

Cow-Calf profitability Conferences



University of Kentucky
College of Agriculture,
Food and Environment
Cooperative Extension Service



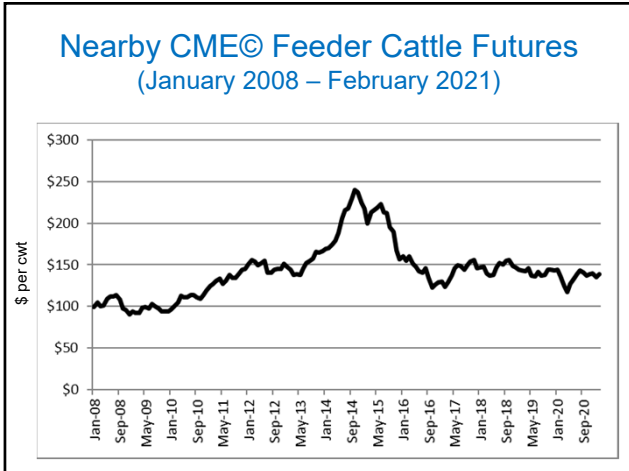
KBN
KENTUCKY BEEF NETWORK



KADF
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DEVELOPMENT FUND

A huge thanks to the Agricultural Development Board for funding this program through the Kentucky Beef Network!

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Agricultural Economics at UK | www.agecon.ca.uky.edu
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Kentucky Average Prices March 6 – March 12, 2021

| Steers (1-2) | Current Week | Prior Week | Last Year |
|-------------------------|-------------------------|-----------------------|----------------------|
| 450-500 lbs | \$159 | \$162 | \$158 |
| 500-550 lbs | \$151 | \$153 | \$149 |
| 550-600 lbs | \$148 | \$149 | \$145 |

<https://www.kyagr.com/marketing/market-news.html>
 Click on "KY Livestock and Grain Market Report Download"

Market Outlook

- 1) \$2.00 – 2.50/lb calves was gift
- 2) Cow herd liquidation is underway
 - Calf prices decent
 - Hopefully increase slightly
- 3) **Position yourself for profitability**
 - **Profit at \$1.50/lb calves?**

Two Broad Ways to Increase Profits

- 1) *Increase Revenues*
 - *Produce larger calves*
 - *Higher stocking rate*
 - *Higher weaning %*
- 2) *Decrease Costs*

Increasing Revenues

- *Produce larger calves*
 - *creep feed*
- *Produce more calves*
 - *higher stocking rate*
- ***Higher weaning %***

Decreasing Costs What to Focus On?

| Cost Range per Cow (year) | | | | |
|----------------------------------|-------------|--------------|--------------|--------------|
| Cost | Low | Med | High | Range |
| Cow Depr/Interest | \$100 | \$125 | \$175 | \$75 |
| Hay | \$50 | \$175 | \$300 | \$250 |
| Pasture Fencing | \$10 | \$45 | \$80 | \$65 |
| Pasture Fert/Clip | \$10 | \$45 | \$80 | \$65 |
| Breeding | \$25 | \$50 | \$75 | \$50 |
| Vet/Medicine | \$20 | \$30 | \$40 | \$20 |
| Mineral | \$20 | \$30 | \$40 | \$20 |
| Other Mach Variable | \$5 | \$10 | \$20 | \$15 |
| Other Depr/Interest | \$10 | \$35 | \$80 | \$70 |
| Other Costs | \$30 | \$40 | \$50 | \$20 |

ECONOMIC & POLICY UPDATE

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Cow-Calf Profitability Estimates for 2020 and 2021 (Spring Calving Herd)

Author(s): Greg Halich, Kenny Burdine, and Jonathan Shepherd
Published: February 25th, 2021

| Estimated Gross Return Spring Calving Cow-calf Operation | | | | |
|---------------------------------------------------------------------|-----|-----|--------|---------------------|
| Steer / Heifer Average | 550 | lbs | \$1.30 | \$715 |
| Discount Weaning Rate | 15% | | | <u>\$107</u> |
| Total Revenues per Cow | | | | \$608 |

| Specified Expenses ("Cash Costs") | | | | |
|------------------------------------------------------|-----|-------|------|--------------|
| Pasture Maintenance | 2.0 | acres | \$20 | \$40 |
| Hay (cash costs) | 2.5 | tons | \$35 | \$88 |
| Mineral | | | | \$35 |
| Vet | | | | \$25 |
| Breeding | | | | \$40 |
| Marketing | | | | \$25 |
| Winter Feeding / Other Machinery (cash costs) | | | | \$15 |
| Trucking (calves, supplies, etc.) | | | | \$15 |
| Cow Depreciation and Interest | | | | \$117 |
| Other (insurance, prop taxes, water, etc) | | | | \$40 |
| Total Specified Expenses per Cow | | | | \$440 |

Gross Return (Example)

| | |
|---------------------|----------------|
| Adjusted Revenue | \$608 |
| Cash Costs | – <u>\$440</u> |
| Gross Return | \$168 |

Note: Does not account for depreciation, interest, land, labor

Additional Non-Cash Costs (Example)

| | |
|---------------------------------|--------------------|
| Equipment Depreciation | \$25 / cow |
| Equipment Interest | \$50 / cow |
| Fencing-Facilities Depreciation | \$50 / cow |
| Fencing-Facilities Interest | \$25 / cow |
| Land Rent | \$100 / cow |
| Labor | <u>\$100 / cow</u> |
| Total Non-Cash Costs | \$350 / cow |

Additional Non-Cash Costs (Example)

| | |
|-----------------------------|--------------------|
| Depreciation / Interest | \$150 / cow |
| Land Rent | \$100 / cow |
| Labor | <u>\$100 / cow</u> |
| Total Non-Cash Costs | \$350 / cow |

Adjusted Return to All Costs \$1.30/lb Steer-Heifer Avg.

| | |
|-----------------------------|---------------------|
| Gross Return | \$168 / cow |
| Depreciation/Interest | –\$150 / cow |
| Land Rent | –\$100 / cow |
| Labor | <u>–\$100 / cow</u> |
| Net Return all Costs | –\$182 / cow |

Adj. Return to Land and Labor
\$1.30/lb Steer-Heifer Avg.

| | |
|---------------------------------|---------------------|
| Gross Return | \$168 / cow |
| Depreciation/Interest | <u>-\$150 / cow</u> |
| Net Return to Land/Labor | +\$18 / cow |

Adj. Return to Land and Labor
\$1.50/lb Steer-Heifer Avg.

| | |
|---------------------------------|---------------------|
| Gross Return | \$262 / cow |
| Depreciation/Interest | <u>-\$150 / cow</u> |
| Net Return to Land/Labor | +\$112 / cow |

Adj. Return to Land and Labor
\$1.60/lb Steer-Heifer Avg.

| | |
|---------------------------------|---------------------|
| Gross Return | \$309 / cow |
| Depreciation/Interest | <u>-\$150 / cow</u> |
| Net Return to Land/Labor | +\$159 / cow |

Return to Land and Labor
Pre-Conference
\$1.50/lb Steer-Heifer Avg.

| | |
|---------------------------------|----------------------|
| Adjusted Revenue | \$702 / cow |
| Specified Cash Costs | – \$440 / cow |
| Depreciation / Interest | <u>– \$150 / cow</u> |
| Net Return to Land/Labor | +\$112 / cow |

Return to Land and Labor
Post-Conference
\$1.50/lb Steer-Heifer Avg.

| | |
|---------------------------------|----------------------|
| Adjusted Revenue | \$725 / cow |
| Specified Cash Costs | – \$400 / cow |
| Depreciation / Interest | – <u>\$125 / cow</u> |
| Net Return to Land/Labor | +\$200 / cow |

Return to Land and Labor
Post-Conference
\$1.60/lb Steer-Heifer Avg.

| | |
|---------------------------------|----------------------|
| Adjusted Revenue | \$772 / cow |
| Specified Cash Costs | – \$400 / cow |
| Depreciation / Interest | – <u>\$125 / cow</u> |
| Net Return to Land/Labor | +\$247 / cow |

