

## Worksheet 2

### Stocker Steers vs. Cow-Calf

Rhonda Rancher is currently running 230 stocker steers, which are purchased in the spring, run on pasture during the summer and sold in the fall. Rhonda is thinking about switching to a cow-calf operation with 100 beef cows replacing the 230 stocker steers. Use the following information to complete a partial budget so you can make a recommendation to Rhonda.

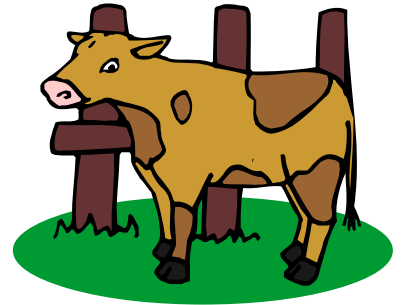
#### INFORMATION ON STOCKER STEERS (230 head)

Returns: 675 lb. steer @ \$80.00/cwt. (Sell 226 head, assume 4 die)

Costs: 400 lb. steer @ \$90.00/cwt.

Hauling expense:	\$7.00 per steer
Health expense:	\$12.00 per steer
Feed, salt and minerals:	\$9.50 per steer
Misc. expense:	\$4.00 per steer

Interest charge: Should be charged on all costs for the 6 month period using an 8% opportunity cost.



#### BEEF COW-CALF INFORMATION (100 head)

Investment in cows, bulls and replacement herd averages \$900 per cow. The calf crop is 92% (92 calves are weaned) and 12 heifer calves are kept for replacements.

Returns: 80 calves weighing 460 lbs., \$85.00 per cwt.

12 cull cows weighing 1,050 lbs. @ \$50.00 per cwt.

<u>Costs :</u>	Hauling expense:	92 head @ \$6.00/head
	Health expense:	100 cows @ \$8.00 cow
	Purchased feed:	100 cows @ \$14.00/cow
	Hay expense	100 cows @ \$18.00/cow
	Bull cost:	100 cows @ \$6.00/cow
	Misc. expense:	100 cows @ \$5.00/cow

Interest charge: The total investment in the herd is 8% for a full year (cows are owned all year) and the total of all other costs at 8% for 6 months.



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**Problem: Stocker steers vs. cow calf**

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**Additional Costs:**

Hauling \_\_\_\_\_  
Health \_\_\_\_\_  
Feed \_\_\_\_\_  
Hay \_\_\_\_\_  
Bull \_\_\_\_\_  
Misc \_\_\_\_\_  
Variable interest \_\_\_\_\_  
Fixed interest \_\_\_\_\_  
Total additional costs \_\_\_\_\_

**Reduced Revenue:**

Stocker steer \_\_\_\_\_

**A. Total additional costs  
and reduced revenue** \_\_\_\_\_

**Additional Revenue:**

Calves \_\_\_\_\_  
Cull cows \_\_\_\_\_  
Total additional revenue \_\_\_\_\_

**Reduced Costs:**

Purchasing steers \_\_\_\_\_  
Hauling \_\_\_\_\_  
Health \_\_\_\_\_  
Feed \_\_\_\_\_  
Misc \_\_\_\_\_  
Variable interest \_\_\_\_\_  
Total reduced costs \_\_\_\_\_

**B. Total additional revenue  
and reduced costs** \_\_\_\_\_

**Net Change in Profit (B-A)** \_\_\_\_\_

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