Information Center

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ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



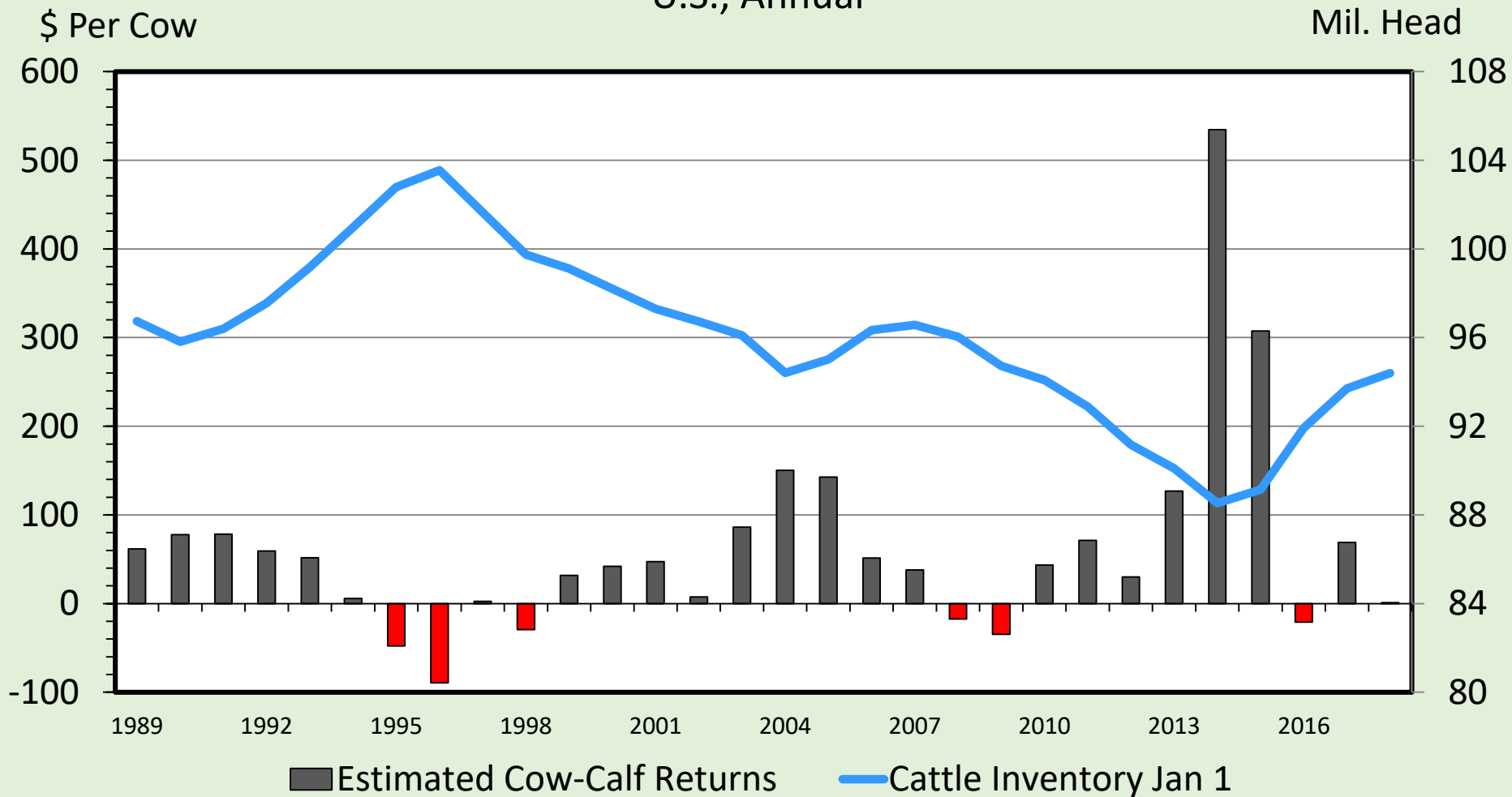
Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

C-P-66
02/08/18

COW-CALF RETURNS AND CATTLE INVENTORY

U.S., Annual



Data Source: USDA-AMS & USDA-NASS, Compiled and Analysis by LMIC

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C-P-67
02/08/18

Where do I Start?

- Cow-Calf Production continues to become more complicated.
- We must approach things with an open mind and being willing to learn.
 - **From your Cattle and Land**
- Set goals that are reasonable and attainable.
- Make Projections for 2018!

Where do I Start?

- Develop A PLAN.
- **WRITE IT DOWN.**
- Make Adjustments As You GO.
- Evaluate.
- Each Year You Will Get Better.

Measurements

- Herd Records are useless, unless you use them
- We don't want to know stuff, just to know it
- We have to use them to make improvements

How can we get better?

- Management Mistakes
 - What's Going Wrong?
 - Do Stuff.
 - Mistakes Will Happen.
 - Learn From Them.
- Management Successes
 - What's Going Right?

Measurements

Is your Ranch...

- Getting Better?
- Staying the Same?
- Getting Worse?

How do we know???

Measurements

Under reporting costs and overstating performance does not serve your needs...

Florida Ranch Analysis

Florida Ranch Analysis

- *% of total costs*
- *\$/beef cow*
- *\$/day*
- *\$/beef cow/day*
- Cow-Calf Profitability
- Breakeven Price or UCOP
- Value of the Next Unit of Production

Cow-Calf Ranch Analysis

Part II: Ranch Expenses - Cash Method

Data Input Cells Highlighted in Yellow

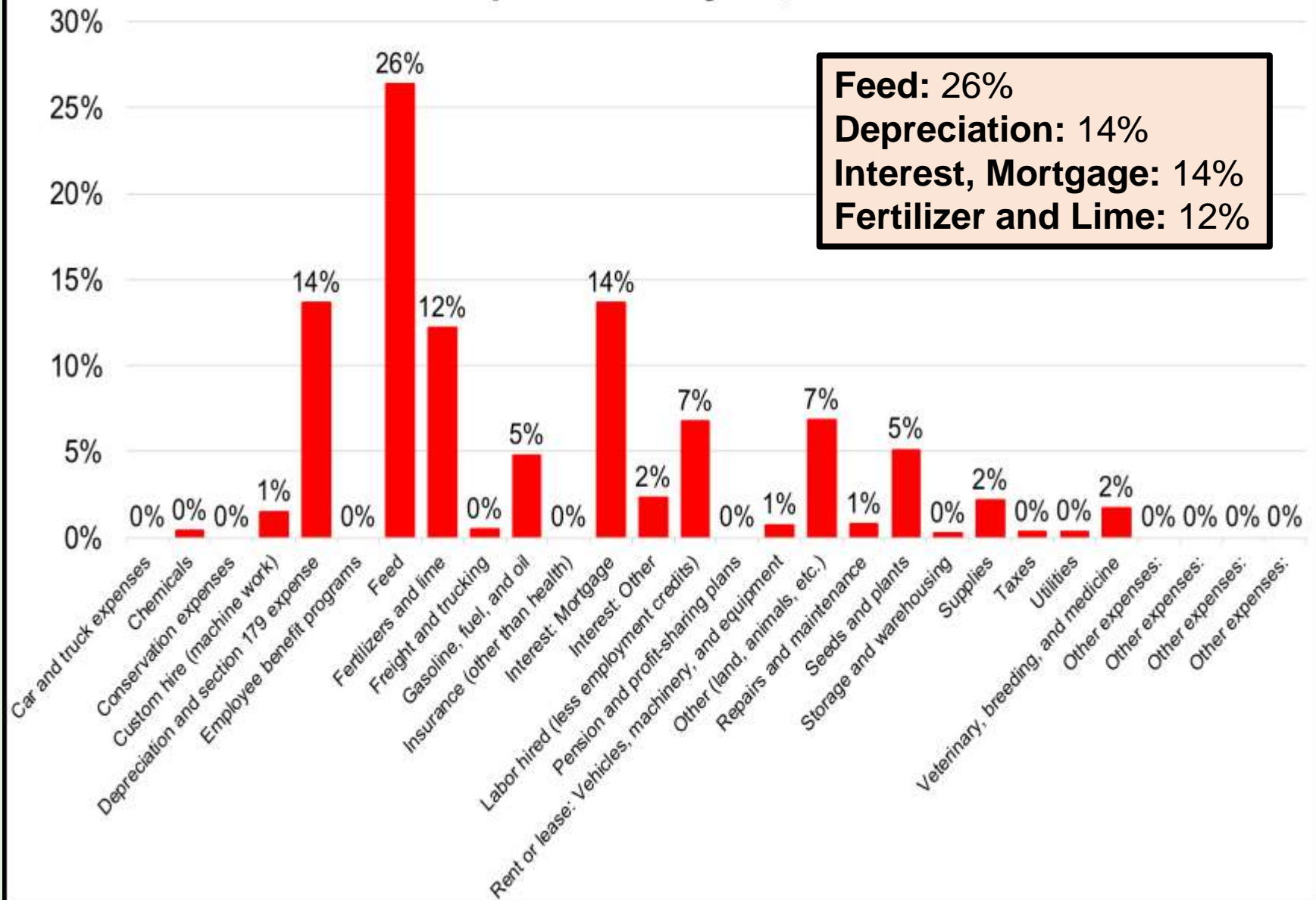
125 # of females exposed

10	Car and truck expenses	\$0.00
11	Chemicals	\$435.00
12	Conservation expenses	\$0.00
13	Custom hire (machine work)	\$1,750.00
14	Depreciation and section 179 expense	\$16,020.00
15	Employee benefit programs	\$0.00
16	Feed	\$30,946.00
17	Fertilizers and lime	\$14,300.00
18	Freight and trucking	\$540.00
19	Gasoline, fuel, and oil	\$5,600.00
20	Insurance (other than health)	\$0.00
21a	Interest: Mortgage	\$16,020.00
21b	Interest: Other	\$2,695.00
22	Labor hired (less employment credits)	\$7,900.00

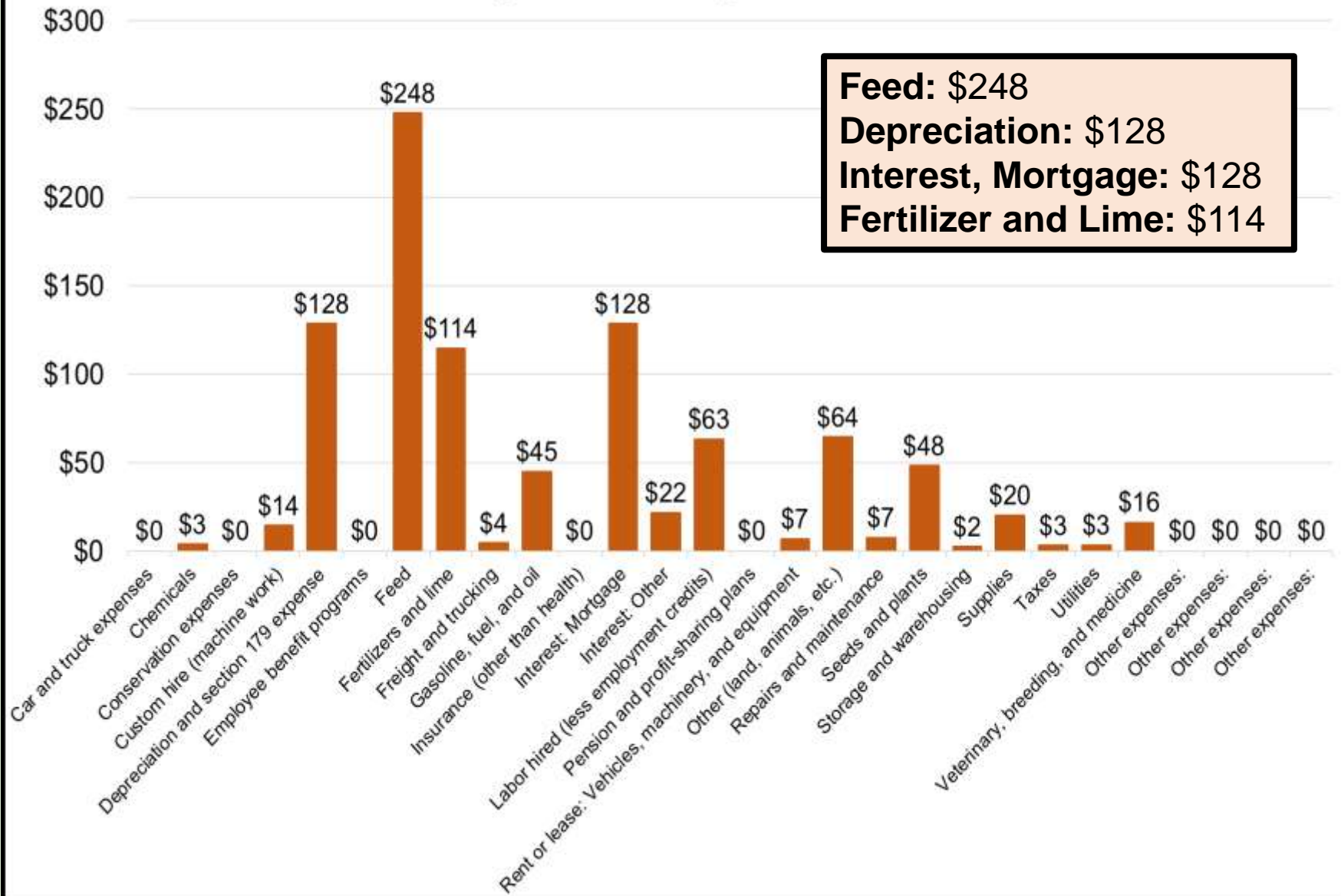
23	Pension and profit-sharing plans	\$0.00
24a	Rent or lease: Vehicles, machinery, equipment	\$850.00
24b	Rent or lease: Other (land, animals, etc.)	\$8,000.00
25	Repairs and maintenance	\$900.00
26	Seeds and plants	\$6,000.00
27	Storage and warehousing	\$250.00
28	Supplies	\$2,500.00
29	Taxes	\$350.00
30	Utilities	\$375.00
31	Veterinary, breeding, and medicine	\$2,000.00
32a	Other expenses:	
32b	Other expenses:	
32c	Other expenses:	
32d	Other expenses:	

33	Total expenses	\$117,431.00
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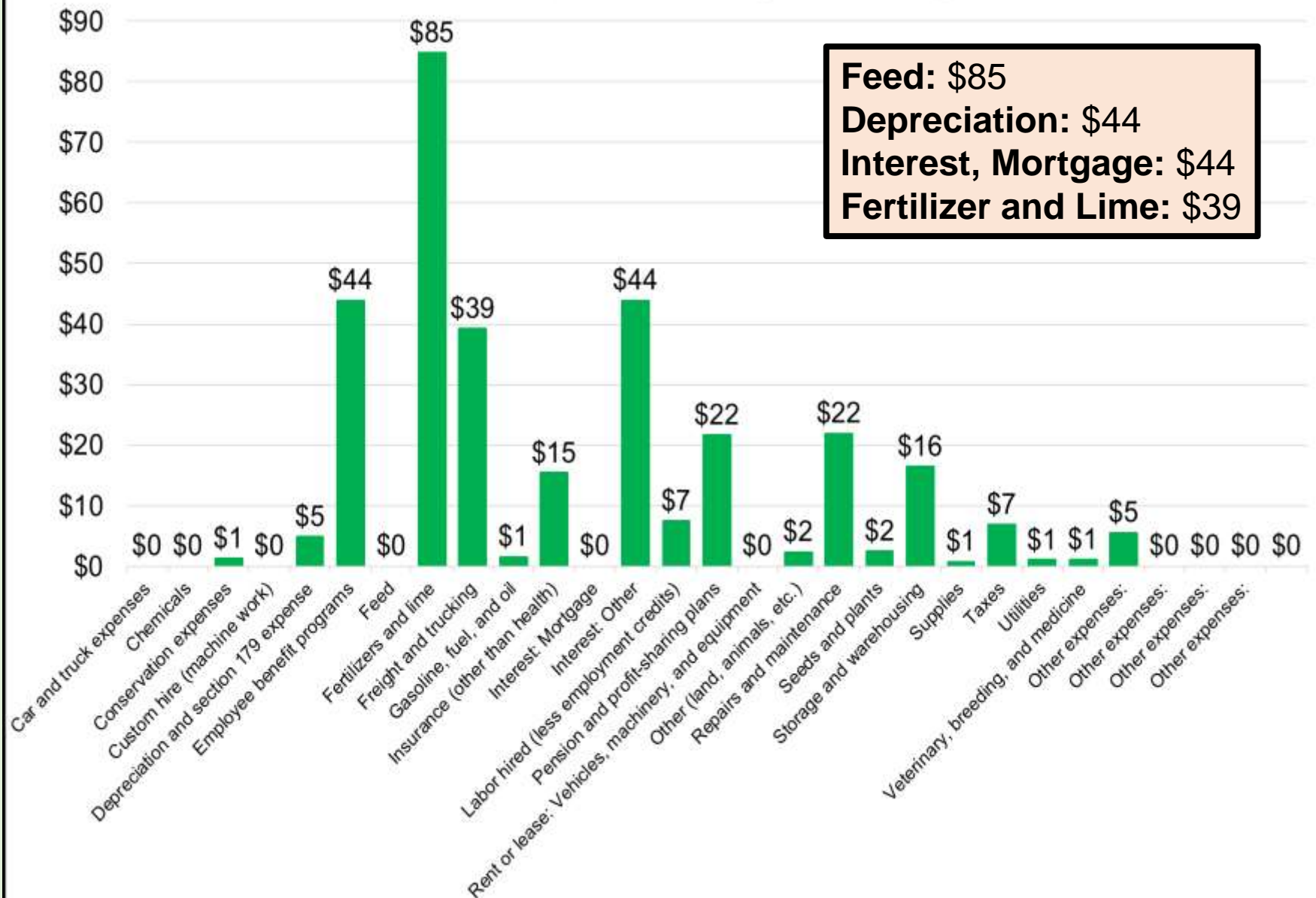
Ranch Expense Analysis, % of total costs



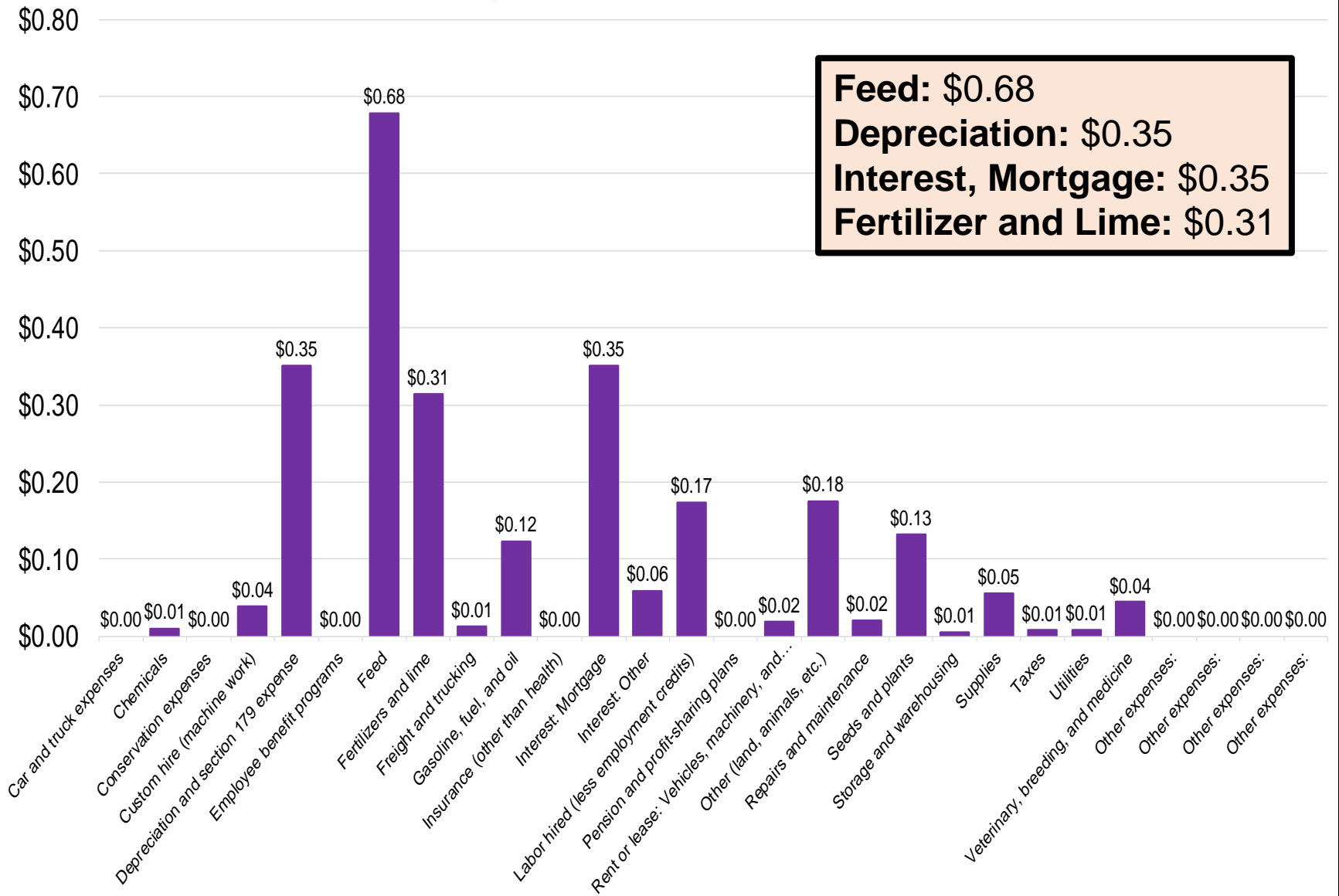
Ranch Expense Analysis, \$/beef cow



Ranch Expense Analysis, \$/day



Ranch Expense Analysis, \$/beef cow/day



Estimating Cow-Calf Profitability and Breakeven Price

**Have you projected your
2018 Cow-Calf Profitability
and Breakeven Feeder
Calf Price???**

Estimating Cow-Calf Profitability and Breakeven Price

7 Things We Need to Know

- Number of Beef Cows, *head*
- Total Cow-Calf Production Costs, *\$/year*
- Total Cull Bull and Cow Revenue, *\$/year*
- Weaning Percent, *%*
- Weaning Weight, *lbs./calf*
- Market Price Received, *\$/lb.*
- Projected Value of Gain, *\$/lb.*

Estimating Cow-Calf Profitability and Breakeven Price

Chris Prevatt and Walt Prevatt

	Example	Your Farm
Number of Beef Cows, <i>head</i>	100	100
Total Cow-Calf Production Costs, <i>\$/year</i>	75,000	\$69,700
Total Cull Bull and Cow Revenue, <i>\$/year</i>	15,000	\$9,500
Calf Production Costs Per Beef Cow, <i>\$/head</i>	\$600.00	\$602.00
Weaning Percent, %	85%	85%
Weaning Weight, <i>lbs./calf</i>	525	550
Market Price Received, <i>\$/lb.</i>	\$1.55	\$1.43
Projected Value of Gain, <i>\$/lb.</i>	\$0.80	\$0.75
Estimated Profit/Loss Per Beef Cow, <i>\$/head</i>	\$91.69	\$66.53
Breakeven Price or UCOP, <i>\$/lb.</i>	\$1.34	\$1.29
Total Profit/Loss, <i>\$/year</i>	\$9,168.75	\$6,652.50

The Impact of Change on your Cow-Calf Operation

What impact would a 1% change have on your operation?

- Calf Production Costs Per Beef Cow, *\$/head*
- Weaning Percent, %
- Weaning Weight, *lbs./calf*
- Market Price Received, *\$/lb.*

The Impact of Change on your Cow-Calf Operation

Chris Prevatt and Walt Prevatt

	Your Farm	Calculations	Difference
Number of Beef Cows, <i>head</i>	100		
Calf Production Costs Per Beef Cow, <i>\$/head</i>	\$602.00	\$595.98	-\$6.02
Weaning Percent, %	85%	86%	1%
Weaning Weight, <i>lbs./calf</i>	550	555.50	5.50
Market Price Received, <i>\$/lb.</i>	\$1.43	\$1.44	\$0.01

Percentage Change (*Improvement*)

-1%	Calf Production Costs Per Beef Cow, <i>\$/head</i>
1%	Weaning Percent, %
1%	Weaning Weight, <i>lbs./calf</i>
1%	Market Price Received, <i>\$/lb.</i>

Improved Profitability for the Given % Change

<i>Per Head</i>	<i>100 head</i>
\$6.02	\$602.00
\$7.87	\$786.50
\$4.13	\$412.50
\$6.69	\$668.53

Characteristics of Profitable Ranches

- Economic studies have found tremendous differences between ranches

Characteristics of Profitable Ranches

- There is not one key success factor that can be managed directly and purely that will consistently lead to profitability in the cow-calf business.

Characteristics of Profitable Ranches

Typically, high levels of profits are a function of:

- **Low Levels of Investment**
- **Average Levels of Production**
- **Low Levels of Annual Costs**
- **Above Average Marketing**

Summary

Identify What Needs To Change

- Pick One or Two Areas to focus on this year.
- Choose areas where the greatest progress can be made.
- Set some goals for where you want to be and make a plan to get there.
 - **WRITE IT DOWN**

Team Approach to Management

Great Teams Work Together

- Family
- Extension Agents and Specialists
- Veterinarian
- Other Successful Ranchers
- Banker/Lender
- Accountant

TAKE HOME ADVICE FROM AN AG ECONOMIST

- Success in the Cow-Calf Business does not happen by accident.
- Doing what is easy is not normally the most profitable...

“the only truly sustainable competitive advantage is the ability to learn and adapt faster than your competition”

**Jack Welch, CEO
General Electric
(1981-2000)**

**How much are you spending on innovation?
Where's your innovation budget?**

Crunching the Numbers for Taxes and Analysis

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