



Ron Torell

# Back to Basics

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## What if?

During the past several years we have grown accustomed to \$600-per-head weaned fall-delivered heifer calves. Last fall's offer of \$500 per head did not appeal to us, so we decided to overwinter the calves and either gamble on the spring "grass fever" market or expose them to bulls, marketing on the fall bred-female market.

In this "Back to Basics" column, recognizing that hindsight is 20/20, let's discuss utilizing "what if" partial budgets as tools to help recognize when the first loss is the best loss and which marketing choice has the highest probability of success.

Last fall, on the corner of a feed sack, we penciled it out. We figured we could overwinter heifer calves for \$150 per head. This figure represents our out-of-pocket hay production cost.

It does not consider the fair market value of the hay had we decided to sell that hay instead of feed it. It does not consider that we would be taking this better-quality hay away from our brood cows.

Additionally, we did not include the opportunity value of the up-front monetary value of the animal or the interest on ensuing borrowed money to get by. We also forgot to include death loss, labor, depreciation and the downside marketing risk associated with this enterprise opportunity. "What if" programs, such as those listed in the sidebar accompanying this article, consider all these variables.

We felt pretty good about our decision when the spring grass fever market arrived. Finally, our original \$650-per-head asking price last fall was met.

The problem is that \$650 is six months late and we have conservatively added an additional \$150-\$200 to the original cost. With hindsight now at 20/20, we recognize that the first loss last fall would have been the best loss.

### Here we go again

Determined not to let the market steal our pride and bragging rights, we do a quick breakeven calculation (this

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time on the back of a snuff can) and now decide to breed these heifers and hit the fall bred-heifer market. We have enough heifers to just make a truckload of bred heifers if we get a 99% conception rate and deliver them before we run out of standing feed in September. If we can fetch \$1,100 per head, we will make a killing.

Here you go again — wishful thinking instead of sound management decisions based on real and total input costs and a clear understanding of what determines the value of a bred heifer (see next month's "Back to Basic" column: "Determining the value of bred heifers").

Foresight will never be as good as your 20/20 hindsight. Foresight can improve to 20/35 by conservatively evaluating all costs (out-of-pocket and hidden) and considering the marketing risk associated with a decision. What if we quit using the back of feed sacks and

snuff cans in order to evaluate profit/loss opportunities when evaluating scenarios?

"What if" programs minimize your risk by educating you on the issue prior to making the final decision and help keep wishful thinking out of the equation. For the computer phobic, these programs are very easy to use. They are dynamic; the results change instantly to help evaluate any management idea. These programs are fun to use and can give you some powerful insights.

As always, if you would like to discuss this article or simply would like to talk cows, do not hesitate to contact Ron Torell at 775-738-1721 or [torell@unce.unr.edu](mailto:torell@unce.unr.edu); Ben Bruce at 775-784-1624 or [bbruce@cabnr.unr.edu](mailto:bbruce@cabnr.unr.edu); or Willie Riggs at 541-883-7131 or [willie.riggs@oregonstate.edu](mailto:willie.riggs@oregonstate.edu).



## Sites for 'what if' templates to use in the decision-making process

- [www.cabnr.unr.edu/CABNR/Resources.htm](http://www.cabnr.unr.edu/CABNR/Resources.htm) — Go to the bottom of the page for cattle software programs related to backgrounding, yearlings, feedlot and cow purchases.
- CalfBack ([www.cabnr.unr.edu/CABNR/Goodies/Calfback.htm](http://www.cabnr.unr.edu/CABNR/Goodies/Calfback.htm)) — This is a Windows PC-based program designed to help producers compare the economics of backgrounding calves in a feedlot, on pasture or both.
- CowCost ([www.cabnr.unr.edu/CABNR/Goodies/CowCost.htm](http://www.cabnr.unr.edu/CABNR/Goodies/CowCost.htm)) — This is a Windows PC-based program designed to help producers evaluate how much you can afford to spend buying a cow.
- Feedlot ([www.cabnr.unr.edu/CABNR/Goodies/Feedlot.htm](http://www.cabnr.unr.edu/CABNR/Goodies/Feedlot.htm)) — This is a Windows PC-based program designed to help producers compare the economics of placing calves into the feedlot.
- Grassfat ([www.cabnr.unr.edu/CABNR/Goodies/Grassfat.htm](http://www.cabnr.unr.edu/CABNR/Goodies/Grassfat.htm)) — This is a Windows PC-based program designed to help producers compare the economics for pasturing yearlings.
- <http://info.ag.uidaho.edu/pdf/PNW/PNW0346/toc.html> — Use this site for calculating machinery costs.
- [www.rightrisk.org](http://www.rightrisk.org) — Go to the Western Risk Management Library to evaluate useable software and current risk-management articles.