Bull Session 11-21-22

​[00:00:00]

And tonight we have Tris Munsick and Blank Blake Hampton Hauptman, right? . Tris was with Plank Stewardship and has done the enterprise accounting for quite a while. So he's gonna work through yearlings versus bred cows and answer anybody's questions

so I'll just turn it over to Tris and let him start in. So thank you guys for coming. Thank you to W S E for having my, myself and, Blake on. I, asked Blake after the fact, just and I'll let him introduce himself real quick after I'm. Just talking for a second.

But Blake is a loan officer at a, an Ag Credit Union up in Helena. And I thought it'd be beneficial for, all of us just to have a a kind of a financial person here to, give a little different perspective on what we're gonna talk about.[00:01:00] When, Chris and Holly called me about this they, had just of had were just wondering if I would talk about a scenario that we're all pretty familiar with.

And that's coming in and outta drought and everybody on this call has probably, if you're located in the Western US, has pretty good experience with, drought. And I think it's probably something that we're all gonna have to deal with more and more. We're, if we're not coming out of one, we're going back into another one.

A large part of that is how how do we manage our cow herd and our, animals on our place to where we're not stocking and destocking in such a way that we're losing money every time we're doing that. We're operating in a pretty small margin business and we'd like to be able to stock our place and destock our place on our [00:02:00] terms as much as possible and not be reactive to weather conditions.

The, line of work that we're in, there's plenty that we can't control and, the precipitation is definitely one of those. But one thing we can we can control how we plan for that. And, the way to to plan for a drought is to start planning ahead of time and not when we're two years into a drought.

And we're, out of options, right? It's nice to have some options on the table before we before we get those limited down by being in the middle of a drought. This scenario that, we're gonna talk about today we're gonna go through a, an example of some of us in Eastern Montana.

You guys have been in a pretty wicked drought for quite a while now, and it seems like we're maybe [00:03:00] coming out of that and are doing a little better this year. Thank God. Huh? . I know those of you guys. I see Brian Mannox on here in Western Montana. You guys are in a little different boat.

It's been a little dry up there from what I've been told, but. We're gonna go into say to, to those of you guys who are just coming out of a drought and are looking to maybe restock our place. But first I'll let Blake just really quickly introduce himself before we get going on this example.

Yep. Again, my name is Blake Hotman. I'm with Montana Livestock Ag Credit outta Helena. We work with producers, farm ranchers all over the state of Montana. Before that I worked for University of Wyoming Extension over in the northeast part of Wyoming. and I Tris and I actually worked together quite a bit over in that area doing some ranch business type of workshops.[00:04:00]

And some of the tools that Tris is gonna talk about today are some things that we used to teach to producers. Just, yeah it's, always nice to have somewhat simplified tools or user friendly tools to help you guys as producers making decisions. And obviously the last couple years with the drought scenario that's taken place, has made decisions very difficult.

On whether folks trying to decide whether to destock, how much to destock, how much hay can they afford? Is that a good decision? How am I gonna build back the herd? Should I build back the herd? There's a lot of questions out there that are quite difficult. And I dunno, it's just helpful to, to have some tools at your hand maybe to help you make some informed decisions.

So anyways, I'm just gonna play a, filler role. Tris tr will take the lead talking about [00:05:00] this and if there's any questions maybe that you guys have for me at a lender's perspective, I've been just working for Montana Livestock for a little over three years now, and maybe some of you two have actually more experience than I do on the lending side of things or, being a borrower that can provide some insight more than me.

But anyways, I look forward to the discussion. It's definitely a needed discussion during these challenging some challenging times. Yeah. Cool. One like, Blake said we're, gonna go through, I'm gonna show you guys a, set of tools that are online that were developed by some guys in the University of Wyoming extension.

And. For those I know a few of you out there have been through our, economic workshops where we're trying to, break out these different enterprises within our ranch and determine the profitability of each enterprise. Say your cows or your heifers, your hay in business. And [00:06:00] one, one thing that we, some feedback that we've, had with those is that it's, complicated.

You, have these big Excel budgets to go through and it's, not an easy thing to wade through. And so some of these tools that we're gonna show you today and, one in particular are a little more user friendly and it's they're, trying to get at some beneficial information to you for, you guys to help you make some of these decisions without having to know every little detail.

So with, relatively. Little information about your place to be able to tell you some stuff. For this example, I'm gonna, I'm gonna say we're, gonna, we're just gonna use a kind of a made up ranch. I'm gonna say we're running 325 pairs on a normal year. That's, normally where we're stocked at 1200 pound cows.

A drought hits, right? [00:07:00] The ranch has had to destock about 40%. And so now we're running 200 pair on about 3000 AUMs of forage production. Okay? So we've, gone from 325 pair to 200 pair due to this drought. And now finally fast forward a year or two, couple years we're getting some rain.

We got the grass is growing again. We think there's maybe some good years ahead. We're coming out of this, drought and what's our best move, right? So we have available forage now, and now we're under stocked on this place. And we have 2000 more AUMs to, hit our normal year.

And here, let me, I'm just gonna show you this slide real quick if I can screen share. Yes. So a normal year is I'm sorry. This, is, these slides are [00:08:00] from a, presentation that Dr. John written. He's currently with csu, but he was with UDub at the time. I've seen him give and he was kind enough to give me these slides to use for you.

Just real quick, we know that in average years is, a joke in the ag business, right? How often do we hit our average preci or our average forage production one out at however many years, right? So we're trying to, in, in our business we, tend to plan for an average year, but that may not always be the best strategy, right?

So this, data is based outta Cheyenne. The numbers aren't really important here, but this is spring preci April, may, June Preci over from 1982 to 2014. And they have it in millimeters just so you can really see the variability in, Preci over the [00:09:00] years, right? And right this line through the middle is the average preci.

So you can see how many years. In there, we're actually hitting the average, what is it? Maybe a third in there, a quarter, right? There's a lot of years that are above average and plenty that are below forage production. Is graph here on, in that same area. And as you can see it, it is correlated pretty closely with the with spring preci.

There's some other factors, temperature and stuff that, that's not taken into account here, but, so it's, it follows Preci pretty closely though. And so right it's, hard to match our stocking rate in our, management of our place with with our production, right? Most of us are operating somewhere in this line here.

So part of the time we're overstocked part of the, or we're under stocked if we have a lot of forage, right? We're not taking advantage. Of this excess forage [00:10:00] and use, use soil scientists out there will probably say that's not wasted forage. That's going back and, being incorporated into the soil and that's a good thing.

We're keeping litter on the soil. And I, agree with that, but for our sake of argument here, we're underutilizing our ranch here in those, the good years, and we're over utilizing it in the bad years. Yeah, here missed opportunity for extra forage, you could say that's, still benefiting our soil and still benefiting our ranch.

And I'd agree with you. And then in the tough years maybe we can feed our way through if we have a, one year drought or a two year drought. But we're having to make some, tough management decisions maybe at inopportune times. If that drought lasts very long, right?

So maybe we're having to sell off part of our herd. Maybe we were under stocked to begin with. Maybe we're having to buy expensive hay to feed our way through that drought, right? Or we wean calves early or something like [00:11:00] that. I just show you this to, drive home the point that usually we're not operating in ideal conditions and matching our stocking rate and our management of our herd to the forage production.

So back to our example, right? We've, we have 325 cows. We've, been through a drought, we've destocked 40%. Now times are looking better. So we're wondering what to do with this excess forage. Should we buy back those 125 cows and, go back to the status quo that we. Operating at or should we take a look at some other options?

And a lot of us are we're comfortable with doing what we have always been doing. But here's, this is a, gonna be a tool that will hopefully allow us to compare some different management decisions or some different options that we have to see if maybe there's a better option out there than what we've been doing.

Alright[00:12:00] this, set of tools is pretty handy. And, those of you guys who have been to our workshops, we've, I've tried to push these and, or at least to, to show you guys that these exist. So while if you Google Wyo Ranch Tools, At the University of Wyoming extension Bridger Fates out of the UDub extension has developed these ranch tools that are, they're dang sure, user friendly.

And they're pretty intuitive and you don't need a heck of a lot of information to to put in there for, to, to generate some, good information for you to have as far as decision making the one we're gonna use today is, called a partial budget. And it helps us make decisions such as selling calves or yearling, should I retain ownership on my heifers?

What should I do with my cull cows? So basically what this partial budget is doing is [00:13:00] isolating, say your status quo, here's what you're doing, and then one change, one management change that we're thinking of doing, right? You're holding all your other variables on your place constant. And you're saying should I sell all my calves at weaning or should I retain ownership and run all the heifers for a year and sell bred heifers, right?

So it's these, I can either do A or B, and it's saying, okay what's, the better? Am I better off with the status quo that I have been doing? Or am I better off with this other option? Should I keep putting up my own hay or should I sell my hay and equipment and, start buying hay?

Just one management change. We're not talking about changing calving seasons and all this other stuff that could come into it. We're, trying to just compare A to B here real quick. They also have. A cow valuation tool, how much is [00:14:00] that cow worth to you? Depending on how many calves you expect her to have.

That's pretty handy. If you're going to buy cattle cull cow marketing tool the price slide help you figuring out your slide, stocking rates. You can go through these yourself. I'm not gonna talk about the rest of these, but they're pretty handy. Uw extension Wyo Ranch Tools is, and it's, there's some good stuff in here.

We're gonna go to the partial budget today and we're gonna say, okay, we could run those. We have 200 cows now, right? Should we restock our place to our original numbers of 325 or should we run yearlings? We're gonna say Our other option that we're, thinking about is running yearlings on our place.

And we, there's probably other options out there that we could do, but we're gonna say for the safety argument today, that we could run our hundred 25 cows for a year, or we could run 600 yearlings for four months if [00:15:00] we're gonna buy 'em in May and sell m in September. Okay. I've, figured out most of these numbers just for Chris asked me if I'd keep this to about a half an hour.

Some of these costs and stuff you guys might have wanna argue with and that's fine. We can, I'll just ask you to, we could save it for the discussion section and we can play around with these numbers. But for the sake of brevity here, I'm gonna, I'm gonna just go through these and, put 'em in.

We're gonna say we're gonna restock with yearlings. Instead of Cow calf pairs.

So our four sections here, it's pretty simple when, you break it down. So it's right. We're comparing our management change, which is the yearlings to our, status quo, which are our cow calf pairs that we've always done. Okay? And we're trying to see if we're better off with the yearlings or with the cows.

So our here's our proposed change which is restocking [00:16:00] with yearlings instead of cow calf pairs. What are our additional costs from running these yearlings? What are those yearlings gonna cost us to run from May to September or June? First to October 1st? We're gonna have 600 yearlings. And I'm gonna say there six 50 weights went on.

Which is gonna average point 7 2 5 animal unit. So an animal unit is based on a thousand pound cow or an animal unit a month. An animal aum that you guys have, are familiar with, I'm sure it's how much forage a thousand pound cow will eat in a month or consume in a month. We're gonna say she's, coming on these, there are these, yearlings are coming on at six 50 and they're gonna come off at eight 50.

Okay? So they're average in 725 pounds while they're on our grass. So 600 year lens. Sorry, we got 600. Our price

is one [00:17:00] 70,000, 72.5. Oh. Yeah, sorry. We bought these at 1 65. 165 bucks, a hundred weight. Okay.

Are you guys following me here? Sorry, I'm kind jumping around. I'll, get better at this as, we go.

Okay. So we have 600 units, 600 600 yearlings at a buck 65 a pound, or $165 per hundred weight. Okay.

Then we have some forage, right? We're gonna, we're gonna charge 'em for that four months of grass.

Sorry, forage. And they're gonna average or 7, 2, 5, 8 animal unit months,

which is 1740. Total AUMs. We're gonna charge ourselves 35 bucks an aum which may be expensive or cheap depending on where you guys live. But we're gonna charge the cows the same. Okay? We can play around with these numbers later. I'm just trying to get in the ballpark. Alright.

Salt and mineral.

[00:18:00] Okay. I'm gonna say two bucks ahead.

That cost

I'm gonna say up 50 Ed could be more, right? Some of you guys with bad pink eye problems out there might have higher bad costs this year up in Western Montana. Easy

Trucking. 600 head. I'm gonna say two 50 fuel. Oh, I just lumped out together, say 750 bucks out, checking yearlings checking water delivering salt and mineral. Then we're gonna charge 'em some interest. And I'm gonna say interest is gonna be we're gonna say, what was our total cost here?

643,000. $500. We're gonna say, what's spare Blake? 7%.

Sergeant, if we're on our operating note, we're gonna say we, we had to borrow the money to buy these yearlings. Okay. So we're gonna say the bank's gonna charge us 7% on our loan here. And then we're gonna [00:19:00] divide that by 365 days just to get it in, how much we're paying an interest per day. And then we're gonna times it by 120 days that we have 'em.

Okay? So we're basically just trying to get how much of this interest are we paying before between borrowing the money to buy these yearlings and when we sell 'em, we pay off our bank. No. Okay. So let me just do the math here real quick. 500 640 3,500 at 7% interest. Divided by 365 is $123 per day.

We're paying an interest on these yearlings times one 20 is 14,809.

And even if you didn't have to, let's say, borrow the money to purchase the cattle or something like that I it would still be good to figure something in there cuz your money [00:20:00] is, worth something. You could invest that or and get return as well. Tr Yep. Yep. Without getting too far into it it's either the economists either say it's your interest rate or your discount, right?

For those, if you're buying, if you're borrowing this money, that's a cash cost to you that, 14, 15,000 bucks in interest, right? But if you're not, even if you're not borrowing that money like Blake said, and you're just cash flow that those yearlings, that $15,000, we gotta do better than that.

Hopefully just to beat investing that somewhere else, right? Because you gotta charge yourself something for the opportunity cost, cuz that's 600 and what is it? $643,000 you could be investing somewhere else, right? So there's an opportunity cost for using that to buy those yearlings. You who no longer have the ability to use that capital somewhere else, right?

So we're saying we could make money [00:21:00] somewhere else with that 643,000 bucks. So either way we're gonna charge ourself that interest. Okay. Alright, so there's probably some more here, but that captures the majority of 'em, right? We're running these yearlings, we bought 'em for 643,000 bucks.

We charge ourself the, gra for the grass for four months salt and minerals and vet costs and trucking fuel and interest on our loan, right? So that's pretty much the cost on these year ends. That's the additional cost of this proposed change to our management. What's our additional income, right?

So in on end of September, October, we're coming off as 8, 850 pound urines. We're gonna say, okay, so we probably had some die i'll, figure in a 2% [00:22:00] or 2% death loss. That's 588. Yeah.

So we're, gonna sell 588, 8 50 weight yearlings in the fall. Okay.

That's 140 or 1400

per animal. And this year at, that's this year's a little different than most years. Those of you guys who have been keeping track of prices this year there's, pretty much no price slide between between 600 pound or six 50 pound. Animals and 800 pound animals, maybe a little bit depending on where you go, but the, actually those, heavier animals are selling pretty high this year.

So I know, I realize that's, it's not like that a lot of times and you're gonna have to figure your price slide in here on your additional income, right? A lot of times those eight 50 weights are, not gonna be selling at the same same price as you bought 'em, right? [00:23:00] But this year they, are in a lot of cases I got these price, these numbers outta Mile City and I just looked them up the other day, so they're pretty current.

So here this year, this is what these guys are selling selling these yearlings for. So here's our cost and here's our income for our addition for this change, right? Scrolling down, what's our reduced income from this change? So now we're no longer able to run those 125 head of cows, right? That we were thinking of restocking with since we ran those yearlings we used up all that forage.

So we're no longer able to run those 125 head of cows. So what we're missing out on is selling the ca, the wean calves from those cows, right? So that's our reduced income that we no longer can get since we decided to go with those yearlings. Okay? We, were gonna say our status quo was, running 125 [00:24:00] more mama cows on our place at a, fifth or at a, let's see, what was I saying?

For death loss? Let just figure out or weaning, oh, I said at a 92% weaning rate, we're gonna be weaning 115 calves.

halves. We'll, say they're 500 pounds at two 10 a pound. Is that right? With everybody right in the range, right? Like I said we can mess around with these prices and stuff a little later and obviously these prices are gonna really influence on what this is telling us, right? So we're gonna wean a hundred.

This is the other side of our equation if we decided to go with those cows, right? So we're gonna, if we go with the cows, we're gonna wean 115 head of calve. That. And if they're selling at $2 and 10 cents a pound, that's just a little over a thousand bucks ahead. Okay? So that's the income. That's [00:25:00] $121,000.

Say that's our reduced income that, that we can no longer get since we decided to, run these yearlings, right? So we lost our ability to make that $120,000 by selling those calves. Now we also have reduced costs, right? So what are the costs associated with running those 125 head of cows for the year? We're gonna say we're gonna have to buy those cows, right? So right now, let's say we, we bought 125 head of cows at 2200 a piece. At 7% interests. Okay? We're gonna amortize that here. So we're gonna amortize that over five years. All right? So we're gonna say, I'm gonna say those cows are gonna have a probably around a, five year useful, productive lifespan, right?

The national average is a little lower than that, but we're gonna give 'em the benefit of the doubt and say they're gonna bring home five calves. [00:26:00] So if we're gonna say we're, she's gonna be in our herd for, five years we're gonna pay that interest. And and we're gonna pay that over five years.

And what we're gonna try to get that in an annual cost, right? Because we're not getting all of the value out of these cows in one year, right? It's impossible to get. We're hoping she's, gonna last 13 years, right? Most likely, she's probably gonna last about five. So we're gonna try to split the value into five years.

And also we're going to, we're gonna spread the cost of buying her out over five years too. So we're gonna say yeah, if we're paying 7% interest on that loan and, we're paying 2200 bucks ahead we're, charging ourself, that comes out to about 67,000 a year. Okay. Over five years to pay for these cows.

But Blake, you have anything you wanna say on that? Is that, does that sound, am I explaining that in a reasonable Right.[00:27:00] Yep. Think that if you had to go borrow the money maybe your, bank would term out purchasing those cows, you. Over five years or something like that.

So that's just the, thought there. Yeah. Nice. Okay. Okay. So then we're gonna charge we're just gonna try to list some of these these, costs associated with, running these cows for, the year. Okay. So we're, we have the cost of buying her and we've included the interest in there the cost of the replacements, and we're gonna say if we're replacing it at a 15% per year, that's 18 cows about and I'm gonna say if you're buying red heifers, maybe it's 18 or 1800 bucks a pop.

We got some bull cost.

I'm just said we're going. 50 bucks. Head bull costs. That might be a little more, that might be generous, but we're gonna charge these cows for grass just like we did our yearlings. And we're gonna say we're feeding, [00:28:00] I'm gonna say we're gonna feed hay for four months of the year. So we won't charge them for forage for that, that four months.

So I'll charge 'em eight months forage. At 1.2 AUMs we're gonna say remember they, we said they were 1200 pound cows. Most of us are somewhere in there. And, we're gonna charge her 1.2 AUMs. Okay? That's, 1200 AUMs that we're, consuming off of our place. And we said, what did we say, 35 bucks an aum.

We're gonna be fair to her. We're gonna charge the cows the same as we charge those year That's 42,000 bucks for forage costs for our cows, okay? We also are gonna feed hay to those girls for four months, we said. And that we're feeding two and a half percent body weight. We're gonna say that's comes out to about 225 ton.

And what did I, let's say what? [00:29:00] 200 bucks a ton per hay.

2 25 ton. $200. That's 45,000 in hay costs that we're putting into those, hundred 25 cows. All right? We have salt and mineral for them. 25 cows. So 20 bucks a cow

that cost

$10 ahead trucking,

$4 ahead

fuel said 10 bucks ahead, right? So you guys probably have, a fairly decent estimate of, of what these cows are costing you. And the, bottom line on this stuff too is it's easy to get bogged down on these little numbers here. And 500 bucks, is it five or 600 bucks for the trucking?

Who cares? It's not, that's not gonna make or break this decision on, on what, we're gonna decide based off this analysis this, partial budget deal, we're trying to get [00:30:00] close and in the ballpark here. So don't get bogged down on dollars and little, things, right?

We're just trying to get an estimate to say, okay, big picture, what is, what what are these two options looking like? Are they even close? They might be so far apart that none of this little stuff is even gonna matter. Okay? Okay, so we've pretty much got all these costs in here.

I, there's probably some more, but you guys get the idea, right? So our, proposed change. Running yearlings instead of our cow calf pairs, right? So we have the additional costs of running these yearlings. We're buying them, and we're feeding 'em for four months, and then we're selling 'em, right? And we're coming off, we're selling 'em for X amount of dollars, right?

824,000 bucks. We've lost a few. That's our proposed change, right? So the cost versus our income that's, how much we, [00:31:00] could potentially make off these yearlings. Okay? Are, this is our, status quo down here, right? This is what we have always done. So we're gonna say our in, in, a normal year, we would be running 250 or sorry, 125 cows that we had to destock due to the drought

so what's our reduced income are the calves that we would've sold off those cows. We also reduced the costs of running those 125. Head of cows, right? You guys with me here? So let's look down here. It's gonna tell us what we got going on. Okay. So this sense, a sensitivity analysis is basically saying, okay, we're, it's gonna give us a best case, a worst case and a most likely scenario for, the difference between these two options, yearlings or cows.

Okay. And it's, kind. I like the sensitivity analysis is handy on here because it's saying, okay, most likely, what's this telling us? It's [00:32:00] saying in this case, with the numbers that we have just put in, these yearlings are gonna make us $178,000 more than those cows would've made us. Okay? . So that's, what it's telling us our most likely outcome is.

But what if what's our worst case scenario by making this change, right? So what if what if our the, prices tank for these yearlings and the costs are way more than we had thought they were gonna be well, and that they're in our worst case scenario, by making this change, we're gonna lose 8,000 bucks, right?

What's our best case scenario if prices skyrocket on those, these yearlings after we buy 'em and costs go down $365,000 more by running these yearlings than running those cows, is what this is telling us. Okay? And I'm, and I'd like, I'm adamant I'm not, this is not a. Sales pitch on [00:33:00] running yearlings versus running cows?

I'm not, that's not what we're saying here, but what we're saying is in this scenario, you are these, you're most likely see and, most of these scenarios here, you're in positive, right? This is the only one that's negative, I think is the worst case scenario. This is saying most of the time, in most of these scenarios, you're better off running yearlings in right now with these prices and these feed prices and your management.

You know how much hay you're feeding than running these cows. Okay? It's, it, and it, looks pretty, tough for the cows right now, but when, we were, Blake and I have going through this, the last week or two and, playing with these numbers and it really does matter a whole lot.

We found at one at, what you're paying for those cows where they are in the price cycle. If you're buying really expensive cows you you, have to [00:34:00] really crunch those numbers and really figure out what you're doing because it's gonna take it's gonna take quite a bit for her to be able to pay herself back.

And if you're replace if your replacement rate, if you have a, breed up rack or your replacement rate is pretty high and, she's turning over pretty quick, man, that it's, tough for her to have a chance to pay herself back. Obviously also this cow or calf price is, affecting this too.

So if if there's, if you're selling $3 calve, $3 pound calves, That's gonna make, that's gonna make this look quite a bit different also. And this, year I, we picked this example because it's just been an interesting year with these yearlings. You're buying them, you're buying 600, 650 pound animals for the same price per pound that you're gonna sell 'em at as 8, 800, 8 50 pound animals, right?

So [00:35:00] those of us who ha that's, favoring those heavier animals by quite a bit this year. And it, shows up in this, partial budget quite a bit. One thing tr I know the cull cow income, there might be some cull cow income that would help the cow deal. Yes. What did we say we're it's an 18.

Sorry about that. Sorry. We wanna. Fair to these cows. I don't, 4,800 bucks ahead or something. What are you saying? Sure. That'll work. Yep. Okay. All right. So I just, put in, thank you, Blake. We had some coal cow income there that was 14,000 bucks, so that just changed that. And it just trickles through here and it'll, if you, as you play with those numbers your, sensitivity analysis and your, net income or loss here is gonna adjust to how you change those numbers, which is the, you can do this on a piece of paper just as easily, but the nice thing about doing it here is you can mess around with these [00:36:00] once you get 'em in and it just does the math for you no, no magic to it.

But it is a, it's a handy tool to just kinda lay out two options. And, just see it right in front of your face and say, what, okay what, are my what are my costs and income of this? What are my costs and income of this? What's that telling me? And it's not necessarily telling you your overall profit.

So if those of you guys, if you did notice, we didn't have, we didn't have overhead costs in there. We took those out, right? So all we were talking is direct costs of running those cows and running those yearlings. So it's not telling your overall profitability, it's just telling you the difference, the relative profitability between the two options.

Okay? To, get your overall profitability, you would go back to your whole ranch or whole farm budget and say, okay, I've just, I've made my decision. Here's my numbers, here's my, all my costs. Now, what am I gonna, what am I gonna make[00:37:00] off these animals and be, and I'm sure somebody's gonna bring it up.

We can just do a little discussion if you guys want, for sure. But I know as always there's multiple factors to think about with this stuff and with this particular example I know in our country, I'm located in, Northern Wyoming, and maybe if maybe you're set up for those of us who have been running cows and you're, thinking about running yearling, say instead there's a lot of other stuff to think about too, right?

What, does your labor look like? Do you have enough water to where you can run 600 animals in the summertime, or your fence is set up that way, that's they're gonna tear shit up, right? That's a thing, right? So there's, plenty of other factors that you gotta. Think about one, making these management decisions.

You guys know that. But it's a pretty handy tool to just get started and saying should I even be considering this or not? And I, do think, and this, that talk from, Dr. [00:38:00] John written Blake and I have both seen him talk quite a bit. And, one of the, one of the cool things that he, really stresses as far as drought management is having some flexibility in your cow herd and being able to take advantage of those good years and also be flexible and liquid enough to destock if you need to more on your terms and less being dictated by the weather, so anyway that's, the partial budget from the Wyoming Ranch Tools. If, anybody has any questions or if you guys wanna. Scream and shout or argue about those numbers, we can, I can screen share, share again or we can visit about it or whatever. But that's about all I had for you guys.

Blake, did you have anything else? Anything? No, just real, that cow tri touched on it real quick. That cow valuation tool, you guys Yeah, go check that out. It's pretty user friendly and, handy and I basically you can it's just based on [00:39:00] what's your annual costs are to run a cow.

It's just factoring that in essentially what is today's price the value of calves that you're that you would be selling today. And then you should have a good idea too, of what your, how many average calves your, cow hert is averaging. So basically it's taking into account what is the overall value.

You know that, that, cow that you're possibly looking to purchase what, are they generating? And essentially it's also taking into account where you think we are at in the price cycle. Do you think prices are gonna be increasing over the next five years? Are they gonna be staying relatively the same where they, are we heading on a, down curve here over the the next few years?

Because that makes a big difference, right? If you're purchasing cows at the top end of the mark market and then by the time they start reaching their peak [00:40:00] productivity the calf prices have started to trickle down. Maybe some of those cows, maybe they have a hard time paying for themselves.

So this tool is pretty handy at just kinda spitting out numbers maybe help you making decisions on what you know. Maybe what you should be paying for your replacement cows or, trying to build the herd back up trying to stay within that range. Or maybe it helps you make the decision.

Maybe you aren't gonna do the cow thing just because they, you feel they are overvalued or overpriced. But anyways, it's a handy tool and all these tools have nice written descriptions and stuff that go along with them too. Some of the technical terms, sensitivity analysis is kinda sounds kinda yeah, Kind goofy and stuff. But anyways, yeah.

Any questions I guess for, yeah, I know we went through that kinda fast, guys. But if you are interested, it's, it is [00:41:00] definitely a, handy thing if you're thinking of making a, change to your operation, you can you could figure out I, just did it again for a different operation.

You can print one out a blank one and just write it down and you can get or just do it there online and, type it in there. And you can do it in half an hour or an hour and just to get a ballpark kind of estimate of if I'm thinking about doing this, what do I think the costs are?

We all you, can just guess on that stuff and, get some pretty good information on that.

Yeah. Anyway, I think that's all that Blake and I had for you guys today. If if anybody has any questions on that I'll, shoot, I'll put my email in the, Holly does the chat thing. Record as well, so they can have my email. It doesn't, but I can send it out later in an email okay.

Yeah I'll I'll, get you guys the, link to that and then my email and if you have any [00:42:00] questions on that stuff, don't hesitate to reach out. But I, guess we just probably leave you with a, as you're going through this, stuff and definitely challenge yourself to, really, it's I would say it, really isn't an opportunity if you're, you're in a situation like this or you find yourself in a situation like this.

We all know that it's it's, it can be tough in our line of work. You have to sell cows and looking at how to build your herd back up and what you should do and, really take that opportunity and, make the most of it by, looking at these numbers and, maybe. Just because we have been doing something forever in the past doesn't mean that necessarily we have to keep doing that.

Everything that same way and maybe there's a chance to, build some, flexibility into your, operation moving forward and some, drought tolerance moving forward. And, cause we all know [00:43:00] I think we all believe we're gonna be in this situation more and more or so.

Yeah, if anybody has any, questions or whatever, don't hesitate to reach out to, to Blake or I, we'd be happy to answer any questions later on as well.

And I will just say, if anybody wants ask the question, just go ahead and unmute yourself. But the only thing Teresa, I would like to ask is, how did you come up with your 600 yearling number versus 125 cows? Oh. So I was going pretty conservative on the yearlings actually, but I, just based it off forage availability.

So if you're if without, we don't have to go through all the math, but your, 125 cows for 12 months is about 1800 AUMs. And then your, 600 yearlings is what is it? It's about 17 1,740 AUMs. So it's just similar [00:44:00] forage consumption. And we're assuming that you would use that forage base you'd be able to use that forage base for those yearlings.

So that's another if you're, if you'd be able to graze, say graze, Pivots or whatever. So we're, assuming that you're using that available forage for the year, or you're able to for those yearlings, like I said. Oh, yeah, sorry. Yeah, go for it. You're probably gonna say the same thing.

Oh, yeah, just there's there's other limiting factors, right? There's other things to consider, like for us you might not be able to, stock your place with that many yearlings just from water availability, right? I don't, there's a lot of places that couldn't handle that many animals in the peak growing season and in the summertime just from water availability.

So that'd be something. Maybe you can only run 300. But you'd, be able to put that in and adjust your numbers to that.

Did you wanna say something, bill? Sorry to call you. Yeah. Yeah. Yeah. Thanks for the [00:45:00] presentation. Good to see you again. Again, tr So there seems to be a, thought that

What you presented is that you would create that opportunity annually by never fully stocking your place with one type of animal, like fully stocking your cows and all having a certain percentage available for for a product that could move and be more liquid. So you wouldn't be pressing your cow herd.

Do you, in, in your experience in Blake's as well, do you see that being a pattern more ranchers or more operators are building in, because because even as you say, yeah, we're maybe coming out of a drought and we're, all in different situations out here. He's from Montana.

There's, there could be a lot happening in the next six months. in terms of and how quickly things can change. So the idea that you can take on the southern enterprise and then all sudden heck doesn't rain in June and now, you're, again you can move, those [00:46:00] animals, those yearlings a lot easier if, you have to do that.

But I guess I'm just curious if as a practice itself, if not, putting all your eggs in one basket on a forage based place is over time proving to be a more pragmatic way to harvest your forage. Blake, you definitely come across, are familiar with more people's operations than I am. You think?

I do think the, this drought has definitely challenged a lot of people to have some different thoughts on that bill. Maybe, yeah building in, like you were talking about a flexible enterprise into their operation. Just because that graph, I think that TR showed, I that really, it does hit home and I think a lot of parts of Montana are probably very close to that now Western or there maybe certain environments maybe your ranch maybe you aren't as [00:47:00] I guess precipitation isn't as much of a limiting factor.

Maybe you're more irrigated your, precipitation patterns are. Not as variable as what Trish show, but I do, I think there are a little bit more people that are trying to build a little bit of flexibility into their operations with some flexible enterprises.

But yeah, and we definitely have some people that, that do have that or have that built in going into this drought, but yeah, I don't know. There's, still quite a few. I, or there's, still people too. Like I said I, don't know that maybe are still thinking they might go back and kinda continue doing what they have been doing.

It's a mixed bag. I, would say, but I just have call, just one question and then I'll keep my mouth shut is like the, You know what, at least our operation has learned in the last few years [00:48:00] that minimizing herds, and this is something most of us familiar with create better opportunity for stockpiling and recovery of your forage base.

When you go to yearling deal and then all of a sudden you're in, least looking at our ranch anyway, now you're running two animals during the growing season versus one group. And that, just has an impact. Yeah. So anyway, I'll I'm, done. No, I think that's good.

I think that is the hard part of it's just the. The partial budget is definitely really nice helpful in, trying to make the decision, but that it's still limiting. There's still Yeah, unintended things learning curves if you, as soon as you make a somewhat bigger change into your, operation obviously there's gonna be some challenges with that and some learning terms.

I'm sure a lot of you listening maybe, you've run into that yourselves too. Yeah, that that's, something that's [00:49:00] always challenging. I, I think to navigate and I, just add, I see. Connie, thanks for your question too. Connie just asked about grazing your or custom grazing yearlings versus buying yearlings and Blake and I have a a couple friends in southern Wyoming who do a lot of custom grazing as well.

And I'm less familiar with, the custom grazing side of things, but back to what that partial budget that we just, those numbers that we just ran. I think we, Blake and I figured on those numbers. We were trying to and once again, I'm not, we're not promoting one over another, but we were trying to, make bend over backwards to make $2,200 cows pay.

And it was just, man it was tough. And, I would just say even if you , I mean if, if you're losing 50,000 bucks a year for five [00:50:00] years off of the those cows by buying them to me it's just you could lease that place out to your. For 20,000 bucks and be $70,000 in the black from it's like what whatever you gotta do to avoid that situation by buying cows that are just not gonna pay.

Even if you're, not fully realizing the potential, quote unquote, of your, place for, a year or waiting for a year to restock it's, those are options that most of us most of us are like, there's grass. Let's do this right back in. We got it now. And man it's, if maybe waiting for a year is a better, option.

I if you're maybe, prices are just gonna keep going up and it's gonna get harder to buy back in too. But it's, hard to justify running some of the, if you know these numbers are panning out or if you're fairly confident that. [00:51:00] These cows are not gonna pay for themselves.

It's, man, it's like we gotta get a little creative in our thinking. I think and maybe not that an, that answers your question, Connie, but looking into these different options, maybe custom grazing yearlings is a good option for a year and just try it. And then maybe prices go down and we have the opportunity to buy back in when the, towards the bottom of the price cycle but yeah, or maybe, short term cows or something, or the, answer I don't know that it tells you the answer, but it, it, this stuff definitely tells you what's not the answer. I would say maybe at least right now or in certain situations,

it's a bummer being the economists are always the ones that have to give everybody the bummer news on everything. I feel like. We need to go back into doing like nutrition or genetics or something. I dunno. Do you guys ever look at running like using hedging in like those examples that you were just [00:52:00] running hedging or options when you're running your numbers?

No. Know it, what do you mean? Contract? Contract now? Yeah. Yeah, you could that obviously takes out some uncertainty from it i, we, I haven't really played around with that, but you could it would, it takes out some uncertainty for sure. Yeah. I was just curious like when you're running on that system, like those tools, if there's, if you can use.

If there's a spot for that in there, or if you guys have had much experience doing that. Any of that?

I have no, don't have much experience. I Obviously that, is a good point though. Yeah, hedging risk, management on a yearling operation or it's especially is gonna be important, yep.

Yeah. And I'm just trying to think of how you would do it that far ahead of time. Cause Yeah I'm sure you could, Brian, we should, let's, we should visit about that. I'd have to think about that a little more to [00:53:00] give you a good answer on that, but uh, you would, you should you'd have to factor it in for sure.

I think I, like the comparison that you've got here. It's a, looks like a neat tool. I was just curious if you actually equalized the amount of forage grazed by both of those enterprises, how it would look. So you've got I know that 125 cows for 12 is, like 1800 AUMs, but you've got 'em grazing for eight months, which means you're only actually grazing 1200 AUMs and then you're feeding hay for the rest of the time.

One could conclude that if you're if, you only have eight months of a grazing season, that theoretically you could run more cows, which in this scenario you would just be losing more money. So doesn't really make sense. But but if you had a situation where you could graze out more, if you.

Increased that to where those cows [00:54:00] were actually consuming 1700 to 1800 AUMs and eating that much less hay. How those two enterprises would compare at that point. Definitely. That's I think that's, a hu looking at these costs in there, why I we, thought the same thing.

It's just that winter fee just jumps out at you as such a huge cost and if that would be a, big one if you'd cut down that hay base and, grazed more. I for sure that's gonna make your cows look better. Let me see if we can might have just.

Harold, if you guys got just a second, I'll share the screen. We can just real quick just

mess around with that. So you're saying should we just, you want to just put it all, let's just put it all to say we're not feeding any hay for now to those cows, Wyatt? Or at least just to get it up to where they're grazing about 17 or 1800 AUMs and then take the rest out [00:55:00] on hey if cuz they do have to eat something for 12 months.

Okay. So say, I dunno what that would be. Yeah. Say maybe, 10 months. So yeah, I mean it would be most of a year looks like actually, right? Yep. Yeah. 1500. Do you got those? That's 1500.

Yeah, it's wins a month, then you need to reduce your hay by two months probably. So by half in that case, cause we said we were doing four months. Months, yep. Okay. A ton of hay or something. Yeah, Whatever. Let's say a hundred ton of hay.

So that, trying to make sure we didn't just move it around if we actually Yeah. So we, before we were at, before we were at about 90,000, I. Give or take. And now we're at just feed cost to forage plus the hay. And now we're at 72,000, so we saved 15,000 bucks in feed there. For the cows.

Still didn't, [00:56:00] push us to the limit, but it definitely it right. It brought us closer.

The other thing I think would be interesting to, and we don't have to go through it tonight, but to work in, is on these yearling deals, it's really rare that on May 1st you go out and buy 600 yearlings and you ship 'em directly to the ranch. A lot of times you're gonna have to buy 'em before that and probably put 'em in a growy yard for a while and feed 'em for a little while and then process 'em and, then haul 'em out to the ranch at that point.

So you've got quite a few other layers of costs in with those yearlings through that process. But the, spreadsheet itself I think is great. It's a great way to compare it. I really like it. Thanks for presenting that. Yeah, definitely. And thank you, thanks for your, thoughts on that.

Absolutely. And, also if you're retaining, if you're keeping your own calves, right? If you're retaining them back, you're gonna have your, winter costs on them as well. You're gonna have yearly costs on them [00:57:00] too, but Yeah. Yeah. Thanks. And, this was just a quick example, but you could see how you could easily build it out to, to represent your real costs on something, yeah. Thanks Wyatt. Yep.

Anybody else?

And like going I guess back to the custom grazing you, compared the cows to the yearlings. Maybe you decide, okay. I'm not sold on, buying cows at this price. Then you could, compare whatever leasing your, leasing, the extra pasture out, custom grazing, extra pasture out to the yearling deal, which was showing to be the better value.

It's, a pretty handy tool that it saves whatever you've been working on, you can print it that's, I dunno. Yeah. Nice. I think a nice thing to, easy thing to use. But anyways. Yeah.

Cool. Yeah, I guess if no one else has any thoughts on that, please feel free to reach out to, myself or Blake. Blake, what outfit do you work for again? Montana Livestock Egg Credit. [00:58:00] Oh yeah, you were supposed to say that earlier. I did. Oh, you did? Okay. Holly, thank you for, having us and Chris, I think Chris was on earlier, but yeah, this is awesome that you guys attend these things.

We'll have to start attending ourselves. This is pretty sweet. And, Blake, are you okay if I send out your email as well, if anybody has questions or, yep. No, definitely. I'll just make sure I send that out in an email by tomorrow, guys. Just so you know I guess I'll just take one more last call if you guys don't mind one last call for a question if anybody has one, and if not, we'll call it a night.

Thanks to both of you. Enjoyed it. Yeah. No thank you guys. It looks like, yeah, thanks folks. Attended. So yeah, thanks for showing up. We appreciate it on a Monday night. Thank you for sharing. Appreciate it. You bet. Yeah. Thank you. That was great. Thank you.

[00:59:00] [01:00:00] [01:01:00] [01:02:00] [01:03:00] [01:04:00] See you down the road. Thanks guys.