Sustaining Profitability of Beef Cow-Calf Enterprises

Jeff Tranel and Rod Sharp

Young Farmer/Rancher Conference
Boise, ID

2012 January 27

Info!

Sponsors

- ✓ USDA Risk Management Agency
- ✓ Idaho Farm Bureau
- ✓ RightRisk, LLC

Speakers

- ✓ Jeffrey E. Tranel, jtranel@erightrisk.com
- ✓ Rod Sharp, rsharp@erightrisk.com

Web Sites

- ✓ **erightrisk.com**
- ✓ **coopext.colostate.edu/ABM/**
- ✓ **idaho.erightrisk.com**

Why Do Producers Want To Purchase Cows and Heifers?

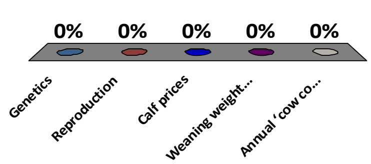
- To Replace Animals Liquidated Due to ________
- To Take Advantage of High Calf Prices
- New Investors Entering the Market

How much can you pay?

Depends

What overall factor has the greatest impact on profitability in beef cattle production?

1. Genetics
2. Reproduction
3. Calf prices
4. Weaning weights
5. Annual 'cow costs'

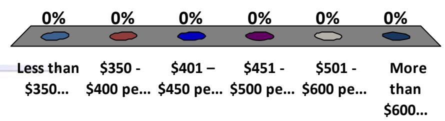


What were total annual cow costs in ID in 2010?

(according to UofI budgets for cows summer grazing on private range and winter feeding)

1. Less than $350 per cow
2. $350 - $400 per cow
3. $401 – $450 p
4. $451 - $500 pe
5. $501 - $600
6. More than $6

$436 operating
$636 total



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How Much Can You Pay?

It depends on your **annual cow costs**

- $510 total — Colorado in 2009
- $463 operating — Idaho in 2010
- $636 total — Idaho in 2010

- 65-70% of estimated receipts (general rule of thumb)
  - $447/$482 at $688 calves (550 lbs @ $1.25)
  - $393/$424 at $605 calves (550 lbs @ $1.10)

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Enterprise Budget
Cow/Calf 2010, Per Cow (Idaho)

Revenues	
• Calves	$ 429.48
• Culls	110.66
Total Revenues	**$540.14**
Expenses	
• Feed	$ 268.60
• Marketing	5.63
• Veterinary & Medicine	22.87
• Other, including fuel and repairs	66.27
• Hired and Operator's Labor	90.47
• Operating Interest	9.39
Total Operating Expenses	**$ 463.23**
• Total Ownership Costs	$ 173.25
	$ 636.48

$540.14
\- $636.48
= $(96.34)

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Traits of Low Cost Producers

1. They Have Lower Winter Feed Costs
2. They Have Lower Supplemental Feed Costs
3. They Have Lower Interest Expenses
4. They Have Higher Bull Costs
5. They Have Higher Herd Health Maintenance Costs

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Management Tips:
Annual Cow Costs

Reduce Grazing & Feed Costs (40-50% of total)

- Proper Stocking Rates
- Efficient Grazing Systems
- Reduce Supplemental Feeds (Extend Grazing Season)
- Controlled Breeding Season (Match Grazing Production with Nutritional Requirements)
- Compare Purchase vs. Production of Hay
- Minimize Feeding Losses (Feeding and Delivery)
- Negotiate Grazing Leases

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Management Tips:
Annual Cow Costs

Purchase “crop” insurance

- Livestock Risk Protection
- AGR and AGR-Lite
- Pasture, Rangeland, Forage (PRF)
- Other

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Federal Risk Management
Crop Insurance Programs

United States – 2010	Idaho
• Nearly $80 billion in crop value • 1.1 million policies • 256 million acres • 100 different commodities	• Nearly $800 million in crop value • 6,122 policies • Over 2 million acres • About 30 commodities

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RMA Insurance Products Available in Idaho
Livestock Programs

- Livestock Gross Margin
  - Dairy
- Livestock Risk Protection (LRP)
  - Lamb, Fed Cattle, Feeder Cattle, Swine
- Adjusted Gross Revenue and AGR-Lite (AGR/AGR-Lite)
- Pasture, Rangeland, and Forage (PRF)
  - Vegetation

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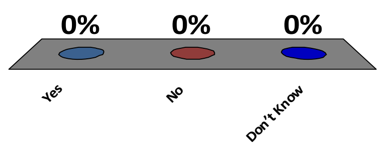
Do you currently have, or had in the past, any crop insurance products?

1. Yes
2. No
3. Don't Know



Livestock Risk Protection (LRP)

- Insure against declining market prices
- Purchased throughout the year
  - From approved livestock insurance agents
- Insurance attaches when a Specific Coverage Endorsement is accepted
- Web Sites
  - www.rma.usda.gov/tools/livestock.html (coverage prices, rates, actual ending values)
  - www.rma.usda.gov/tools/precalc.html (premium calculator)
  - www.rma.usda.gov/tools/agent.html (approved agents)

LRP Coverage Options
Fed Cattle

- Submit a One-time Application
- Obtain Specific Coverage Endorsements
  - For up to 2,000 head of fed cattle per endorsement
    - Steers and heifers (animal weigh 1,000 – 1,400 lbs)
    - Animal to be marketed near end of insurance period
  - Annual limit is 4,000 head
    - Per producer
    - Per year (July 1 – June 30)
  - Length of insurance is
    13, 17, 21, 26, 30, 34, 39, 43, 47, 52 weeks

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LRP Coverage Options
Fed Cattle

- Select 70 - 100% of expected ending price
- If the price at end of selected period is below the coverage price, an indemnity is paid.
- Coverage prices, rates, actual ending values, and per cwt cost of insurance can be viewed on the RMA website.

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LRP Coverage Options
Feeder Cattle

- Submit a One-time Application
- Obtain Specific Coverage Endorsements
    - For up to 1,000 head of feeder cattle per endorsement
    - Steers and heifers (under 600 lbs or 600-900 lbs)
    - Annual limit is 2,000 head per producer
    - Length of insurance is 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks

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LRP Coverage Options
Feeder Cattle

- Select 70 - 100% of expected ending price
- If the price at end of selected period is below the coverage price, an indemnity is paid.
- Coverage prices, rates, actual ending values, and per cwt cost of insurance can be viewed on the RMA website.

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Adjusted Gross Revenue – Lite
(AGR & AGR-Lite)

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Adjusted Gross Revenue
AGR

- Protection against low revenue from natural causes and market fluctuations.
- Whole-farm gross revenue protection with a single policy
  - Covers income from agricultural commodities
- Can be used in conjunction with other crop insurance plans
- Coverage levels from 65% to 80%
- Available in Canyon, Payette, and Washington Counties
- Based on five-year revenue history
- Sales Closing Date: 01/31
- Premium Subsidy: 48% to 59%

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Adjusted Gross Revenue - Lite
AGR-Lite

Objective

- Manage production and price risk
- Risk Management tool for insuring farm commodities not currently insurable under stand-alone crop insurance policies

Insurable causes of loss

- Revenue losses from natural causes
- Revenue losses from market fluctuation

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Adjusted Gross Revenue - Lite
AGR-Lite

- Covers most farm-raised crops, animals, and animal products.
- Whole-farm revenue protection
- Stand alone or in conjunction with other crop insurance plans
  - Except AGR
- Available in selected counties in Idaho
- Sales Closing Date: 03/15
- Premium Subsidy: 48% to 59%

RightRisk™

Adjusted Gross Revenue - Lite
AGR-Lite

- Based on five-year revenue history
  - Federal Income Tax Schedule F
- Premium Subsidy: 48% to 59%
  - 65% level Government pays 59%
  - 80% level Government pays 48%

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Adjusted Gross Revenue - Lite
AGR-Lite

Coverage Level (%)	Payment Rate (%)	Minimum number of commodities	Maximum Adjusted Gross Income
65	75	1	$2,051,282
65	90	1	1,709,402
75	75	1	1,777,778
75	90	1	1,481,481
80	75	3	1,666,667
80	90	3	1,388,889

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AGR-Lite
Guarantee Example

- 5 year Average Revenue: $300,000
- Expected 2011 Revenue: $310,000
  - AGR is Lesser of the Two ($300,000)

Approved AGR	$300,000
Coverage Level (20% deductible)	x 80%
Trigger Point (loss payment begins)	$240,000
Payment Rate (10% deductible)	x 90%
Income Guarantee	$216,000

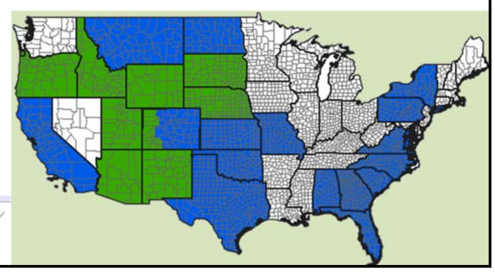
AGR-Lite
Loss Example

Approved AGR	$300,000
Trigger Point	$240,000
Revenue to count	**$70,000**
Insured Loss (240,000 – 70,000)	$170,000
Payment Rate (170,000 x 0.90)	90%
Indemnity (170,000 – 17,000)	$153,000
Total Farm Revenue (70,000 + 153,000)	$223,000

PRF Insurance

Pasture, Rangeland, Forage Pilot Insurance Program

- Group risk plan for potential production losses
- Uses indexing
  - Measure and compare conditions that affect forage production in specific areas over time
  - Rainfall Index
  - Vegetation Index



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PRF Insurance

Designed to give forage and livestock producers the ability to buy insurance protection for losses of forage produced for grazing or harvested for hay.

Covers:

- *Grazinglands* – perennial forage established on land suitable and intended for grazing livestock.
- *Haylands* – perennial forage on land suitable and intended for haying.

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PRF Insurance

Rainfall Index

- Indemnity payments are possible when the final index of rainfall for a grid (final grid index) falls below average precipitation patterns (trigger grid index).

Vegetation Index

- Indemnity payments are possible when the final index of vegetation greenness for a grid (final grid index) falls below the insured's trigger grid index.

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PRF Insurance
Vegetation Index

- Uses data from the U.S. Geological Survey Earth Resources Observation and Science data center.
- Estimates plant condition in approximately 4.8 x 4.8 mile grids.
- A measure of the average vegetation index patterns for the grid.
  - Not a direct measure of your production.
  - The healthier the plants in a given grid, the higher the greenness index will be.

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PRF Insurance
How Vegetation Data is Measured and Used

The data is called the Normalized Difference Vegetation Index (NDVI).

- NDVI is a measurement of the density of photosynthetic biomass on the ground.
- Results are obtained from the processing of satellite imagery.

Loss payments are based on the difference between the normal NDVI data (expected grid index) and the actual grid index experienced during the months insured.

PRF Insurance
Vegetation Index Intervals

NDVI data is collected during an index interval.

- An insured producer may select any 3-month index interval.
- Insurance available in Idaho March through October.
- Index intervals cannot overlap.

www.rma.usda.gov/policies/pasturerangeforage/

You are here: Home / Crop Policies and Pilots / Pasture, Rangeland, Forage

Crop Policies and Pilots

Pasture, Rangeland, Forage

The United States currently comprises about 588 million acres of pasture and rangeland and 61.5 million acres of hay land. The following insurance programs for pasture, rangeland, and forage (PRF) utilize various indexing systems to determine crop condition. Also see livestock policies and resources.

Program announcement: RMA Expands Pasture, Rangeland, Forage Insurance Availability for 2011 Crop Year (Jun 30, 2010)

PRF Archive

2012

Rainfall Index (RI) - is based on weather data collected and maintained by NOAA's Climate Prediction Center. The index reflects how much precipitation is received relative to the long-term average for a specified area and timeframe.

- PRF Fact Sheet
- Frequently Asked Questions
- County Availability (PDF): Map | Text
- Basic Provisions (PDF)
- Policy Provisions (PDF)
- Insurance Standards Handbook (PDF)
- Grid ID Locator, Decision Support Tool, Historical Indices

Vegetation Index (VI) - is based on the U.S. Geological Survey's Earth Resources Observation and Science (EROS) normalized difference vegetation index (NDVI) data derived from satellites observing long-term changes in greenness of vegetation of the earth since 1989.

- PRF Fact Sheet
- Frequently Asked Questions
- County Availability (PDF): Map | Text
- Basic Provisions (PDF)
- Policy Provisions (PDF)
- Insurance Standards Handbook (PDF)
- Grid ID Locator, Decision Support Tool, Historical Indices
- Downloadable Interactive PRF Spreadsheet - Total Loss Factor: XLS | PDF

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Decision Support Tool
Pasture, Rangeland, Forage

This tool is for illustration purposes only. Your actual information may differ. For additional information, please click here.

Rainfall | Vegetation

Please Select a Location: State: Idaho County: Ada Grid: 56920 Grid Locator Print

Protection Information

Insured Crop Type: Grazingland
Coverage Level (%): 90
Protection Factor (%): 100
Share (%): 100
Insurable Acres: 1280
Sample Year: 2002

Graph

Type: Index Values / Estimated Indemnities

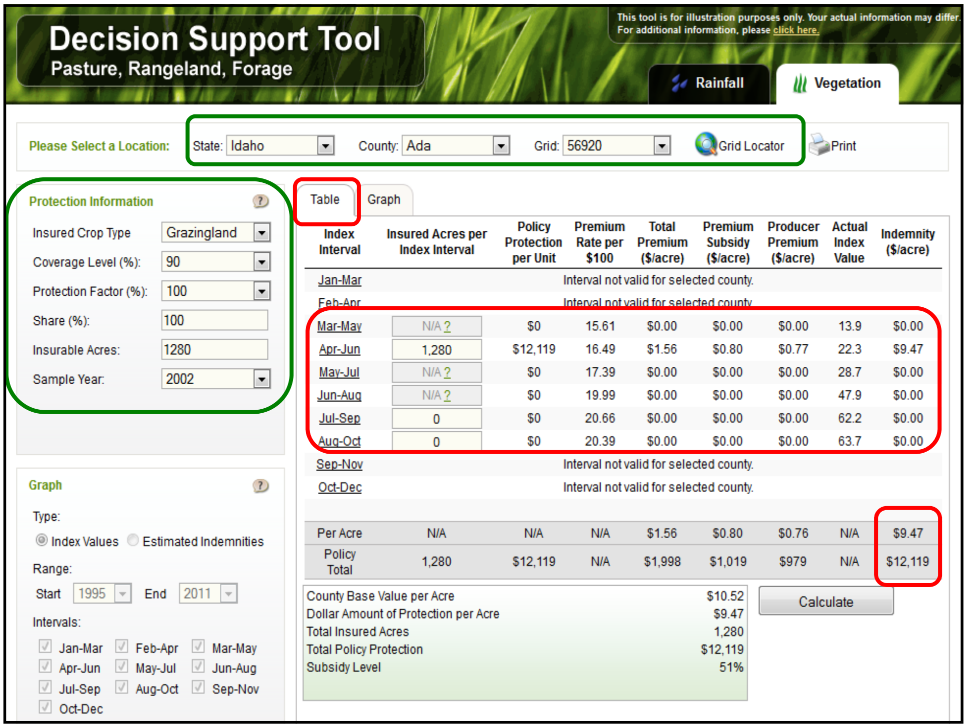
Range: Start 1995 End 2011

Intervals: Jan-Mar, Feb-Apr, Mar-May, Apr-Jun, May-Jul, Jun-Aug, Jul-Sep, Aug-Oct, Sep-Nov, Oct-Dec

Table | Graph

Graph View / Chart View

Year	Jan-Mar	Feb-Apr	Mar-May	Apr-Jun	May-Jul	Jun-Aug	Jul-Sep	Aug-Oct	Sep-Nov	Oct-Dec
2011	115.7	97.5	104.1	134.3	152.5	165.9	158.0	N/A	N/A	N/A
2010	148.1	146.9	150.4	163.8	173.2	170.9	145.2	131.1	122.2	115.4
2009	127.1	149.8	144.1	117.3	95.4	100.9	121.4	132.2	127.3	120.6
2008	89.0	99.2	106.9	105.4	111.7	151.8	165.0	181.4	171.8	162.5
2007	125.1	115.4	106.0	88.1	74.1	85.0	112.5	131.2	145.6	135.8
2006	96.2	89.8	91.7	107.0	109.7	115.0	133.9	144.7	134.2	124.9
2005	161.2	150.8	144.2	139.1	129.2	124.7	128.4	132.3	129.0	107.0
2004	58.8	74.4	74.8	85.0	106.0	111.4	123.7	117.6	132.2	145.4
2003	122.4	134.2	143.3	130.4	115.8	104.6	115.7	118.6	113.7	111.8
2002	58.8	31.6	13.9	22.3	28.7	47.9	62.2	63.7	62.9	67.3
2001	73.9	101.1	106.2	73.6	33.7	8.9	19.0	27.4	36.9	51.6
2000	124.6	125.6	123.1	118.3	98.9	81.9	72.1	77.6	68.9	74.5
1999	113.5	99.1	99.6	101.8	100.8	93.2	90.4	88.7	95.7	100.0
1998	130.8	129.9	132.5	151.2	160.2	161.2	141.7	144.4	139.7	139.5
1997	111.9	90.4	78.0	72.5	92.4	114.2	132.1	126.6	116.6	113.4
1996	107.0	115.2	117.2	114.8	95.7	73.5	51.3	48.5	64.2	75.5
1995	144.3	130.6	126.6	121.1	113.8	90.8	70.8	62.9	67.5	85.6


Decision Support Tool
Pasture, Rangeland, Forage

This tool is for illustration purposes only. Your actual information may differ. For additional information, please click here.

Rainfall | Vegetation

Please Select a Location: State: Idaho County: Ada Grid: 56920 Grid Locator Print

Protection Information

- Insured Crop Type: Grazingland
- Coverage Level (%): 90
- Protection Factor (%): 100
- Share (%): 100
- Insurable Acres: 1280
- Sample Year: 2002

Table | Graph

Index Interval	Insured Acres per Index Interval	Policy Protection per Unit	Premium Rate per $100	Total Premium ($/acre)	Premium Subsidy ($/acre)	Producer Premium ($/acre)	Actual Index Value	Indemnity ($/acre)
Jan-Mar	Interval not valid for selected county.							
Feb-Apr	Interval not valid for selected county.							
Mar-May	N/A ?	$0	15.61	$0.00	$0.00	$0.00	13.9	$0.00
Apr-Jun	1,280	$12,119	16.49	$1.56	$0.80	$0.77	22.3	$9.47
May-Jul	N/A ?	$0	17.39	$0.00	$0.00	$0.00	28.7	$0.00
Jun-Aug	N/A ?	$0	19.99	$0.00	$0.00	$0.00	47.9	$0.00
Jul-Sep	0	$0	20.66	$0.00	$0.00	$0.00	62.2	$0.00
Aug-Oct	0	$0	20.39	$0.00	$0.00	$0.00	63.7	$0.00
Sep-Nov	Interval not valid for selected county.							
Oct-Dec	Interval not valid for selected county.							
Per Acre	N/A	N/A	N/A	$1.56	$0.80	$0.76	N/A	$9.47
Policy Total	1,280	$12,119	N/A	$1,998	$1,019	$979	N/A	$12,119

County Base Value per Acre	$10.52
Dollar Amount of Protection per Acre	$9.47
Total Insured Acres	1,280
Total Policy Protection	$12,119
Subsidy Level	51%

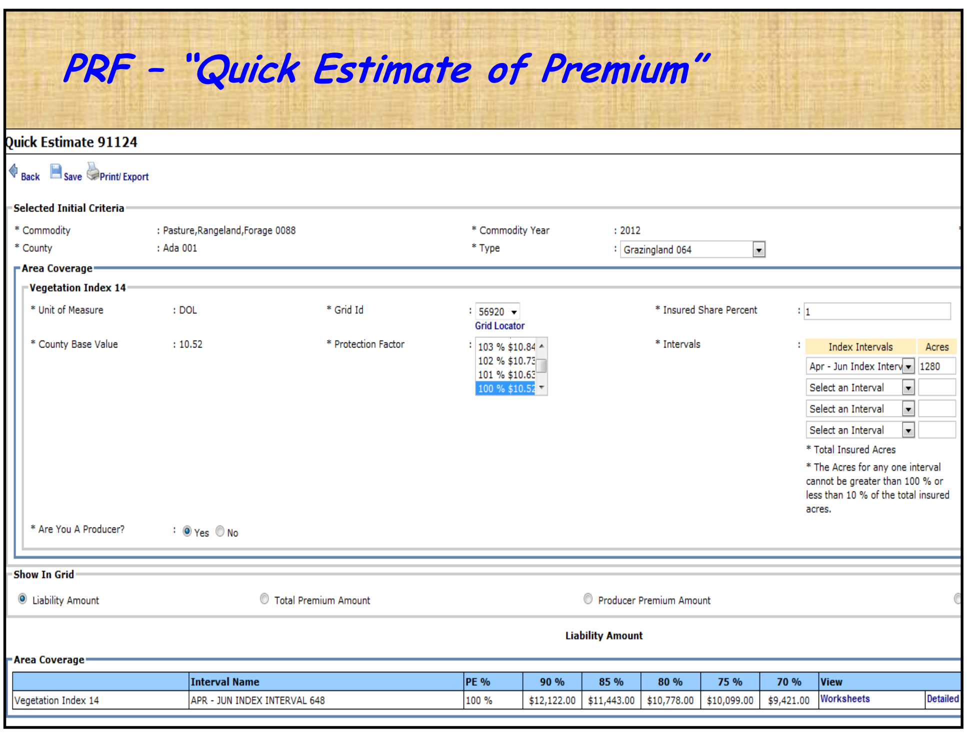
Calculate

Graph

Type: Index Values / Estimated Indemnities

Range: Start 1995 End 2011

Intervals: Jan-Mar, Feb-Apr, Mar-May, Apr-Jun, May-Jul, Jun-Aug, Jul-Sep, Aug-Oct, Sep-Nov, Oct-Dec


PRF – "Quick Estimate of Premium"

Quick Estimate 91124

Back Save Print/ Export

Selected Initial Criteria

- * Commodity : Pasture,Rangeland,Forage 0088
- * County : Ada 001
- * Commodity Year : 2012
- * Type : Grazingland 064

Area Coverage

Vegetation Index 14

- * Unit of Measure : DOL
- * Grid Id : 56920 Grid Locator
- * Insured Share Percent : 1
- * County Base Value : 10.52
- * Protection Factor : 103 % $10.84, 102 % $10.73, 101 % $10.63, 100 % $10.52
- * Intervals :

Index Intervals	Acres
Apr - Jun Index Interv	1280
Select an Interval	
Select an Interval	
Select an Interval	

* Total Insured Acres

* The Acres for any one interval cannot be greater than 100 % or less than 10 % of the total insured acres.

* Are You A Producer? : Yes No

Show In Grid

Liability Amount / Total Premium Amount / Producer Premium Amount

Liability Amount

Area Coverage

	Interval Name	PE %	90 %	85 %	80 %	75 %	70 %	View	
Vegetation Index 14	APR - JUN INDEX INTERVAL 648	100 %	$12,122.00	$11,443.00	$10,778.00	$10,099.00	$9,421.00	Worksheets	Detailed

RMA Crop Insurance
On-Line Self Study Courses (RightRisk.org)

2008 Insurance and Risk Management

Getting on Track:
- Better Management Through Basic Ag Records
- Better Management Through Financial Statements

Feasibility of Alternative Enterprises

Taxes for Agricultural Enterprises

Enterprising Rural Families

AGR-Lite

A Lasting Legacy

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Management Tips:
Annual Cow Costs

Minimize Investment in Depreciable Assets
- Vehicles
- Machinery
- Horses
- Leasing versus Buying Analysis

Analyze Purchase versus Raising Replacements

Don't Make Investment Decisions to Reduce Taxes
- **Don't Spend a Dollar to Save 30 cents.**

RightRisk

How Much Can You Pay?

It depends the **number of calves sold**

- Conception Rates
- Weaning Percentage

***Reproduction* Is The**
Number One Production Factor
Cow/Calf Producers Must Pay Attention To!

Management Tips:
Conception Rates / Weaning Percent

Weaning Percentage

• Top 25% Producers (6.6 % ROA)	85%
• Next 25% (2.4%)	83%
• 3rd 25% (-1.4%)	81%
• Low 25% (-7.7%)	80%

Southwest Cow/Calf SPA Summary

Management Tips:
Conception Rates/Weaning %

Goals

- Obtain a live healthy calf from every replacement
- Obtain a calf from every cow every year she is in the herd
- Concentrate calf crop in short calving season

Focus On

- Using fertile bulls
- Culling nonbreeding cows
- Breeding heifers earlier than mature cow herd

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Management Tips:
Conception Rates/Weaning %

Replacement Heifers

- Proper Nutrition
- Feed adequately to reach their targeted weight
- Sort into feeding groups if necessary
- Should Reach Puberty by 14 to 15 Months of Age
- Use Reproductive Tract Score for Culling

Disease Prevention

Use Fertile Bulls (Small Birth Weights)

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Management Tips
Conception Rates/Weaning %

Concentrate on Nutrition (to ensure good reproductive efficiency and animal health)

- Forage testing
- Do not skimp 50 day before and 80 days after calving
- Give more attention to 2nd Calf heifers

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How Much Can You Pay?

It depends on **total receipts**

- Calf Market Prices
- Weaning Weights
- Cull Sales

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Management Tips
Total Receipts

Market Prices

- Marketing Plans
- Risk Management
- Understand Forward Pricing Tools

Weaning Weights

- Be Careful!!
- No Relationship Between Weaning Weights and Profitability
- Identify Ways of Adding Weight That Does Not Involve A Lot of Additional Costs

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Management Tips:
Total Receipts

Income from Cull Cow and Bull Sales

- Add Weight To Thin Cows (BCS <3)
  - Know The Cost of Gain
- Sell Cows Outside Seasonal Market Lows
- Sell Culls Before They Lose Their Teeth
- Bruising Is A Major Problem, Be Careful When Handling
- Understand The Price Difference Between Grades

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How Much Can You Pay?

It depends on the **productive life of the cow**

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Management Tips
Productive Life

Choose heifers with good potential to remain in heard a long time

- High degree of fertility
- Good frame size and structural soundness
- Normally developed utter
- Adequate growth

Control/Reduce Cow Death Loss

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How Much Can You Pay??

You need to predict the future!!!

~ Expected Costs ~

~ Expected Returns ~

~ Production ~

~ Market Prices ~

~ Government Regulations and Actions ~

~ Other ~

Use the best information you trust and make

GOOD MANAGEMENT DECISIONS

Breakeven Prices

Weaning %	Weaning Weight	-------------- Annual Cow Costs --------------					
		$300	$350	$400	$450	$500	$550
75	400	$1.00	$1.17	[illegible]	[illegible]	[illegible]	[illegible]
	500	$0.80	$0.93	[illegible]	[illegible]	[illegible]	[illegible]
	600	$0.67	$0.78	[illegible]	[illegible]	[illegible]	[illegible]
80	400	$0.94	$1.09	[illegible]	[illegible]	[illegible]	[illegible]
	500	$0.75	$0.88	[illegible]	[illegible]	[illegible]	[illegible]
	600	$0.63	$0.73	[illegible]	[illegible]	[illegible]	[illegible]
85	400	$0.88	[illegible]	$1.18	$1.32	$1.47	$1.62
	500	$0.71	$0.82	$0.94	$1.06	$1.18	$1.29
	600	$0.59	$0.69	$0.78	$0.88	$0.98	$1.08
90	400	$0.83	$0.97	$1.11	$1.25	$1.39	$1.53
	500	$0.67	$0.78	$0.89	$1.00	$1.11	$1.22
	600	$0.56	$0.65	$0.74	$0.83	$0.93	$1.02

1990

Cow Cost: $350

Weaning Weight: 500 lbs.

Weaning %: 85 percent

Breakeven Prices

Weaning %	Weaning Weight	$300	$350	$400	$450	$500	$550
		-------------- Annual Cow Costs --------------					
75	40			33	$1.50	$1.67	$1.83
	50			07	$1.20	$1.33	$1.47
	60			89	$1.00	$1.11	$1.22
80	40			25	$1.41	$1.56	$1.72
	50			00	$1.13	$1.25	$1.38
	60			83	$0.94	$1.04	$1.15
85	400	$0.88	$1.03	$1.18	$1.32	$1.47	$1.62
	500	$0.71	$0.82	$0.94	$1.06	$1.18	$1.29
	600	$0.59	$0.69	$0.78	$0.88	$0.98	$1.08
90	400	$0.83	$0.97	$1.11	$1.25	$1.39	$1.53
	500	$0.67	$0.78	$0.89	$1.00	$1.11	$1.22
	600	$0.56	$0.65	$0.74	$0.83	$0.93	$1.02

2010

Cow Cost: $500

Weaning Weight: 500 lbs.

Weaning %: 85 percent

How much can you afford to pay for a cow?

Assumptions

Number of Cows (hd)	250	Avg. Weaning Wt. (lbs) - Steers	550
Conception Rate (%)	95	Avg. Weaning Wt. (lbs) - Heifers	500
Weaning Rate (%)	95	Yearling Heifer Wt. (lbs)	750
Heifer Retention Rate (%)	15	Actual Weaning Rate (%)	90.25
Cow Replacement Rate (%)	12	Steers Weaned (hd)	113
Cow Salvage Value ($/cow)	$500	Heifers Weaned (hd)	113
Annual Cow Costs ($/cow)	$410	Heifers Retained (hd)	37.5
Return on Investment (%)	4	Cows Replaced(hd)	30

Adjustment to Annual Cow Costs ($/cow) $0

Outlook of Annual Calf Prices

	Steers	Heifers
Year 1:	$1.25	$1.18
Year 2:	$1.15	$1.08
Year 3:	$1.05	$0.98
Year 4:	$0.95	$0.88
Year 5:	$0.90	$0.83
Year 6:	$0.85	$0.78
Year 7:	$0.90	$0.83
Year 8:	$0.95	$0.88
	$1.00	**$0.93**

Revenues - Expenses = Net Returns

	Head	Market Price	Average Weight	Value Total	Per Cow
Steers	113	1.00	550	62,047	
Heifers	75	0.93	500	35,020	
Yrlg Hfrs	7.5	0.85	750	4,781	
Other	45	0.50	1000	22,500	
Average Annual Revenues				**$124,348**	**$497**
	Cows	**$ / Cow**		**Total Cost**	**Per Cow**
Avg. Ann. Operating Exp.	250	410		**$102,566**	**$410**
Average Net Returns:				**$21,782**	**$87.13**

Net Returns are used to pay operator labor (family living), debt payments, income taxes, etc.

How Much Can You Afford To Pay?

$979	**8-Year Productive Life**
$918	**5-Year Productive Life**
$855	**3-Year Productive Life**

Buy or raise replacement heifers?

Cost of Purchasing Replacement Heifers ($/hd)			750
Cost of Raising Replacement Heifers		PER GROUP	PER HEAD
Value of Raised Heifers		13,750	550
Number (Hd)	25		
Average Weight (lbs)	550		
Average Price ($/lb)	1.00		
Interest (weaning to preg testing)		963	39
Months	12		
Interest Rate	7.00%		
Subtotal		14,713	589
Annual Feed Costs		1,238	50
Vet & Medicine	26.00	650	26
Annual Breeding Costs		1,100	44
Labor		500	20
Overhead		331	13
Operating Interest		128	(1)
Subtotal		3,946	152
Reduction of Costs			
Due to Sale of Culled Heifers		(6,662)	(266)
Percent Culled	33%		
Number Culled (Hd)	8		
Average Weight (lbs)	850		
Average Price ($/lb)	0.95		
Value Per Head Culled ($)	808		

ANNUAL FEED COSTS

Hay		43.50
Pounds Fed Per Day	5.00	
Days	120	
Price of Hay ($/Ton)	145	
Cake/Cubes/Grain/Tubs		0.00
Pounds Fed Per Day	0.00	
Days	30	
Price of Grain ($/Ton)	180	
Salt & Minerals		6.00
Pounds Fed Per Day	0.50	
Days	120	
Price ($/Ton)	200	
Pasture		0.00
Months	0.00	
Lease ($/Hd/Month)	18.00	
Pasture		0.00
Months	0.00	
Lease ($/Hd/Month)	0.00	
Other ($/Hd)	0.00	
Total		49.50
Known Total	0.00	

ANNUAL BREEDING COSTS

Bull Purchase Price ($/Hd)	2,500
Years of Use	3
Salvage Value ($/hd)	1,000
Interest	175
Depreciation	500
Feed Costs ($/hd/yr)	365
Vet ($/hd/yr)	60
AI ($/Female)	0
Other ($/hd/yr)	0
Annual Total Breeding ($)	1,100
Females Per Bull	25
Bulls Needed For Heifers	1

LABOR

Time Spent With Heifers (hrs)	25
Wage Rate ($/hr)	20.00

OVERHEAD

Percent of Operating Costs	10%

COSTS OF RAISING REPLACEMENT HEIFERS (per hd)	**$474**
COSTS OF BUYING REPLACEMENT HEIFERS (per hd)	**$750**
Advantage of RAISING Replacement Heifers (per head)	**$276**

Summary

1. Business Management Producer Attitude
2. Develop a Plan and Execute It
   - Goals (Where Do You Want To Go?)
   - Develop Budgets and Monitor Progress
   - Keep Appropriate Records
   - Stay Focused
   - Get Advice
3. Control "cow costs"
4. Have insurance

Risk Management Coaching

Working Together to Manage Risk in Agriculture

Risk Management Coach

- Work privately with workshop participants
- Allow open communication and collaboration
- Focus efforts on the goals of the producer

RightRisk™

Risk Management Coaching

Working Together to Manage Risk in Agriculture

The focus is on "**you**".

- **You** decide what goals to achieve.
- **You** take actions to achieve your goals.
- **You** have control over the management process.
- **You** develop skills to make better management decisions.

RightRisk™

Risk Management Coaching

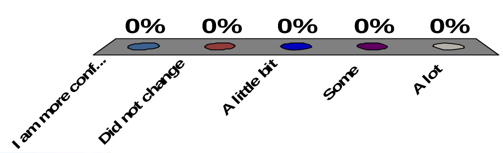
Working Together to Manage Risk in Agriculture

- Coaching can assist you to:
  - Establish risk management goals and actions to achieve those goals.
  - Focus on solutions and overcoming obstacles.
  - Share and discuss ideas.
  - Develop risk management skills.

RightRisk™

Following this presentation, how much did your understanding of "crop insurance" change?

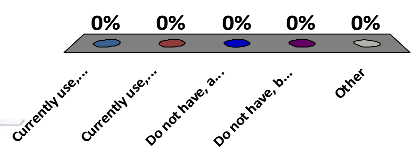
1. I am more confused
2. Did not change
3. A little bit
4. Some
5. A lot



RightRisk™

What is your current and future use of crop insurance?

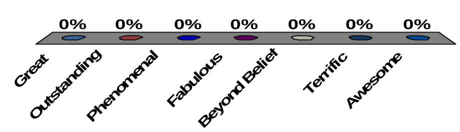
1. Currently use, but will not in the future
2. Currently use, and will continue to purchase
3. Do not have, and will not have in the future
4. Do not have, but will investigate purchasing
5. Other



RIGHTRISK™

Overall, how would you rate the value of this educational opportunity?

1. Great
2. Outstanding
3. Phenomenal
4. Fabulous
5. Beyond Belief
6. Terrific
7. Awesome



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Thank You!

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- ✓ USDA Risk Management Agency
- ✓ Idaho Farm Bureau
- ✓ RightRisk, LLC

Speakers

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Web Sites

- ✓ **erightrisk.com**
- ✓ **coopext.colostate.edu/ABM/**
- ✓ **idaho.erightrisk.com**