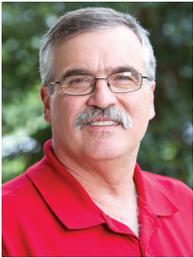


ECONOMICS

Economic calculations determine acceptable cow price

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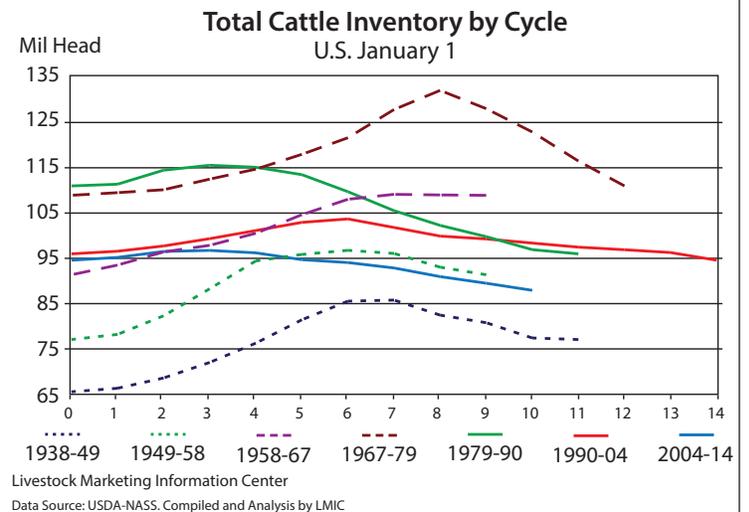
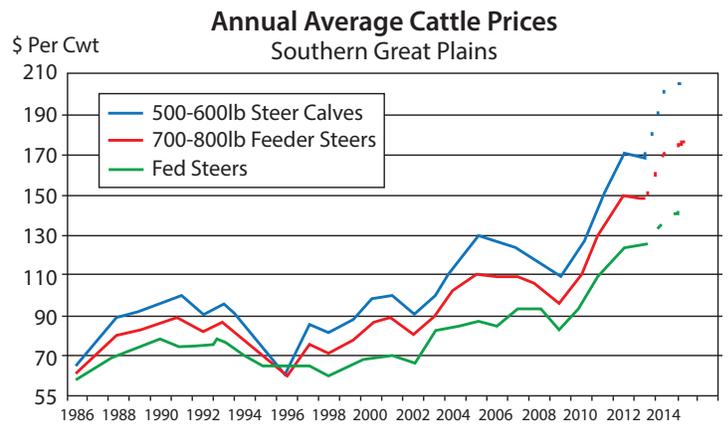
Since recent droughts have caused a lack of available forage in many areas, the incentive to retain heifers and purchase cows has been very low. This situation is coupled with the high value of heifer calves after weaning, preconditioning or the stocker phase. It makes the decision to retain or purchase females extremely difficult. As a result, the cattle inventory has declined to levels not seen since the 1930s and 1940s, and the value of heifer calves has risen to all-time record highs.

With low cow numbers, historic high prices for weaned calves and the cost of cows at record highs for the foreseeable future, this means good, young, producing cows are going to be hard to find. Prices will consistently exceed \$2,000 per cow.

How much could cows be worth? Based on \$550 annual cow cost, 88 percent calf crop and \$180 per hundredweight average price for a 525-pound calf over seven production years, a \$2,150 cow/calf pair purchased in the spring of 2014 would have a 10 percent return on investment.

In determining if this investment should be made, producers should ask themselves a few questions. Are more cows needed? Is there enough grass for more cows? Is there a better alternative use for the grass than cows (e.g., retained ownership of owned calves or purchased stockers)? Are the estimates in the previous example higher or lower than your operation? Can financing be secured for cows at the higher price?

If it is determined that cows are the best option, then the decision has to be made when to buy the cows, and what type and age of female. Because of the cow cost and the value of the calves, the timing of the purchase can make a significant difference in the value of the cow (a

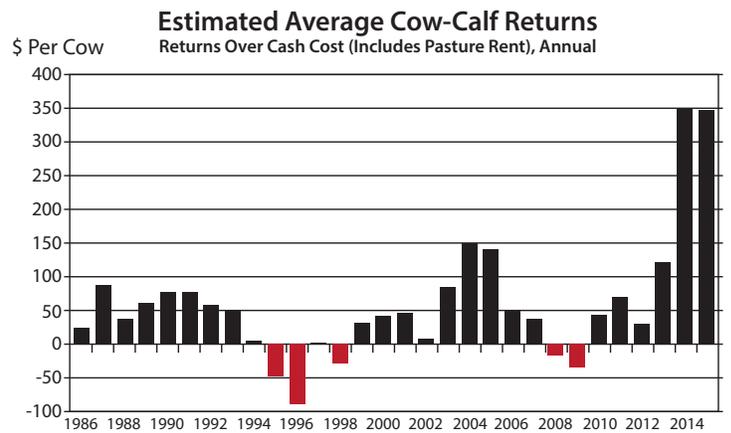


cow is typically more valuable the closer it is to the sale of a calf). Also the age of the cow will make a difference because younger females will typically have more economic value because they will have more calves. ▶

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For example, using the previous assumptions, let us compare the value of an open heifer, bred heifer and first-calf heifer pair. If a first-calf heifer pair is worth \$2,150, then a bred heifer would be worth approximately \$2,050 and an open heifer (that will be bred in May for spring calving) would be worth approximately \$1,450.

All of these factors should be considered when making the decision to buy cows at a time when cow and calf prices are at a premium. It is extremely important to know and understand the ranch's annual cost to maintain a cow, the percent weaned calf crop and the weaning weight per calf. All these factors will weigh into how much can be invested in a cow and have a reasonable return. ■



Livestock Marketing Information Center
Data Source: USDA-AMS & USDA-NASS. Compiled and Analysis by LMIC