

**SOUTHWEST REGION
LARGE COW/CALF BUDGET 2016**

BREED HERD SIZE 298 COW to BULL 15 CALF CROP PERCENT¹ 82%
CULL RATE 15% REPLACEMENT HEIFER'S KEPT 44.625

VALUE OF PRODUCTION

	<u>QUANTITY</u>	<u>WEIGHT</u>	<u>PRICE²</u>	<u>VALUE</u>	<u>VALUE PER COW</u>
STEER CALVES	122	500	\$2.08	\$126,854	\$426.40
HEIFER CALVES	77	475	\$2.01	\$73,850	\$248.24
CULL COWS	45	1000	\$0.74	\$33,023	\$111.00
CULL BULLS	3	1300	\$0.85	\$3,287	\$11.05
TOTAL	247			\$237,014	\$796.69

VARIABLE COSTS

		<u>UNITS</u>	<u>QUANTITY/PERCENT</u>	<u>PRICE</u>	<u>COST</u>	<u>VALUE PER COW</u>
1. FEED COSTS						
	HAY	TON	22.00	\$155	\$3,410	\$11.46
	STATE	AUY	40.0%	\$38.04	\$4,527	\$15.22
	FEDERAL LEASE	AUY	40.0%	\$20.88	\$6,212	\$20.88
	PRIVATE(Owned)	AUY	20.0%	\$0.00	\$0	\$0.00
	PRIVATE(Leased Grazing)	AUY	0.0%	\$0.00	\$0	\$0.00
	SALT & MINERAL	TON	11	\$710	\$7,710	\$25.92
	PROTEIN SUPP	TON	30	\$315	\$9,371	\$31.50
	TOTAL				\$31,230	\$104.97
2. OTHER VARIABLE COSTS						
	VET AND MEDICINE				\$3,704	\$12.45
	LIVESTOCK HAULING				\$1,111	\$3.74
	HIRED LABOR				\$18,000	\$60.50
	OPERATING COSTS-EQUIP & MACH				\$5,000	\$16.81
	OPERATING COSTS-VEHICLE				\$6,000	\$20.17
	RANCH MAINTENANCE				\$5,500	\$18.49
	BEEF CHECKOFF				\$199	\$0.67
	LIVESTOCK PURCHASES				\$9,000	\$30.25
	TOTAL				\$48,514	\$163.07
3. INTEREST ON VARIABLE COSTS						
	SUM OF VARIABLE COSTS X MONTHS BORROWED					
	X INTEREST RATE PER MONTH					
	ANNUAL INTEREST RATE				7.00%	
	NUMBER OF MONTHS BORROWED				6	VALUE PER COW
					\$2,791	\$9.38
	TOTAL				\$82,535	\$277.43
					\$154,479	\$519.26

OWNERSHIP COSTS

		<u>Annual Capital Recovery⁴ (At Replacement Value):</u>	<u>Represents 65% Asset Ownership⁵</u>	<u>VALUE PER COW</u>
CASH COSTS				
	Taxes & Insurance		\$15,805	\$53.13
	Overhead		\$2,000	\$6.72
	Total		\$17,805	\$59.85
NON CASH COSTS				
	Purchased Livestock		\$13,287	\$44.66
	Machinery & Equipment		\$15,805	\$53.13
	Housing & Improvements		\$20,141	\$67.70
	Interest on Retained Livestock ⁶		\$38,850	\$130.59
	Management & Operation Labor (6% of gross returns)		\$14,221	\$47.80
	Total		\$102,304	\$343.88
	TOTAL FIXED COSTS		\$120,110	\$403.73
	TOTAL CASH AND VARIABLE COSTS		\$100,340	\$337.28
	TOTAL COSTS		\$202,645	\$681.16
	RETURN ABOVE TOTAL CASH COSTS		\$136,673	\$459.41
	RETURN ABOVE TOTAL COSTS		\$34,369	\$115.53

BREAKEVEN CALCULATIONS

	<u>VARIABLE COSTS</u>	<u>TOTAL COSTS</u>
REQUIRED AVERAGE CALF PRICES CASH COST (cwt)	\$69.40	\$84.37
REQUIRED AVERAGE CALF PRICES CASH COST (cwt)	\$69.40	\$170.40

1) Calf crop is defined as the actual number of calves sold divided, by the total number of cows (assuming all cows were exposed).

2) Prices represent 2016 price projections from Cattle Fax, Doanes reports for New Mexico feeder cattle cash prices.

3) Market prices include commissions, brand inspections, beef council, yardage, feed, and insurance

4) Annual capital recovery is the method of calculating depreciation and interest recommended by the National Task Force on Commodity Costs and Returns Measurement Methods.

5) The 35% reduction in asset values which represent a mix of new and used machinery.

6) Interest on average investment.

**SOUTHWEST REGION
LARGE RANCH INVESTMENTS**

Number	Land Values	Price Per Unit	10 Yr Avg Rate of Return	Purchase Price	Salvage/Cull Value	Useful Life	Livestock Share	Annual Capital Recovery
6,000	Acres of private land	\$75	3.9%	\$450,000	\$450,000			
298	AU Values ¹	\$2,400	3.9%	\$714,000	\$714,000			
Sub Totals				\$1,164,000				
Number	Buildings, Improvements	Price Per Unit						
18	Miles of pipeline	\$2,000	3.9%	\$36,000	\$3,600	25	100	\$2,193
6	Wells	\$12,000	3.9%	\$72,000	\$7,200	25	100	\$4,385
100	Miles of Fence	\$2,000	3.9%	\$200,000	\$20,000	25	100	\$12,181
1	Corrals/Working Facilities	\$10,000	3.9%	\$10,000	\$1,000	30	100	\$553
1	Barns & Shop	\$15,000	3.9%	\$15,000	\$1,500	30	100	\$830
Sub Totals				\$333,000				\$20,141
Number	Machinery & Vehicles	Price Per Unit	Interest Rate³	Price	Salvage/Cull			
2	3/4 ton pickup 4WD	\$42,000	6.0%	\$84,000	\$16,800	7	50	\$6,523
1	1 ton pickup 4WD	\$45,000	6.0%	\$45,000	\$9,000	7	50	\$3,494
1	Tractor	\$5,000	6.0%	\$5,000	\$1,000	7	100	\$777
3	Gooseneck trailer	\$7,000	6.0%	\$21,000	\$4,200	7	100	\$3,261
1	Horse tack	\$8,000	6.0%	\$8,000	\$1,600	10	100	\$966
1	Misc. equipment	\$6,500	6.0%	\$6,500	\$1,300	10	100	\$785
Sub Total				\$169,500				\$15,805
Head	Purchased Livestock	Price Per Unit	Interest Rate³	Price	Salvage/Cull			
8	Horses	\$1,500	6.0%	\$12,000	\$4,560	10	100	\$1,284
20	Bulls	\$3,000	6.0%	\$59,500	\$22,610	4	100	\$12,003
34	Cows	\$2,400	6.0%	\$81,600	\$31,008	8	100	\$10,008
77	Total AUYS							
Sub Total				\$71,500				\$13,287
Head	Retained Livestock	Price Per Unit	Interest Rate	Price	Salvage/Cull			Interest on Investment
297.5	Cows	\$2,400	6.0%	\$714,000	\$271,320			\$33,782
45	Replacement Heifers	\$2,400	6.0%	\$107,100	\$40,698			\$5,067
331	Total AUYS							
Sub Total				\$821,100	\$312,018			\$38,850
Total				<u>\$2,559,100</u>				<u>\$74,796</u>

1) The interest rate of 3.9% used to calculate the capital recovery cost is the USDA-ERS's ten year average long-run rate of return to production assets for New Mexico.