

# Creating Cash Flow and Wealth with Cattle

Wally Olson

## Disclaimer

My work is to help people deal with what happens today and to prepare for the future. Ranching is a business with risk. The information, advice and recommendations that I make in my communications are intended to be educational, informative, thought provoking and helpful to all who read and hear what I present. Obviously my advice and recommendations are not guaranteed.

When you change one paradigm  
you create another one . There are  
no out of the box thinkers. When  
you leave one box you enter  
another one . Understand that every  
one is right in there box . So its up  
to you on what boxes you are going  
to be in.

## Ranching For Profit David Pratt

- Healthy Land,
- Happy Families &
- Profitable Businesses

**Livestock**

Inventory

**Grass**

**Money**



# Selling Grass @ Full Value

- Capture Full Value of Gain
- Capture Full Inventory Value
- Appreciation
- Depreciation
- Understand the Cost of Maintenance



# Grass has different Values











# Calf Value of Gain

- Feeder Steers Medium and Large 1
- Head Wt Range Avg Wt Price Range Avg Price
- 24 351-399 370 182.00-192.00 185.33
- 26 400-435 415 180.00-186.50 183.57
- 30 457-486 475 171.00-180.50 175.75
- 7 506-530 509 170.50-175.50 174.76
- 31 551-575 565 150.00-160.00 152.40
- 54 600-640 625 134.50-143.00 138.94
- 62 650-675 653 132.50-141.50 136.24
- 12 703-735 714 120.50-129.00 123.32
- 

- Value of Gain
- 350 \$1.92 \$672
- \$72 \$1.44
- 400 \$1.86 \$744
- \$66 \$1.32
- 450 \$1.80 \$810
- \$65 \$1.30
- 500 \$1.75 \$875
- < \$39 > \$ .78
- 550 \$1.52 \$836
- \$22 \$ .44
- 600 \$1.43 \$858

# Value of Gain

- 325# \$205= \$666
- \$94
- 425# \$179= \$760
- \$143
- 525# \$172= \$903
- \$59
- 625# \$154= \$962
- \$89
- 725# \$145= \$1051



# Cow Bell Curve

Bred Cow

\$1853

$\$1853 - \$814 = \$1039$

$\$1853 - \$715 = \$1138$

550# Heifer Calf

550#

\$814

1100# Cull Cow

$1300\# \times \$0.55 = \$715$

# Cow Bell Curve

Bred Cow

\$1175

$\$1175 - \$750 = \$425$

$\$1175 - \$715 = \$460$

550# Heifer Calf

550#

\$750

1100# Cull Cow

$1100\# \times \$0.65 = \$715$

# Rule of Thumb on Grazing

An animal eats its weight per month

1100# cow = 1100# grass

400# heifer = 400# grass



# Maintenance then Gain

Maintenance- 1.8-2.0 % of Body Weight

Gain-3# feed for a pound after maintenance

$$400\# \times 2\% = 8\#$$

$$800\# \times 2\% = 16\#$$

$$1000\# \times 2\% = 20\#$$

$$1400\# \times 2\% = 28\#$$

All you need to be in the Cow Business is ?

**A Cow**

What is the one thing a Cow needs to produce

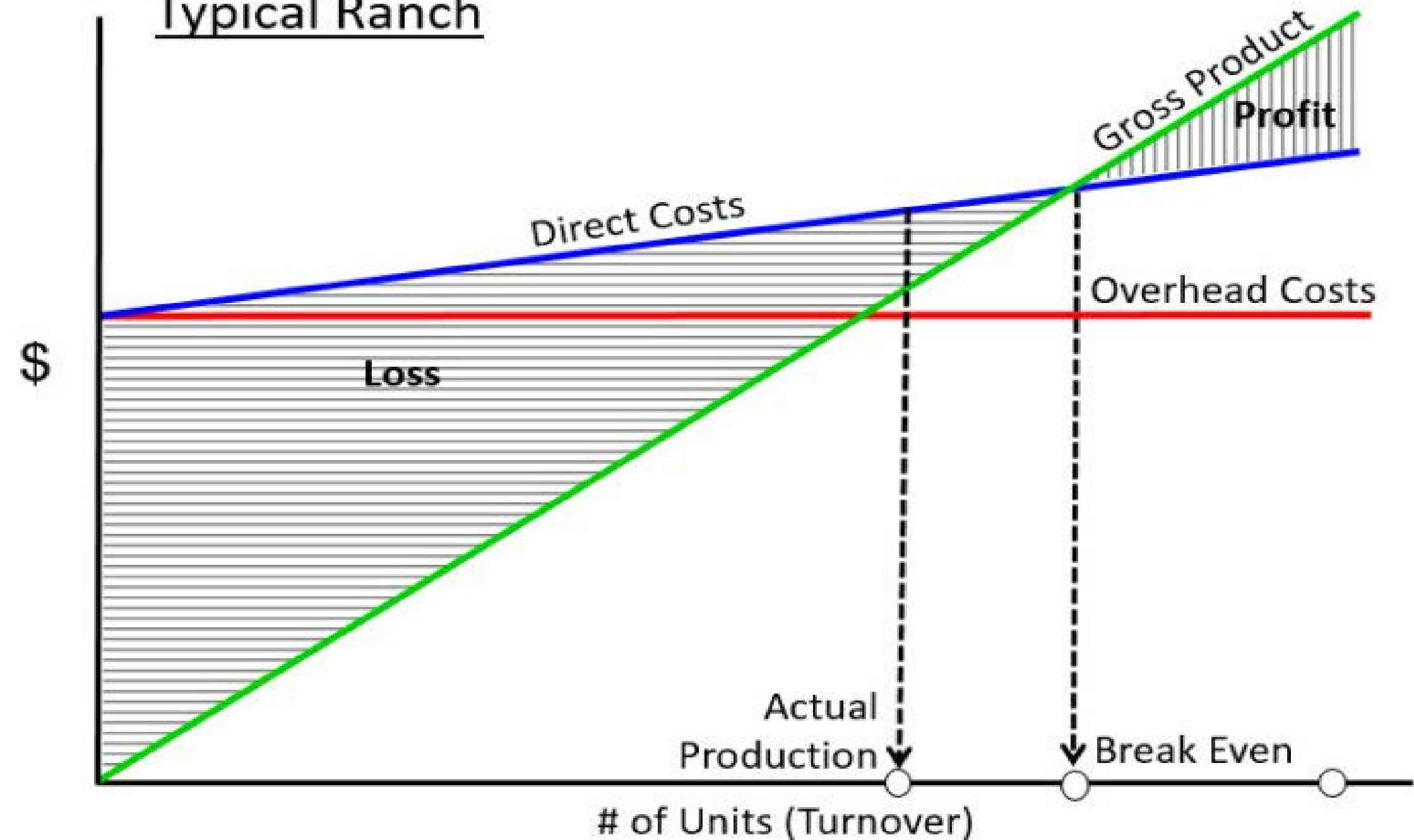
**Profit**



# The 3 Secrets For Increasing Profit™

- Reduce overhead costs
- Improve the gross margin per unit
- Increase turnover

# Typical Ranch



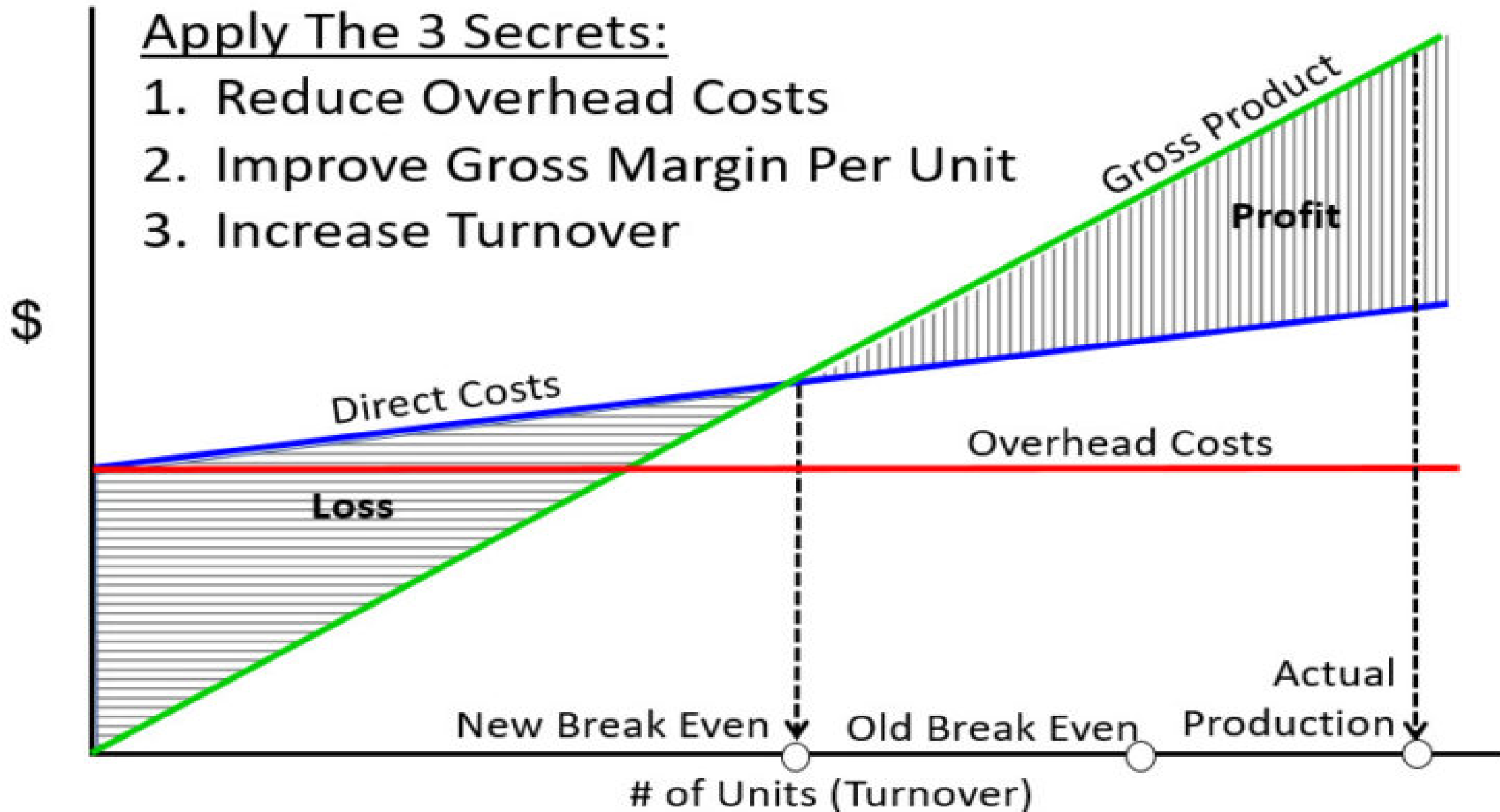
## Clay Mathis

If a 100-cow operation had a total revenue of \$105,000 and total expenses of \$100,000 with fixed costs at 60 percent, that would mean fixed costs would be \$600 per cow and variable costs would be \$400 per cow. The net income per cow is \$50. But what if the producer added one more cow? How much would the net income be?

Mathis explained that if 100 cows netted that operation \$5,000 in income, 101 cows would net \$5,650 in income. Mathis explained that since the fixed costs of the operation do not change with the number of cows, the contribution of the additional cow to net income is revenue minus variable costs, which is:  $\$1,050 \text{ revenue} - \$400 \text{ variable cost} = \$650$ . When you subtract variable cost per cow from revenue per cow, you get what is called “contribution margin.”

### Apply The 3 Secrets:

1. Reduce Overhead Costs
2. Improve Gross Margin Per Unit
3. Increase Turnover



# What we Control

- Attitude
- How we react to the Markets
- How we react to the Weather
- What we do and how
- How much it costs



## Nebraska Winter- Summer Calving Study

	March born	June born
Steer weaning wt	486	420
Price/cwt 1992/1998	84.33	97.46
Steer calves	Nov. ave.	Feb. ave.
Gross value steer	\$410	\$409
Cost head	\$252	\$175
Net steer	\$158	\$234
\$/cwt heifers	\$74.78	\$84.53
Gross value heifer	\$348	\$342
Net heifer	\$96	\$167

Heifers born in late spring and early summer will mature sexually 2.5 to 3 months younger than those born during the winter

Year	Calves (no.)	PW Death Loss (no.)	PW Death loss(%)	Shipping weight (#)	Average \$/#	Cost of death loss
2007	1,972	34	1.72%	424	\$ 1.50	\$ 21,645.18
2008	2,430	232	9.55%	402	\$ 1.41	\$ 131,820.73
2009	2,251	173	7.69%	398	\$ 1.39	\$ 95,806.12
2012	2732	10	0.37%	406	\$ 2.27	\$ 9,209.06
2013	2156	11	0.51%	449	\$ 2.01	\$ 9,949.57
2014	2048	6	0.29%	439	\$ 3.46	\$ 9,126.72

Year	Calves (no.)	Post-weaning ADG (#)	Average \$/#	Value of PW Gain
2007	1,972	0.78	\$ 1.50	\$ 2,318.94
2008	2,430	0.36	\$ 1.41	\$ 1,244.58
2009	2,251	0.01	\$ 1.39	\$ 20.96
2012	2732	1.59	\$ 2.27	\$ 493,036.08
2013	2156	1.55	\$ 2.01	\$ 336,628.45
2014	2048	1.24	\$ 3.46	\$ 441,322.48

Year	Calves (no.)	PW Death loss(%)	PW ADG (#)	Avg \$/#	PW Death Loss (\$)	Value of PW Gain (\$)
Avg 2007-2009	2,218	6.32%	0.38	\$ 1.44	\$ (83,091)	\$ 1,141
Swap Death and ADG	2,218	0.39%	1.46	\$ 1.44	\$ (5,065)	\$ 231,439
Avg 2012-2014	2,312	0.39%	1.46	\$ 2.58	\$ (9,428)	\$ 422,057
Swap Death and ADG	2,312	6.32%	0.38	\$ 2.58	\$ (162,755)	\$ 106,280

# Chip Hines Cow Size Table

Cow WT	% WN	WN WT	CALF PRICE	CALF VLUE	COW NO'S	80% NO'S	GROSS INCME	GRASS COST	NET GRASS	NET HEAD
900	52	468	135.23	622.44	141	113	70,336	34,404	35,932	317.98
1000	50	500	119.53	597.65	132	106	63,351	34,415	28,936	272.98
1100	48	528	115.07	607.56	122	98	59,541	34,200	25,341	258.58
1200	46	552	108.90	601.12	116	93	55,,904	34,324	21,580	232.04
1300	44	572	108.90	622.90	109	87	54.192	34,390	19,087	227.61
1400	42	588	108.90	640.33	103	82	52,507	34,176	18,331	223.56

Cow Weight taken at Weaning- A 900# BCS 4 cow at weaning could weight 1100# at BCS 6 at calving.



# **BIRTH WEIGHT & CALVING EASE** .....

**University studies in Wyoming and data from Montana and Colorado lend credence to the following conclusions:**

1. The birth weight itself influences calving ease by 65%.
2. The female has 60-70% influence on birth weight of her calf.
3. The bull has 30-40% influence on birth weight of his progeny.
4. Pelvic measurement and angle as well as the shape of the calf have 35-40% influence on calving ease.
5. Length of gestation greatly affects birth weight. A fetus can gain over one pound per day in the last days of gestation.
6. Weather and temperature the last 30 days affect the length of gestation.
7. Size and maturity of the cow influence calving ease.

Most commercial producers do not take birth weights. Guessing is as inaccurate as driving with a broken speedometer – what's thought to be 55 mph may in fact be 65 or 70 mph, and what's thought to be 70-80 lb. may actually be 80-90 lb.

Remember, everything is relevant. Increased growth, frame and performance will increase BW. A longer-bodied calf will weight more. If a calf is expected to have genetics for growth, it will display this prior to birth as well as after. As a rule of thumb, it takes a calf weighing 85 lb. at birth to finish at 1200-1250 lb. A cow should easily give birth to a calf weighing 8% of her own body weight. Thus a 1200 lb. cow should give birth to a 96 lb. calf with ease.

**Continued selection for light birth weights will ultimately reduce the mature sizes and performance of your cattle.**



















# Marketing vs Selling

Springfield Livestock Marketing Center  
Saturday Sale was a Special Cow Sale

Saturday June 10 ,2017

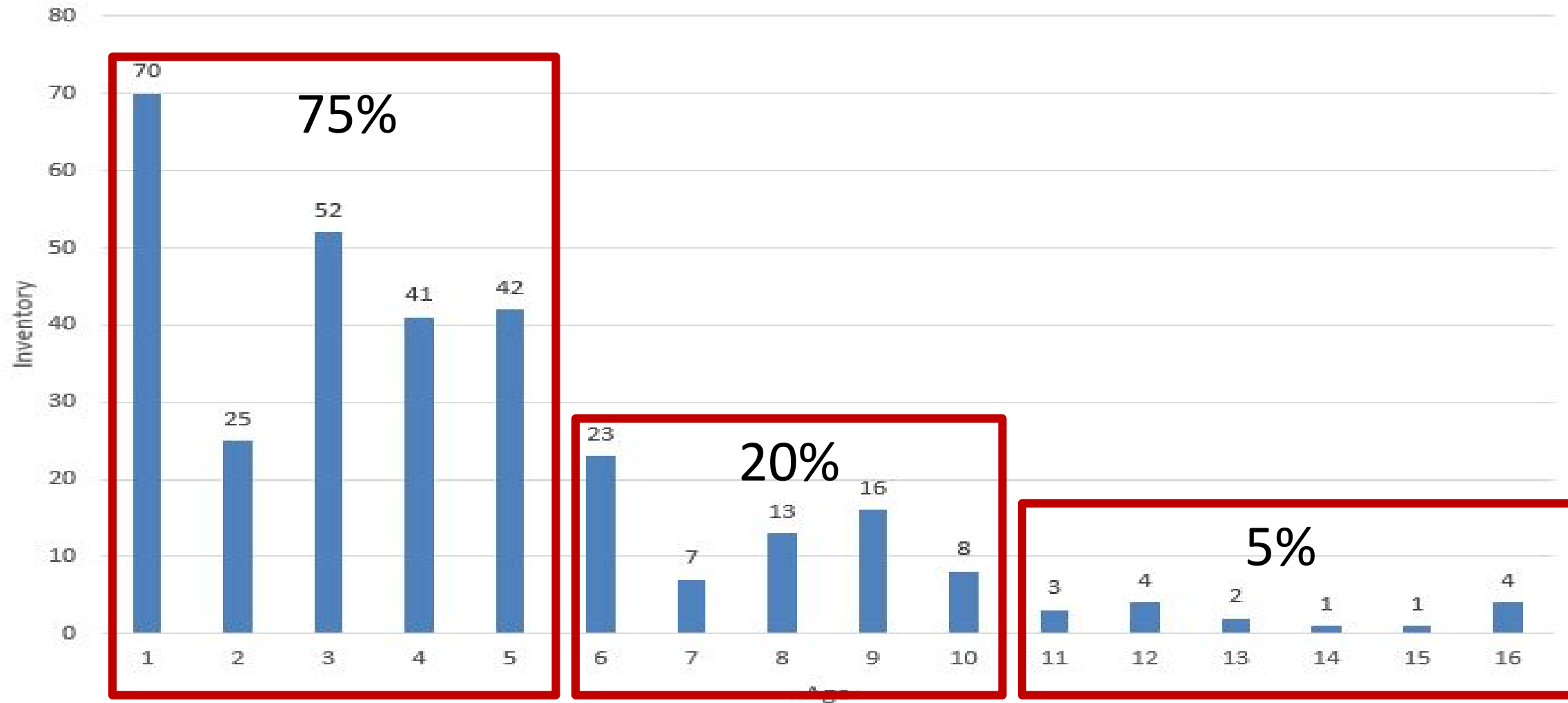
Bred Cows: Medium and Large 3-6yrs 2<sup>nd</sup>-3<sup>rd</sup> Stage 1115-1365 lbs 1700.00-1800

Monday was the weekly Cow Sale

Monday June 12, 2017

Bred Cows: Medium and Large 2 yrs to short and solid mouth 2nd and 3rd stage 995-1360 lbs 1100.00-1435.00,

Cown Inventory by Age



# Something to Think About

There are 41,000,000 beef cows in the US.

They have lost in value about \$1500 per head.

That is \$61,500,000,000 Dollars

# How Manage through a Down Turn

- Understand the Relationships of Classes Livestock
- Look forward at the Relationships not back
- Maintain Inventory
- Build Cash

# Walking Prices Down

2014

Sold	4-5 year old Cow w/ month old Calf	\$2900	Inventory	TotalCash
Bought/ Keep	Weaned Heifer Calf 550#	\$1200		\$2900
	<u>Cost to Carry \$1 /Day</u>	<u>\$ 365</u>		- \$1565
Total Costs to make Bred Heifer	\$1565		1 Bred Heifer	+ \$1335

2015

Sold	Young Cows & Bred Heifers	\$2200	\$2200	\$1335
Bought	Weaned Heifer Calf 550#	\$1195	1 Bred Heifer	- \$1560
	<u>Cost to Carry \$1/ Day</u>	<u>\$365</u>	Cash	\$640
Total Cost to make Bred Heifer	\$1560			\$1975

2016

Sold	Bred Heifers	\$1600	\$1600	\$1975
Bought	Weaned Heifer Calf 550#	\$685	1 Bred Heifer	- \$1050
	<u>Cost to Carry</u>	<u>\$365</u>	Cash	\$550
Total Cost to make Bred Heifer	\$1050			\$2525

Ending Inventory Value

1 Bred Heifer@ \$1500 and \$2525 Cash= \$4025



# Locking Up

2014	5 year Pair	\$2950
2018	9 year	\$ 605
		<b>\$2345</b>

Calf	Value
2014	\$1400
2015	\$1300
2016	\$ 605
2017	\$ 850

\$4155

Cost to Carry 4x \$475= 1900  
\$2255

Locking Up  
Calf Value \$2255  
Depreciation of Cow **\$2345**  
\$ 90

Walking Prices Down

1 Bred Heifer@ \$1500 and \$2525 Cash=\$4025

\$4115



# The Cow Business-Calf Values

Calf Value 500# @\$170 =\$850

Age	Inventory Value	Appreciation	Depreciation	Calf Value	% Calf Income To cover Depreciation
550# Heifer	\$814				
Bred Heifer	\$1775	\$961			
2 Cow	\$1845	\$ 70		\$850	
3 Cow	\$1845			\$850	
4 Cow	\$1853	\$ 8		\$850	
5 Cow	\$1731		\$122	\$728	14.3 %
7 Cow	\$1525		\$206	\$644	24.2 %
8 Cow	\$1366		\$159	\$691	18.9 %
9 Cow	\$1116		\$250	\$600	29.4 %
Cull Cow					
1300# x \$.55=	\$ 715		\$401	\$449	52.8 %

# Cow Bell Curve

Bred Cow

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$\$1853 - \$814 = \$1039$

$\$1853 - \$715 = \$1138$

550# Heifer Calf

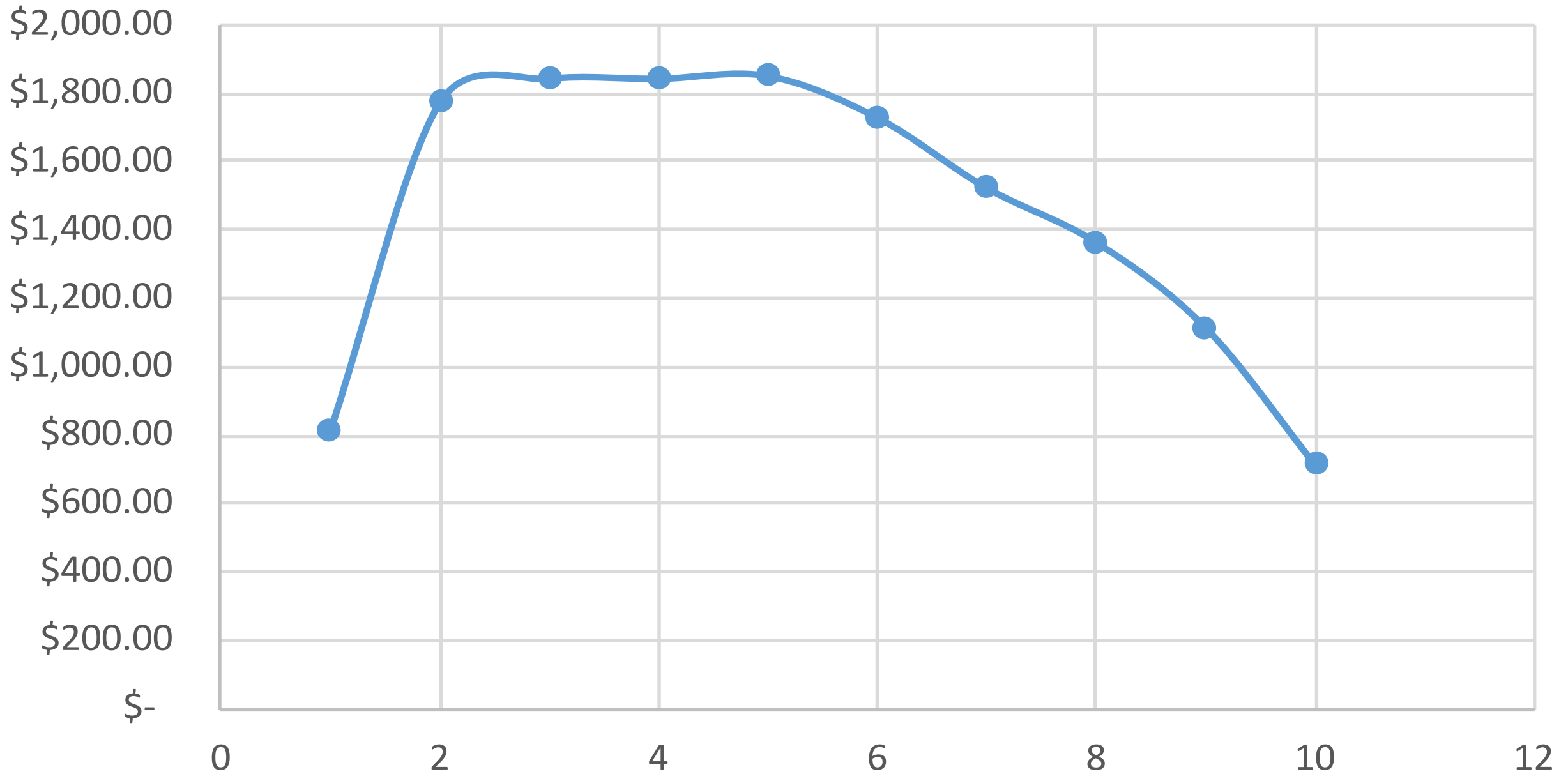
550#

\$814

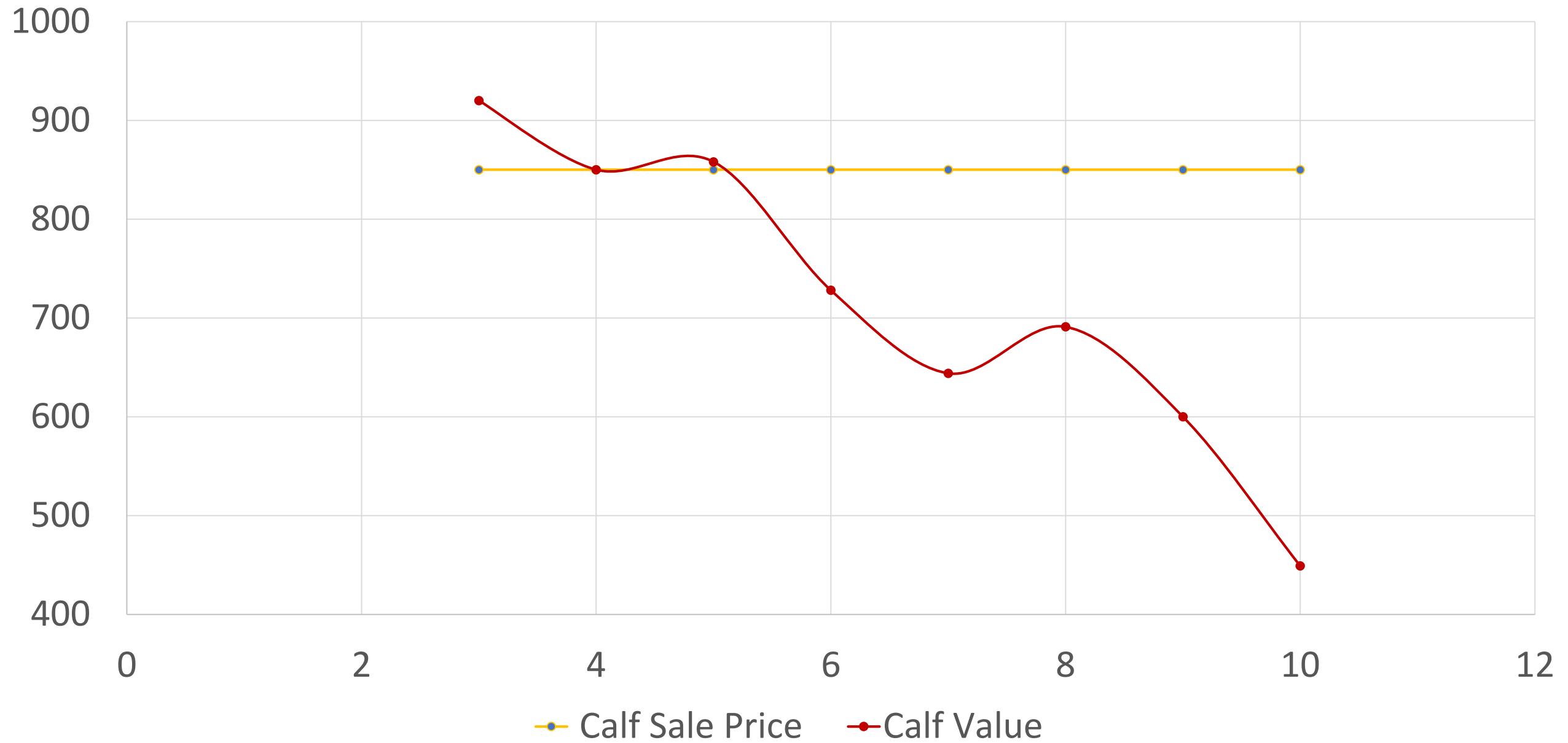
1100# Cull Cow

$1300\# \times \$0.55 = \$715$

# Inventory Value



# Calf Value



# Skin in the Game

- Cows on Shares
- Share of Calf Crop
- 2/3 Operator
- All Costs
- 1/3 Investor
- Cows & Bulls
- Last year return 15% on a \$1600 cow
- Risk Deprecation
- Return \$240 ~~-\$206~~ = \$34



# Calf Value of Gain

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- \$22 \$ .44
- 600 \$1.43 \$858

# Marginal value of bigger calves

2013				
Steers				
Weight (#)	\$/#	\$/hd	Diff/hd	Diff/#
350	\$ 2.58	903		\$ 2.58
425	\$ 2.22	944	\$ 40.50	\$ 0.54
475	\$ 2.01	955	\$ 11.25	\$ 0.22
525	\$ 1.84	966	\$ 11.25	\$ 0.23
Heifers				
Weight (#)	\$/#	\$/hd	Diff/hd	Diff/#
350	\$ 2.21	774		\$ 2.21
410	\$ 2.01	824	\$ 50.60	\$ 0.84
465	\$ 1.85	860	\$ 36.15	\$ 0.66
500	\$ 1.76	880	\$ 19.75	\$ 0.56

# Marginal value of bigger calves

2014					
Steers					
Weight (#)	\$/#		\$/hd	Diff/hd	Diff/#
350	\$	4.22	1,477		\$ 4.22
425	\$	3.84	1,632	\$ 155.00	\$ 2.07
475	\$	3.36	1,596	\$ (36.00)	\$ (0.72)
510	\$	3.14	1,601	\$ 5.40	\$ 0.15
Heifers					
Weight (#)	\$/#		\$/hd	Diff/hd	Diff/#
350	\$	4.00	1,400		\$ 4.00
410	\$	3.33	1,365	\$ (34.70)	\$ (0.58)
465	\$	2.94	1,367	\$ 1.80	\$ 0.03

# Marginal value of bigger calves

2015					
Steers					
Weight (#)	\$/#		\$/hd		Diff/#
365	\$	4.05		1,478	\$ 4.05
440	\$	3.67		1,615	\$ 136.55
485	\$	3.15		1,528	\$ (87.05)
530	\$	2.92		1,548	\$ 19.85
Heifers					
Weight (#)	\$/#		\$/hd		Diff/#
350	\$	3.76		1,316	\$ 3.76
420	\$	3.32		1,394	\$ 78.40
465	\$	3.10		1,442	\$ 47.10
515	\$	2.84		1,463	\$ 21.10

# Marginal value of bigger calves

2016				
Steers				
Weight (#)	\$/#	\$/hd	Diff/hd	Diff/#
375	\$ 2.34	878		\$ 2.34
425	\$ 2.07	880	\$ 2.25	\$ 0.04
475	\$ 1.96	931	\$ 51.25	\$ 1.03
Heifers				
Weight (#)	\$/#	\$/hd	Diff/hd	Diff/#
365	\$ 2.01	734		\$ 2.01
410	\$ 1.87	767	\$ 33.05	\$ 0.73
465	\$ 1.74	809	\$ 42.40	\$ 0.77

Sure can. Here was the breakdown the day I sold. 5/8/17

### New Cambria Sale 4-28-2017

649# @ 1.61	\$1044	
579# @ 1.7950	\$1039	\$5
488# @ 1.76	\$ 858	\$181

649@\$1.57=\$1018	<del>-\$35</del>
579@\$1.82=\$1053	\$117
488@\$1.92=\$ 936	

If I would have kept them until this week (approx. 80 days). I assume they would have gained between 1.5 and 2.0 lbs per day. I assume on average I would have put 150 lbs on them.

800 # steers this week: \$1.45-1.51

799#@\$1.51=\$1206

649@\$1.61=\$1044

Difference \$161 Value of gain 150#/ \$161=\$1.07

730 # steers this week: \$1.52-1.55

729#@\$1.55= \$1130

579#@\$1.7950 = \$1039

Difference \$91 Value of Gain 150#/ \$91=\$.60

640 # steers this week: \$1.65-1.72

638#@\$1.72= \$1079

488#@\$1.76= \$858

Difference \$239 Value of Gain \$1.59

Roswell Livestock Auction Feeder Cattle Weighted Average Report for 05/07/2018

Replacement Cows: Medium and Large 1-2: Young 765-1215 lb cows 3-8 months bred 700.00-875.00, per head; middle aged 715-1180 lb cows 3-8 months bred 550.00-710.00, per head; aged 810-920 lb cows 3-8 months bred 450.00-510.00, per head. First Calf Heifers: Pkg 828 lbs 3-6 months bred 900.00, per head.

Cow/Calf Pairs: Medium and Large 1-2: Young 725-1260 lb cows w/125-300 lb calves 800.00-1175.00, per pair; middle aged 830-1115 lb cows w/100-250 lb calves 690.00-1025.00, per pair; aged 840-1125 lb cows w/125-250 lb calves 700.00-1000.00, per pair. First Calf Heifers: 560-715 lb cows w/125-250 lb calves 750.00-1125.00, per pair.

Clovis Livestock Auction

Feeder Cattle Weighted Average Report for 05/09/2018

Replacement Cows: Medium and Large 1-2: Young 900-1250 lb cows 3-8 months bred, 700.00-1075.00, per head; middle aged 1050-1240 lb cows 3-8 months bred 650.00-800.00, per head; aged 835-1310 lb cows 6-8 months bred 600.00-850.00, per head.

First Calf Heifers: 720-821 lb cows 6-8 months bred 850.00-900.00, per head.

Cow/Calf Pairs: Medium and Large 1-2: Young 820-1085 lb cows w/140-225 lb calves 1110.00-1435.00, per pair; middle aged 900-1080 lb cows w/200-250 lb calves 1125.00-1160.00, per pair; aged 840-1000 lb cows w/125-200 lb calves 1025.00-1075.00, per pair.

First Calf Heifers: 600-610 lb cows w/80-180 lb calves 1100.00-1175.00, per pair

Carthage - Joplin Regional Stockyards  
Replacement Cow (Monthly) 4/19/18

Bred Cows: Medium and Large 1-2 1 1/2 yrs 2nd and 3rd stage 875-1025  
lbs 1200.00-1350.00;

2 yrs to short and solid mouth 970-1295 lb cows  
w/babies to 385 lb calves and several rebred 1375.00-1850.00

Roswell Livestock Auction Feeder Cattle Weighted Average Report for 05/07/2018

Replacement Cows: Medium and Large 1-2: Young 765-1215 lb cows 3-8 months bred 700.00-875.00, per head;

Cow/Calf Pairs: Medium and Large 1-2: Young 725-1260 lb cows w/125-300 lb  
calves 800.00-1175.00

Freight \$51 per head



Larson

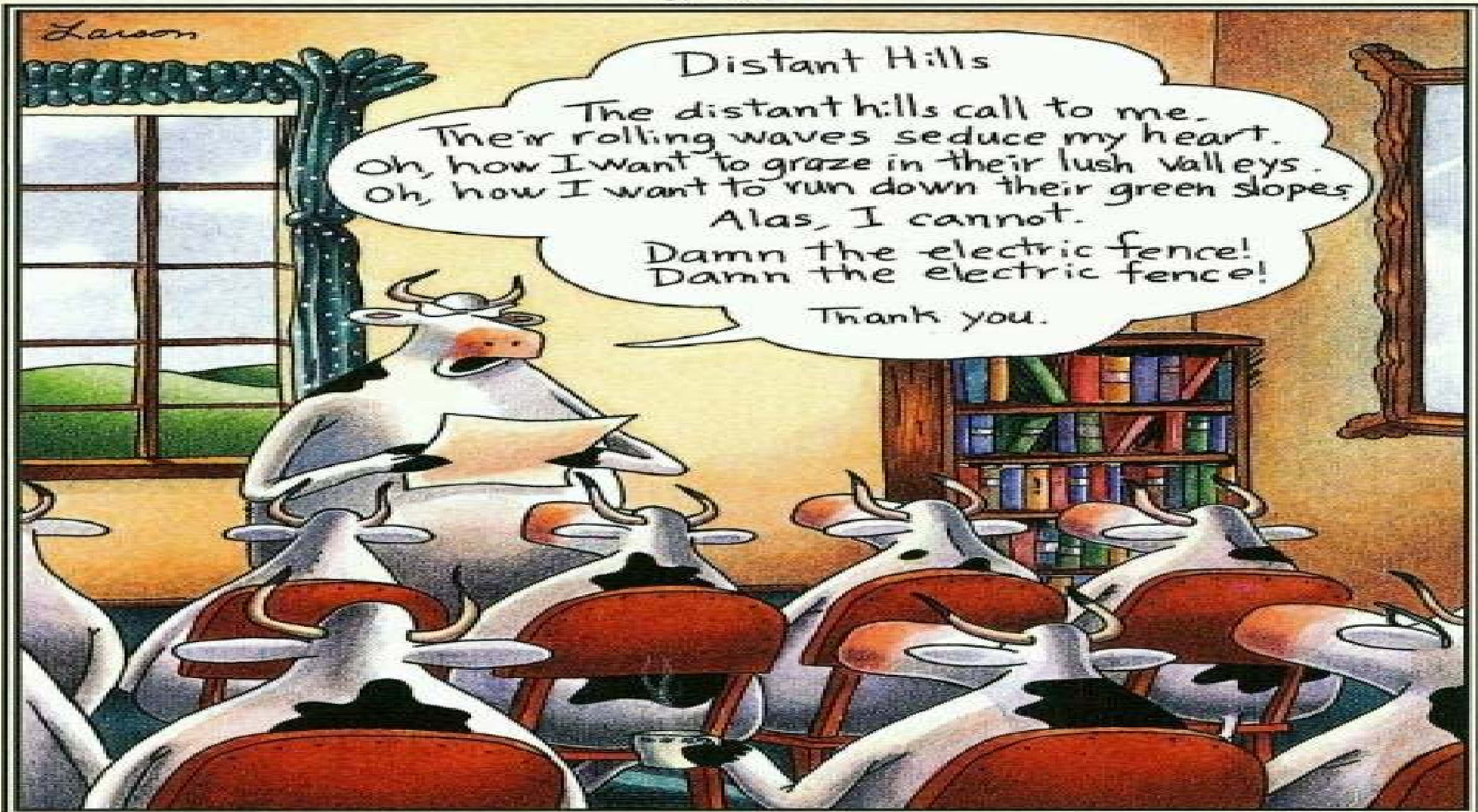
## Distant Hills

The distant hills call to me.  
Their rolling waves seduce my heart.  
Oh, how I want to graze in their lush valleys.  
Oh, how I want to run down their green slopes.

Alas, I cannot.

Damn the electric fence!  
Damn the electric fence!

Thank you.



# Information

- Olson Ranch LLC.com
- Schools
- Cheyenne WY Sept 11-14
- Claremore OK Oct 16-19