

SHEEP BUDGET

FLOCK SIZE	1000	EWE to RAM	100	LAMB CROP PERCENT ¹	93%
CULL RATE	12%			REPLACEMENT EWES KEPT	120

VALUE OF PRODUCTION

	QUANTITY	WEIGHT	PRICE ²	VALUE	VALUE PER EWE
WETHER LAMBS	465	85	\$1.19	\$47,035	\$47.03
EWE LAMBS	345	80	\$1.14	\$31,464	\$31.46
CULL BUCKS	20	140	\$0.52	\$1,456	\$1.46
CULL EWES	120	120	\$0.59	\$8,496	\$8.50
EWE WOOL	880	10	\$0.59	\$5,192	\$5.19
BUCK WOOL	40	11	\$0.59	\$260	\$0.26

TOTAL	950			\$88,451	\$88.45
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VARIABLE COSTS

	UNITS	QUANTITY/PERCENT	PRICE	COST	VALUE PER EWE
1. FEED COSTS					
HAY	TON	200.00	\$140	\$28,000	\$28.00
STATE	AUY	30.0%	\$33.36	\$10,008	\$10.01
FEDERAL LEASE	AUY	7.0%	\$18.12	\$18,120	\$18.12
PRIVATE(Owned)	AUY	55.0%	\$0.00	\$0	\$0.00
PRIVATE(Leased Grazing)	AUY	0.0%	\$0.00	\$0	\$0.00
SALT & MINERAL	TON	7.00	\$250	\$1,750	\$1.75
PROTEIN SUPP	TON	15.00	\$350	\$5,250	\$5.25
OTHER		0.00	\$0	\$0	\$0.00
TOTAL				\$63,128	\$63.13

2. OTHER VARIABLE COSTS

	COST	VALUE PER EWE
VET AND MEDICINE	\$4,500	\$4.50
LIVESTOCK HAULING	\$2,138	\$2.14
HIRED LABOR	\$0	\$0.00
OPERATING COSTS-EQUIP & MACH	\$4,500	\$4.50
OPERATING COSTS-VEHICLE	\$4,120	\$4.12
RANCH MAINTENANCE	\$3,451	\$3.45
BEEF CHECKOFF	\$810	\$0.81
LIVESTOCK PURCHASES	<u>\$5,000</u>	<u>\$5.00</u>
TOTAL	\$24,518	\$24.52

3. INTEREST ON VARIABLE COSTS

SUM OF VARIABLE COSTS X MONTHS BORROWED		
X INTEREST RATE PER MONTH		
ANNUAL INTEREST RATE	7.5%	
NUMBER OF MONTHS BORROWED	6	VALUE PER COW
		\$3.287
		\$3.29

TOTAL	\$90,933	\$90.93
	(\$2,482)	(\$2.48)

OWNERSHIP COSTS

Annual Capital Recovery⁴ (At Replacement Valve): Represents 65% Asset Ownership⁵ VALUE PER COW

CASH COSTS

Taxes & Insurance	\$13,416	\$13.42
Overhead	\$3,500	\$3.50
Total	\$16,916	\$16.92

NON CASH COSTS

Purchased Livestock	\$7,719	\$7.72
Machinery & Equipment	\$13,416	\$13.42
Housing & Improvements	\$34,724	\$34.72
Interest on Retained Livestock ⁶	\$62,534	\$62.53
Management & Operation Labor (6% of gross returns)	-\$149	(\$0.15)
Total	\$118,244	\$118.24

TOTAL FIXED COSTS	\$135,160	\$135.16
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TOTAL CASH AND VARIABLE COSTS	\$107,849	\$107.85
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TOTAL COSTS	\$226,093	\$226.09
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RETURN ABOVE TOTAL CASH COSTS	(\$19,398)	(\$19.40)
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RETURN ABOVE TOTAL COSTS	(\$137,642)	(\$137.64)
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BREAKEVEN CALCULATIONS

	VARIABLE COSTS	TOTAL COSTS
REQUIRED AVG. CALF PRICES CASH COST (cwt)	\$118.52	\$140.57
REQUIRED AVG. CALF PRICES TOTAL COSTS(cwt)	\$118.52	\$294.68

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 2006 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.

**NORTHEAST REGION
EXTRA-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
15000	Acres of private land	\$85	3.9%	\$1,275,000	\$1,275,000			
500	AU Values ¹	\$2,500	3.9%	\$1,250,000	\$1,250,000			
Sub Totals				\$2,525,000				
Number	Buildings, Improvements	Price Per Unit						
16	Miles of pipeline	\$2,000	3.9%	\$32,000	\$3,200	25	100	\$1,949
10	Wells	\$12,000	3.9%	\$120,000	\$12,000	25	100	\$7,308
95	Miles of Fence	\$4,000	3.9%	\$380,000	\$38,000	25	100	\$23,143
2	Corrals/Working Facilities	\$12,000	3.9%	\$24,000	\$2,400	30	100	\$1,328
1	Barns & Shop	\$18,000	3.9%	\$18,000	\$1,800	30	100	\$996
Sub Totals				\$574,000				\$34,724
Number	Machinery & Vehicles	Price Per Unit	Interest Rate ³	Price	Salvage/Cull			
2	3/4 ton pickup 4WD	\$30,000	7.5%	\$60,000	\$12,000	7	50	\$4,981
1	1 ton pickup 4WD	\$32,000	7.5%	\$32,000	\$6,400	7	50	\$2,657
1	Tractor	\$5,000	7.5%	\$5,000	\$1,000	7	100	\$830
3	Gooseneck trailer	\$6,500	7.5%	\$19,500	\$3,900	7	100	\$3,238
1	Horse tack	\$6,000	7.5%	\$6,000	\$1,200	10	100	\$789
1	Misc. equipment	\$7,000	7.5%	\$7,000	\$1,400	10	100	\$921
Sub Total				\$129,500				\$13,416
Head	Purchased Livestock	Price Per Unit	Interest Rate ³	Price	Salvage/Cull			
13	Horses	\$2,500	6.5%	\$32,500	\$12,350	10	100	\$3,606
10	Bulls	\$2,000	6.5%	\$20,000	\$7,600	4	100	\$4,114
90	Cows	\$1,100.00	6.5%	\$99,000	\$37,620	8	100	\$12,526
141	Total AUys							
Sub Total				\$52,500				\$7,719
Head	Retained Livestock	Price Per Unit	Interest Rate	Price	Salvage/Cull			Interest on Investment
1000	Cows	\$1,100	6.5%	\$1,100,000	\$418,000			\$56,383
120	Replacement Heifers	\$1,000	6.5%	\$120,000	\$45,600			\$6,151
1090	Total AUys							
Sub Total				\$1,220,000	\$463,600			\$62,534
Total				<u>\$4,501,000</u>				<u>\$110,674</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.

2) For intermediate assets an interest rate of 7.50% was used.

3) A rate of 6.50 percent reflects a typical return on a low -risk investment (30 YR Treasury Bond)