

Selling Cows versus Buying Hay

Farm Business Decisions:

The drought is & will continue to affect the profitability of your operation this year.
Your cost to maintain your livestock has increased.
Decisions you make, can affect your balance sheet and cow herd for several years.

Herd reduction:

It is an individual decision to determine if and how drastic of moves should be made in culling your herd.

Considerations are different between fall calving and spring calving.

The genetic value of your herd in relation to market and then future replacement.

If you can cull to an extent to make it through on the feed you have, buying females back should not be as detrimental to your bottom line and may pencil out better for your specific operation.

This is not 2012, cattle prices are not forecasted to increase drastically as they did then.

If your feed supply is close to making it through, alternative feed choices to compliment your supply may be more economical than culling cows at the current market prices.

Tax liabilities:

If you sell breeding cattle in excess of normal sales due to drought, you do not have to pay the income tax on sales if the cattle are replaced within two years under IRS Code Section 1003(e)

IF FEDERALLY DECLARED DISASTER:

Can postpone gain on breeding animals 4 years from end of tax year if restocked

Restocking must be like kind (beef cows to beef cows)

Must provide evidence (weather conditions, gain realized, normal sales vs. drought year)

For specific details regarding tax implications are outlined in the Farmer's Tax Guide 2017

available at: <https://www.irs.gov/pub/irs-pdf/p225.pdf>

Look under the following heading on page 9:

Sales Caused by Weather-Related Conditions

If you sell or exchange more livestock, including poultry, than you normally would in a year because of a drought, flood, or other weather-related condition, you may be able to postpone reporting the gain from the additional animals until the next year. You must meet all the following conditions to qualify. Your principal trade or business is farming. You use the cash method of accounting. You can show that, under your usual business practices, you wouldn't have sold or exchanged the additional animals this year except for the weather-related condition. The weather-related condition caused an area to be designated as eligible for assistance by the federal government.

Disaster assistance and emergency relief for individuals and businesses. Special tax law provisions may help taxpayers and businesses recover financially from the impact of a disaster, especially when the federal government declares their location to be a major disaster area. Get the latest tax relief guidance in disaster situations at <https://www.irs.gov/uac/tax-relief-in-disaster-situations> and in disaster area losses - agriculture tax tips <https://www.irs.gov/businesses/small-businesses-self-employed/disaster-assistance-and-emergency-relief-for-individuals-and-businesses>

Assessing prices of stored forages

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Hay prices:	High Quality Mixed Grass	\$ 100-200 / ton	Fair Quality	\$ 80 – 150 / ton
	Alfalfa	\$ 180-250 / ton		
	Baleage	\$ 60 / bale		
	Corn Silage	\$ 30-40 / ton – standing, \$ 12-15 to chop / ton		
	Stalks	\$ 30 / bale + \$ 10-15 to inject		
	http://www.agebb.missouri.edu/haylst/			

To purchase:

“Good-High” Quality grass hay - \$ 150 /ton avg. + Hauling \$ 3-4 /loaded mile = \$ 28-38 more/bale Total = \$ 188/ton

“Fair” Quality grass hay - \$ 100 / ton avg. + Hauling = \$ 138 / ton *** this option would need supplemented.

Calculate cost of dry matter per ton in determining options: <http://agebb.missouri.edu/mgt/decision/fcptcalc.htm>

	Good-High Hay example:	Silage or Baleage example:	Fair Quality Hay example:
dry matter	88 %	35 %	88%
per ton	\$ 150	\$ 55	\$ 100
price per ton dry matter	\$ 170.45	\$ 157.15	\$ 113.64

Considerations:

- * Difference from High Q hay to Baleage(\$ 13), however also provides higher protein, TDN, etc. which will allow for less supplementation for lower quality hay.
- * Difference from High to Fair Quality hay (\$ 56). Yet, lower quality is probably not meeting the needs of the animal and will require additional supplement

Options to stretch Hay: Supplement 3-5 lbs of co-products/by-products or other ration combination

<http://agebb.missouri.edu/dairy/byprod/listing.php> (listing with prices, but may not reflect our area)

Possible products: Corn, Distillers, Soyhulls – meal, pellets, Corn gluten Cotton seed, cubes

Pricing depending on availability and your access to these: Ranged from \$ 180 – 220 / ton for co-products
\$ 250 – 320 / ton for 14%/20% cubes

* Using \$200 example: 20 head fed 5 lbs/day = \$10/day cost

Stockpiling fall grass: 40 – 50 lb of Nitrate / acre Range \$ 18.50 – 23 / acre 20 acres = \$ 460

Assuming we get fall rains, this could possibly save up to 50 days hay feeding on average

Under current hay prices, that saves you \$ 50 to \$ 55 per cow.

Seeding options for pastures: Rye, Triticale, other options ... Range \$ 20 – 23 / 50lbs Unknown – Fertilizer costs?
20 acres = \$ 400

Seeding rate determined by condition of field and desired goal. Again assuming we get fall rains, savings is hard to project in general terms but using the similar calculations for stockpiling fall grass & with current hay prices, could possibly save \$ 30 to \$ 44 per cow.