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# Financing Herd Rebuilding

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## Cash Flow: 2011 versus 2012

### Cash Inflows

- Operating receipts
  - Crop and livestock sales, government payments, other farm income
- Capital sales
- Contributed capital

### Cash Outflows

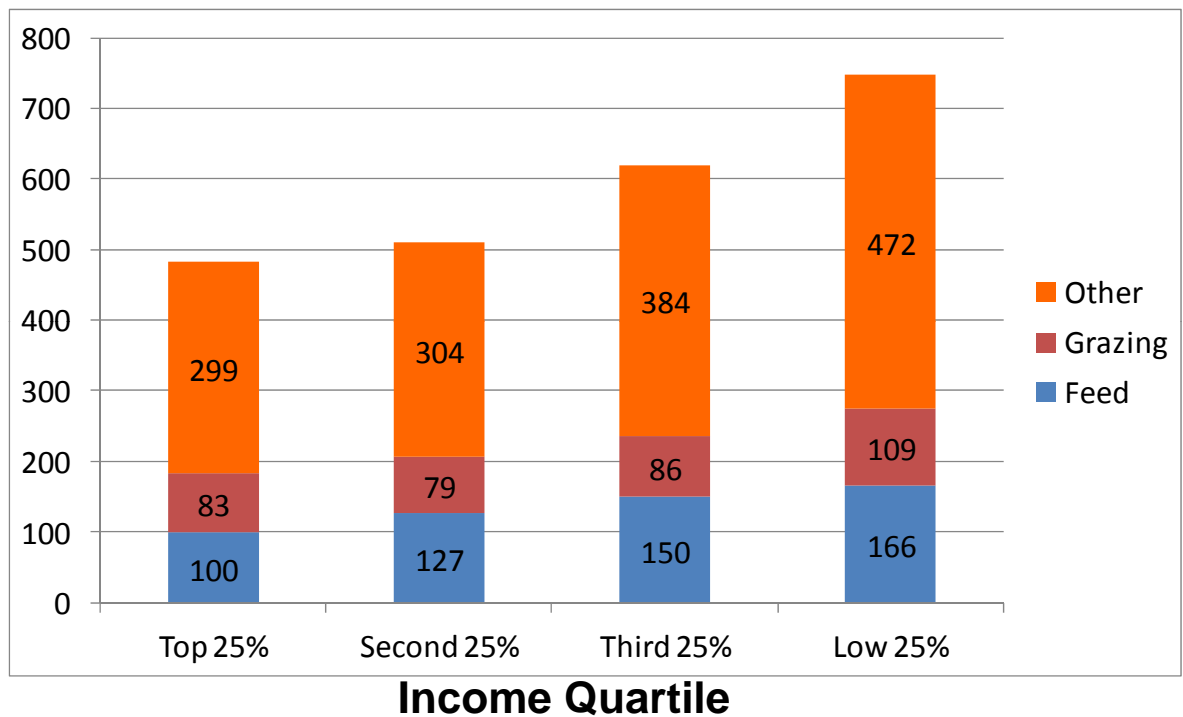
- Operating expenses (feed, fertilizer, etc.)
  - Capital purchases
  - Family living and other withdrawals
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## The Financial Challenge in Rebuilding

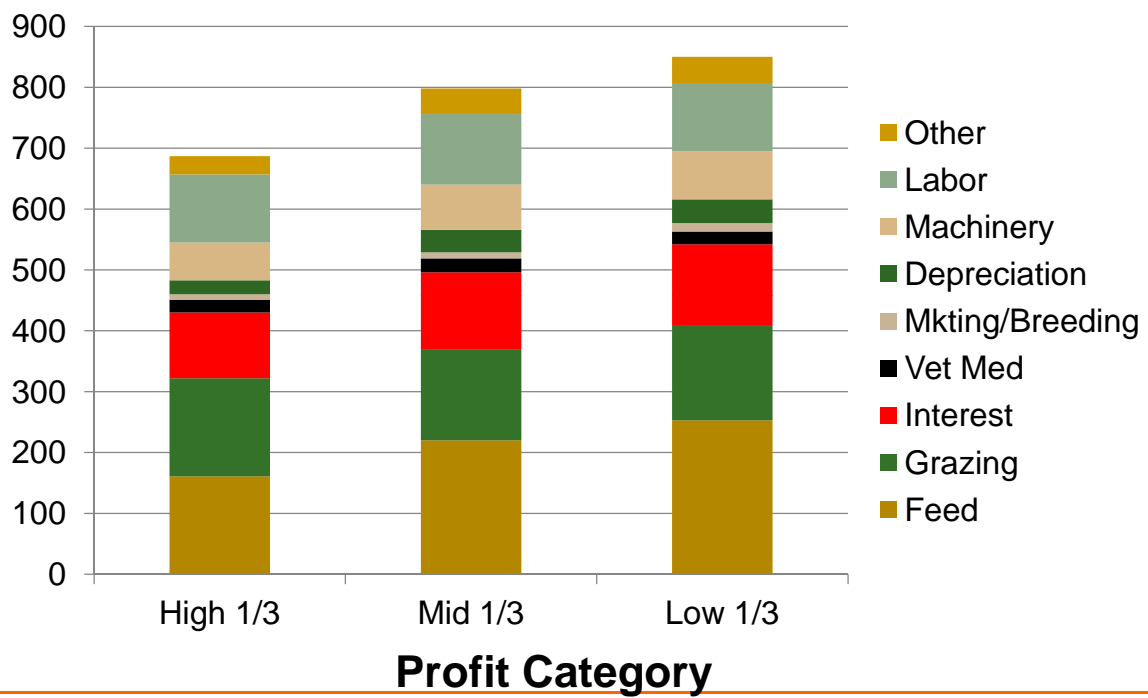
- Depends on
    - Drought response
    - How long the drought lasts
    - Cash flow
      - Cost management
      - Off farm income/family living needs
    - Risk tolerance
      - Initial debt/equity position
    - Tax strategies
    - Market changes
-

# Cost of Production (\$/cow)



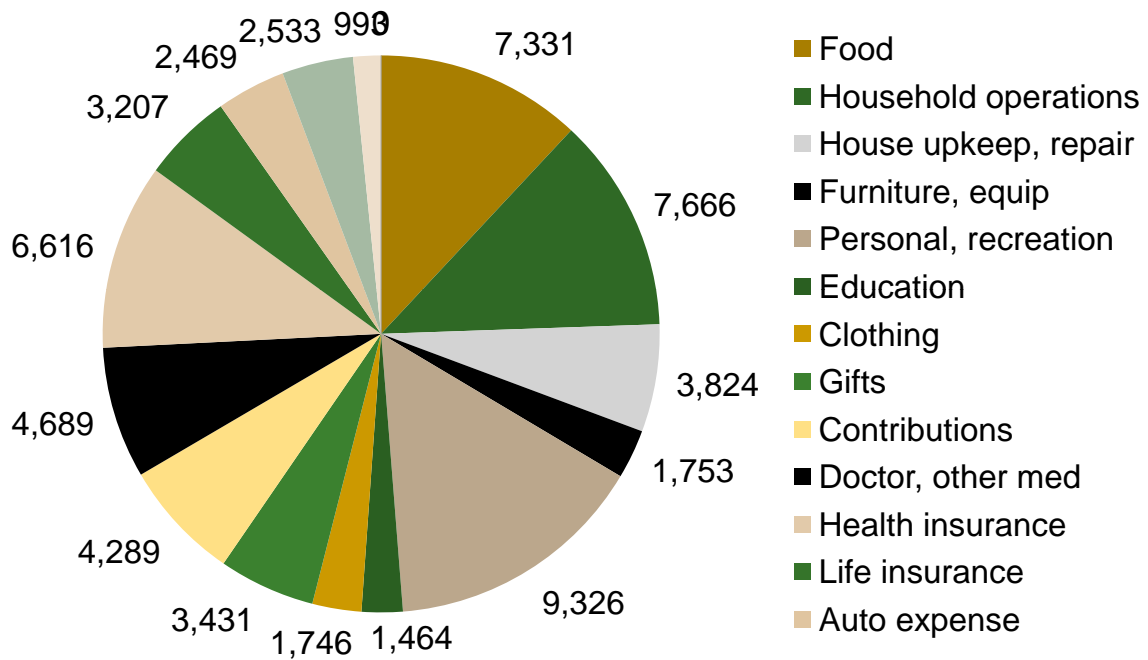
TX-OK, 2006-10

## Cost of Production (\$/cow)



KS 2010

## 2010 KFMA average family living expenses = \$61,337



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## Initial Debt/Equity Position

Annual per acre payments: 20 year loan

Amount financed	Interest rate		
	5%	6%	7%
\$800/a	65	71	77
\$1,000/a	81	88	96
\$1,200/a	97	106	115
\$1,400/a	113	124	135

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## What Can I Afford to Pay for a Cow?

Net Present Value of the Investment (\$)				
	Cow Operating Cost per Year			
Cow/calf Purchase Price	\$500	\$550	\$600	\$650
\$1,750	1,034	688	332	(19)
\$2,000	769	428	7	(284)
\$2,250	503	152	(199)	(550)
\$2,500	238	(113)	(464)	(815)

[www.beefextension.com](http://www.beefextension.com) under Cow-calf, Calculators, Cow Bid Price Estimate Calculator



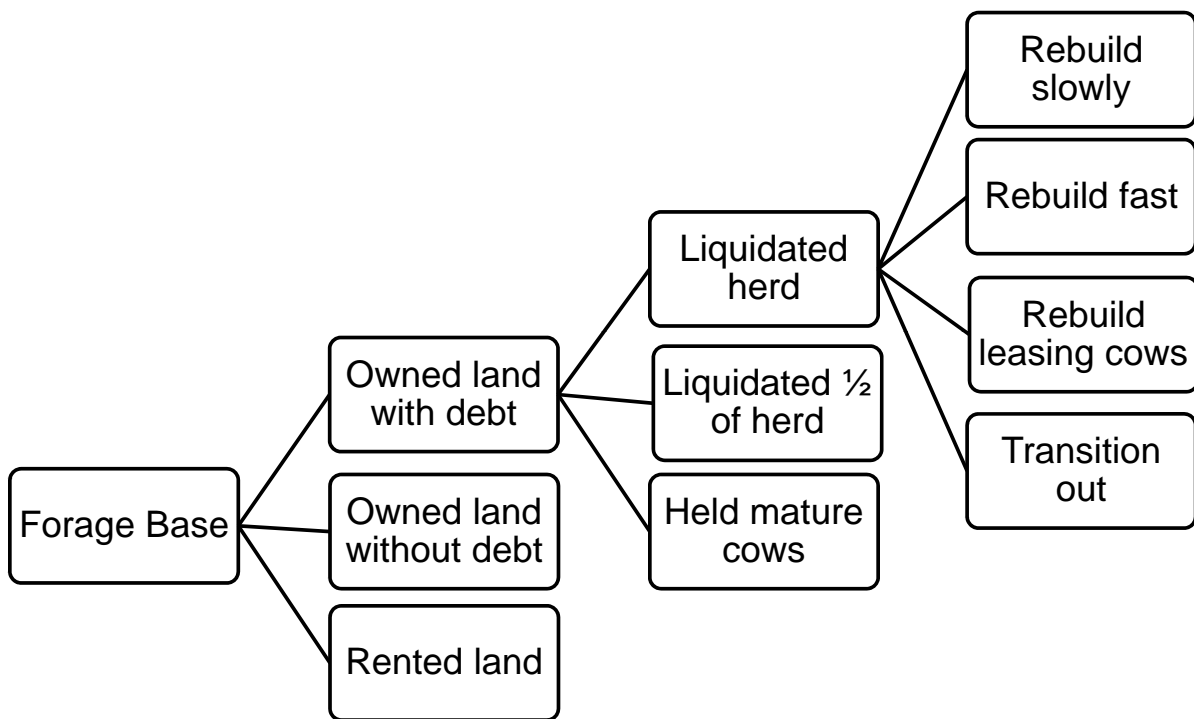
## Loan Payments for a \$2,000 Cow Purchase at 6% Interest

	Repayment Period		
Down Payment	3 years	4 years	5 years
20% = \$400	600	463	381
40% = \$800	450	350	286
60% = \$1,200	300	231	190

## Average Net Cash Flow Per Cow Comparisons

	Cow Cash Operating Cost Per Year		
Loan Payments Per Cow	\$450	\$550	\$650
100	207	107	7
200	107	7	-93
300	7	-93	-193

# Alternative Scenarios



**Cow-Calf Enterprise Budget - 100 Cow Unit Size**

March calving percentage - 87%, calf death loss - 3%

**Moderate Cows**

**Native pasture**



PRODUCTION	Wt.	Unit	Price/Cwt	Quantity	Total	S/Head
Steer Calves	510.0	Lbs.	\$ 115.70	42.20 Hd.	\$ 24,898	\$ 248.98
Heifer Calves	480.0	Lbs.	\$ 110.37	12.20 Hd.	\$ 6,461	\$ 64.61
Cull Cows	1,100.0	Lbs.	\$ 47.27	20.00 Hd.	\$ 10,399	\$ 103.99
Cull Replacement Heifers	825.0	Lbs.	\$ 94.07	10.00 Hd.	\$ 7,761	\$ 77.61
Cull Bulls	1,750.0	Lbs.	\$ 61.48	1.00 Hd.	\$ -	\$ -
Other Income		Head	\$ -	1.00	\$ -	\$ -
<b>Total Receipts</b>					<b>\$ 49,519</b>	<b>\$ 495.19</b>

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OPERATING INPUTS	Unit	Price	Quantity	Total	S/Head
Pasture	Head	\$ 120.00	1	\$ 12,000	\$ 120.00
Hay	Head	\$ 27.73	1	\$ 2,773	\$ 27.73
Grain	Head	\$ -	1	\$ -	\$ -
Protein Supplement	Head	\$ 59.60	1	\$ 5,960	\$ 59.60
Salt	Head	\$ -	1	\$ -	\$ -
Minerals	Head	\$ 17.08	1	\$ 1,708	\$ 17.08
Other Feed Additives	Head	\$ -	1	\$ -	\$ -
Vet Services/Medicine	Head	\$ 6.33	1	\$ 633	\$ 6.33
Vet Supplies	Head	\$ 2.91	1	\$ 291	\$ 2.91
Marketing	Head	\$ 7.68	1	\$ 768	\$ 7.68
Mach/Equip Fuel, Lube, Repairs	Head	\$ 24.09	1	\$ 2,409	\$ 24.09
Machinery/Equipment Labor	Hrs.	\$ 10.00	2.65	\$ 2,650	\$ 26.50
Other Labor	Hrs.	\$ 10.00	3.00	\$ 3,000	\$ 30.00
Other Expenses	Head	\$ -	1	\$ -	\$ -
Annual Operating Capital	Dollars	7.00%	219.72	\$ 1,538	\$ 15.38
<b>Total Operating Costs</b>				<b>\$ 33,730</b>	<b>\$ 337.30</b>
<b>Returns Above Total Operating Costs</b>				<b>\$ 15,789</b>	<b>\$ 157.89</b>



Adobe Acrobat Reader  
Required for Fact Sheet 1

## Cow/calf Enterprise Assets

	No.	Units	\$/Unit	Ranch Total (\$)
Cows (moderate size)	85	head	900	76,500
Bred heifers	15	head	900	13,500
Replacement heifers	15	head	900	13,500
Bulls	3	head	2,500	7,500
Vehicle & trailer	1		42,000	42,000
Tractor	1		30,000	
Equipment			15,000	
Introduced pasture	320	acres	1,400	448,000
Native pasture	1,000	Acres	1,100	1,110,000
Barn			35,000	35,000

## Assumptions Related to Pasture Type

	Introduced Pasture	Native Pasture
Forage	160 a of fescue 160 a of Bermuda	1,000 a
Stocking rate	3.2 a/head	10 a/head
Rent	\$22/a for fescue, \$17/a for Bermuda	\$12/a
Fertilizer	\$70/a	
Land purchase price	\$1,000/a	\$800/a
Land market value	\$1,400/a	\$1,100
Initial loan for ½ of land purchase price in scenarios with debt	\$160,000	\$400,000
Annual loan payment	\$13,950	\$34,874

## Assumptions re- 2011 versus Normal Year: Introduced Pasture

	2011	Future years
Cull cow price	\$65/cwt	
Cull bull price	\$80/cwt	
Weaned heifer weight & price	340 lbs, \$140/cwt	475 lbs, \$175/cwt to 2014, \$170 in 2015
Weaned steer weight and price	380 lbs, \$155/cwt	525 lbs, \$175/cwt to 2014, \$170 in 2015
Replacement heifer weight and price	825 lbs, \$117/cwt	900 lbs
Prairie hay	\$100/ton	\$58/ton
Bermuda hay	\$130/ton	\$72/ton
Purchase cow/calf pairs		\$2,000
Purchase bulls		\$3,000

## Supplement on Introduced Pasture

Supplementation	2011	Normal year
<b>Protein: 20% cubes</b>		
Cows kept full year	2 lbs./hd/day for 125 days	2 lbs./hd/day for 75 days
Breeding females culled mid-July	2 lbs./hd/day for 75 days	n.a.
Weaned heifers (Oct.-Dec.)	Sold	2 lbs./hd/day for 23 days
Bred heifers	Sold	2 lbs./hd/day for 75 days
<b>Bermuda hay</b>		
Cows kept full year	24 lbs/hd/day for 150 days	24 lbs./hd/day for 75 days
Breeding females culled mid-July	24 lbs/hd/day for 45 days	n.a.
Weaned heifers (Oct.-Dec.)	Sold	13 lbs./hd/day for 75 days
Bred heifers	Sold	19 lbs./hd/day for 75 days



## Supplement on Native Pasture

Supplementation	2011	Normal year
<b>Protein: 38% cubes</b>		
Cows kept full year	1.5 lbs./hd/day for 240 days	1.5 lbs./hd/day for 150 days
Breeding females culled mid-July	1.5 lbs./hd/day for 100 days	n.a.
Weaned heifers (Oct.-Dec.)	Sold	1.5 lbs./hd/day for 23 days
Bred heifers	Sold	1.5 lbs./hd/day for 75 days
<b>Prairie hay</b>		
Cows kept full year	24 lbs/hd/day for 150 days	24 lbs./hd/day for 30 days
Breeding females culled mid-July	24 lbs/hd/day for 45 days	n.a.
Weaned heifers (Oct.-Dec.)	Sold	13 lbs./hd/day for 30 days
Bred heifers	Sold	19 lbs./hd/day for 30 days

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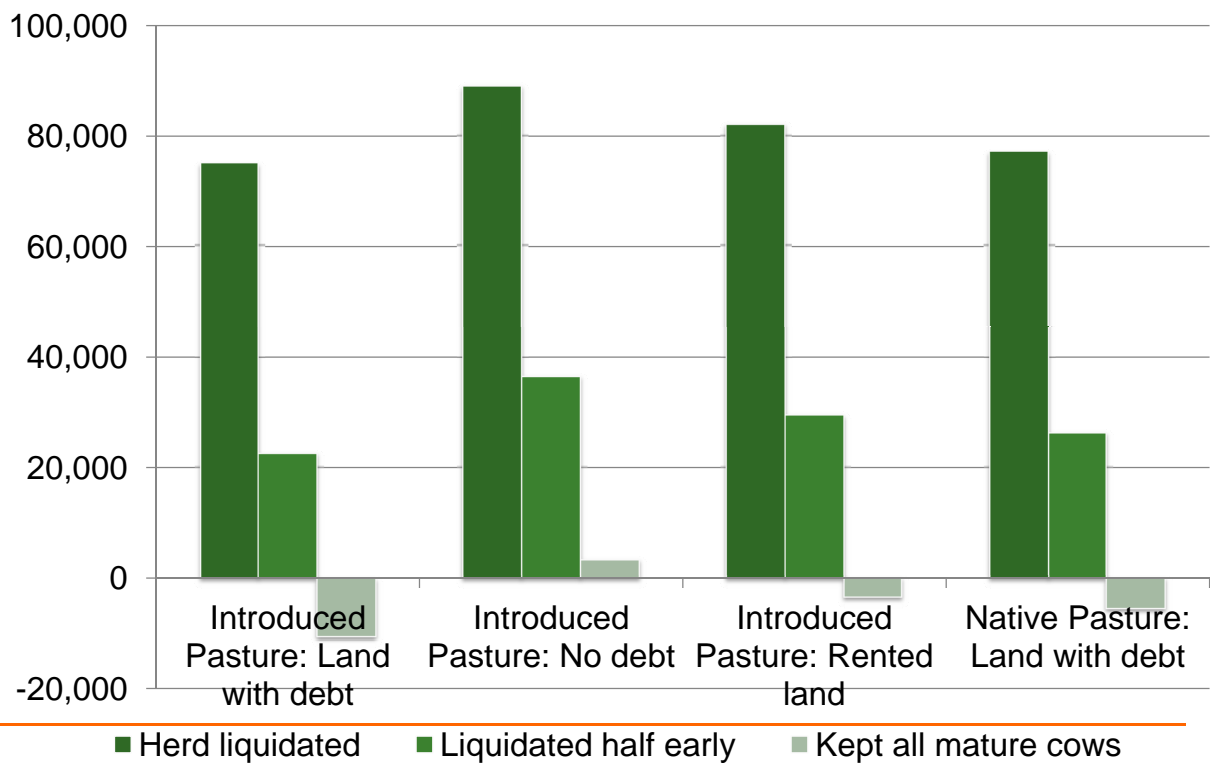
## 2011 Financial Projections: Income

	<b>Herd liquidated</b>	<b>Liquidated half early</b>	<b>Kept all mature cows</b>
Livestock sales	44,938	44,938	44,938
Government payments	6,176	6,176	6,176
Capital sales (breeding stock)	79,454	40,904	14,479
<b>Cash inflow</b>	<b>130,568</b>	<b>92,018</b>	<b>65,593</b>

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2011 Budget Estimates: Introduced Pasture	Owned land with debt		
	Herd liquidated	Liquidated half early	Kept all mature cows
Cash inflow	130,568	92,018	65,593
Cash farm expenses	41,105	54,669	61,100
Debt service payments	13,950	13,950	13,950
Operating interest	500	816	1,018
Net cash flow from beef operations	<b>75,102</b>	<b>22,582</b>	<b>(10,474)</b>
Line of credit: avg. balance	7,697	12,553	18,473
Line of credit: max. balance	22,811	33,895	40,616
Line of credit: end balance			10,543
Debt to asset ratio (%)	14.9	15.0	18.7
Interest expense %	13.0	13.6	14.0

# 2011 Net Cash Flow Projections



<b>2011 Budget Estimates: Introduced Pasture</b>	<b>Cash inflow</b>	<b>Cash expense</b>	<b>Debt service</b>	<b>Oper. interest</b>	<b>Net cash flow</b>
<b>Owned land with debt</b>					
Herd liquidated	130,568	41,105	13,950	500	<b>75,012</b>
Liquidated half early	92,018	54,669	13,950	816	<b>22,582</b>
Kept all mature cows	65,593	61,100	13,950	1,018	<b>(10,474)</b>
<b>Owned land with no debt</b>					
Herd liquidated	130,568	41,105		500	<b>88,962</b>
Liquidated half early	92,018	54,669		816	<b>36,532</b>
Kept all mature cows	65,593	61,100		1,018	<b>3,476</b>
<b>Rented land</b>					
Herd liquidated	130,568	47,825		702	<b>82,040</b>
Liquidated half early	92,018	61,389		1,018	<b>29,611</b>
Kept all mature cows	65,593	67,820		1,219	<b>(3,446)</b>

<b>2011 Budget Estimates: Introduced Pasture</b>	<b>Credit line average balance</b>	<b>Credit line max balance</b>	<b>Credit line ending balance</b>	<b>Debt to asset ratio (%)</b>	<b>Interest expense %</b>
<b>Owned land with debt</b>					
Herd liquidated	7,697	22,811		14.9	13.0
Liquidated half early	12,553	33,895		15.0	13.6
Kept all mature cows	18,473	40,616	10,543	18.7	14.0
<b>Owned land with no debt</b>					
Herd liquidated	7,697	22,811			1.0
Liquidated half early	12,553	33,895			1.6
Kept all mature cows	15,655	40,616			2.0
<b>Rented land</b>					
Herd liquidated	10,799	29,531			1.4
Liquidated half early	15,654	40,615			2.0
Kept all mature cows	19,403	47,336	3,446	1.9	2.4

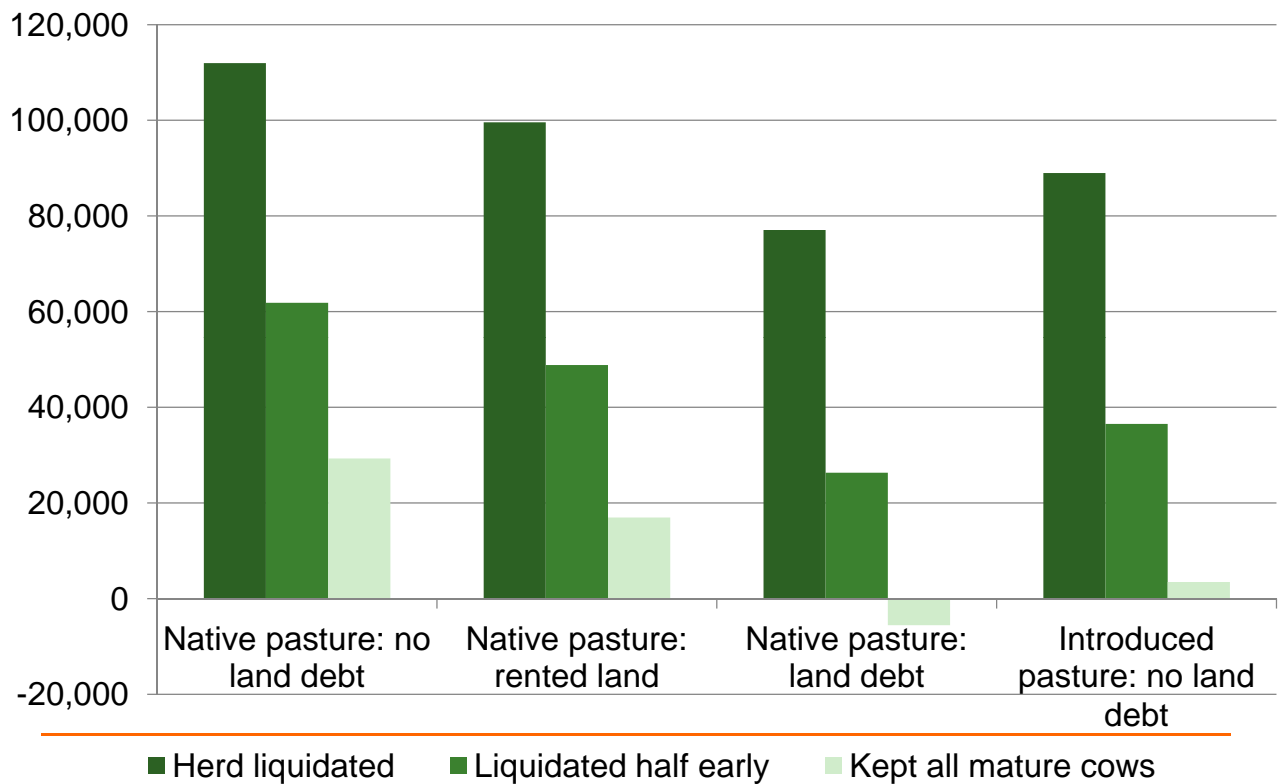
2011 Budget Estimates: Native Pasture	Owned land with no debt		
	Herd liquidated	Liquidated half early	Kept all mature cows
Cash inflow	130,568	92,018	65,593
Cash farm expenses	18,224	30,181	35,467
Debt service payments			
Operating interest	392	659	827
Net cash flow from beef operations	<b>111,952</b>	<b>61,836</b>	<b>29,299</b>
Line of credit: avg. balance	6,029	10,145	12,719
Line of credit: max. balance	14,625	24,102	29,679

<b>2011 Budget Estimates: Native Pasture</b>	<b>Cash inflow</b>	<b>Cash expense</b>	<b>Debt service</b>	<b>Oper. interest</b>	<b>Net cash flow</b>
<b>Owned land with debt</b>					
Herd liquidated	130,568	18,224	34,873	392	<b>77,079</b>
Liquidated half early	92,018	30,181	34,873	659	<b>26,304</b>
Kept all mature cows	65,593	35,467	34,873	827	<b>(5,574)</b>
<b>Owned land with no debt</b>					
Herd liquidated	130,568	18,224		392	<b>111,952</b>
Liquidated half early	92,018	30,181		659	<b>61,836</b>
Kept all mature cows	65,593	35,467		827	<b>29,299</b>
<b>Rented land</b>					
Herd liquidated	130,568	30,224		752	<b>99,592</b>
Liquidated half early	92,018	42,181		1,019	<b>48,817</b>
Kept all mature cows	65,593	47,467		1,187	<b>16,939</b>



<b>2011 Budget Estimates: Native Pasture</b>	<b>Credit line average balance</b>	<b>Credit line maximum balance</b>	<b>Credit line ending balance</b>	<b>Debt to asset ratio</b>	<b>Interest expense %</b>
<b>Owned land with debt</b>					
Herd liquidated	6,029	14,625		18.6	30.9
Liquidated half early	10,145	24,102		18.6	31.4
Kept all mature cows	14,276	29,679	5,574	19.0	31.7
<b>Owned land with no debt</b>					
Herd liquidated	6,029	14,625			0.8
Liquidated half early	10,145	24,102			1.3
Kept all mature cows	12,719	29,679			1.6
<b>Rented land</b>					
Herd liquidated	11,567	26,625			1.5
Liquidated half early	15,684	36,102			2.0
Kept all mature cows	18,258	41,679			2.3

# 2011 Net Cash Flow Projections



## Expected Forage Availability in Future Years

	2011	2012	2013	2014	2015
Forage availability		50%	75%	100%	100%



## Plan for Rebuilding Slowly from Total Liquidation

	2011	2012	2013	2014	2015	2016
Cow/calf	85			25	45	95
Bred heifers	15			20	25	5
Raised heifers	15		20	25	5	15
<b>Purchases</b>						
Cow/calf pairs			25	25		
Bulls			1	2		
Stocker heifers – 120 days		78				
Stocker heifers – 270 days		22	25			
Stocker steers		172	215	146		
<b>New Term Debt</b>			\$53,000	\$36,000		

**Stocker Enterprise Budget - 172 Steers**

April purchase - 500 lbs., August sale - 750 lbs

**Summer Stocker Steers**

Native pasture with 60% of acreage charged to steers



<b>PRODUCTION:</b>	<b>Wt.</b>	<b>Unit</b>	<b>Price/Cwt</b>	<b>Quantity</b>	<b>\$/Head</b>
Stockers	750	Lbs.	\$150.00	0.985 Hd.	\$ 1,108.13
Other Income		Head	\$ -	0.985 Hd.	\$ -
<b>Total Receipts</b>					<b>\$ 1,108.13</b>

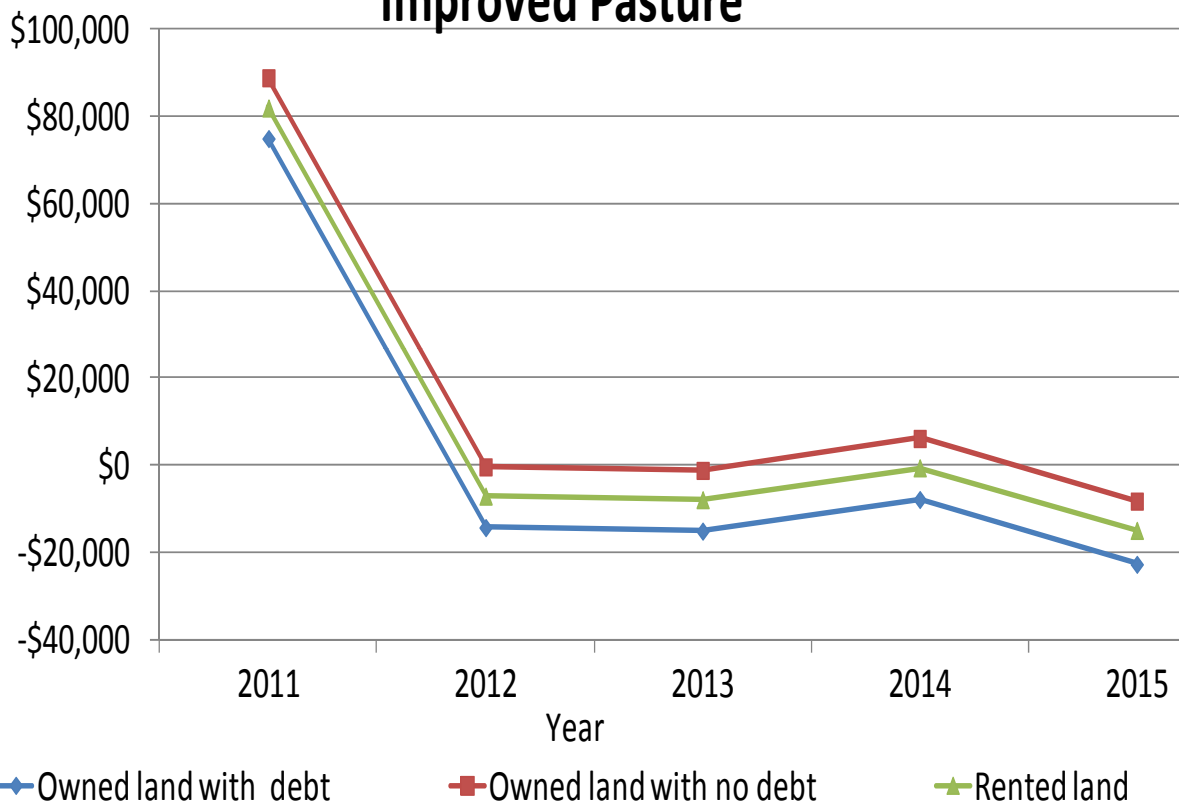
<b>OPERATING INPUTS:</b>	<b>Wt.</b>	<b>Unit</b>	<b>Price</b>	<b>Quantity</b>	<b>\$/Head</b>
Stockers	500	Lbs.	\$170.00	1 Hd.	\$ 850.00
Pasture		Head	\$ 41.86	1	\$ 41.86
Hay		Head	\$ -	1	\$ -
Grain		Head	\$ -	1	\$ -
Protein Supplement		Head	\$ -	1	\$ -
Salt		Head	\$ 0.13	1	\$ 0.13
Minerals		Head	\$ 0.17	1	\$ 0.17
Other Feed Additives		Head	\$ -	1	\$ -
Vet Services/Medicine		Head	\$ 3.88	1	\$ 3.88
Vet Supplies		Head	\$ 0.72	1	\$ 0.72
Marketing		Head	\$ 7.86	1	\$ 7.86
Mach/Equip Fuel, Lube, Repairs		Head	\$ 13.00	1	\$ 13.00
Machinery/Equipment Labor		Hrs.	\$ 10.25	1.00	\$ 10.25
Other Labor		Hrs.	\$ 10.25	1.25	\$ 12.81
Other Expenses		Head	\$ -	1	\$ -
Annual Operating Capital		Dollars	6.50%	316.86	\$ 20.60
<b>Total Operating Costs</b>					<b>\$ 961.28</b>
<b>Returns Above Total Operating Costs</b>					<b>\$ 146.85</b>

## Financial Projections for Rebuilding Slowly: Introduced Pasture with No Land Debt

	2011	2012	2013	2014	2015
Cash inflow	130,568	274,150	261,866	197,215	57,969
Cash farm expenses	41,105	269,873	258,782	175,598	45,057
Debt service payments					
Operating interest	500	4,624	4,252	2,618	567
Capital purchases			53,000	36,000	
<b>Net cash flow</b>	<b>88,962</b>	<b>(347)</b>	<b>(1,168)</b>	<b>6,160</b>	<b>(8,216)</b>
Line of credit: avg. balance	7,697				
Line of credit: max.	22,811				
Line of credit: end balance					
Debt to asset ratio (%)	0	0	7.2	10.1	7.9

<b>Rebuilding Slowly: Introduced Pasture</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Owned land with debt</b>					
Net cash flow	75,012	(14,297)	(15,118)	(7,854)	(22,734)
Debt to asset ratio (%)	14.9	13.4	18.6	20.0	16.4
Interest expense %	13.0	3.8	3.6	5.4	20.0
<b>Owned land with no debt</b>					
Net cash flow	88,962	(347)	(1,168)	6,160	(8,216)
Debt to asset ratio (%)	0	0	7.2	10.1	7.9
<b>Rented land</b>					
Net cash flow	82,040	(7,067)	(7,888)	(580)	(14,950)
Debt to asset ratio (%)	0	0	18.3	23.7	18.5

## Rebuilding Slowly Including Stockers: Improved Pasture



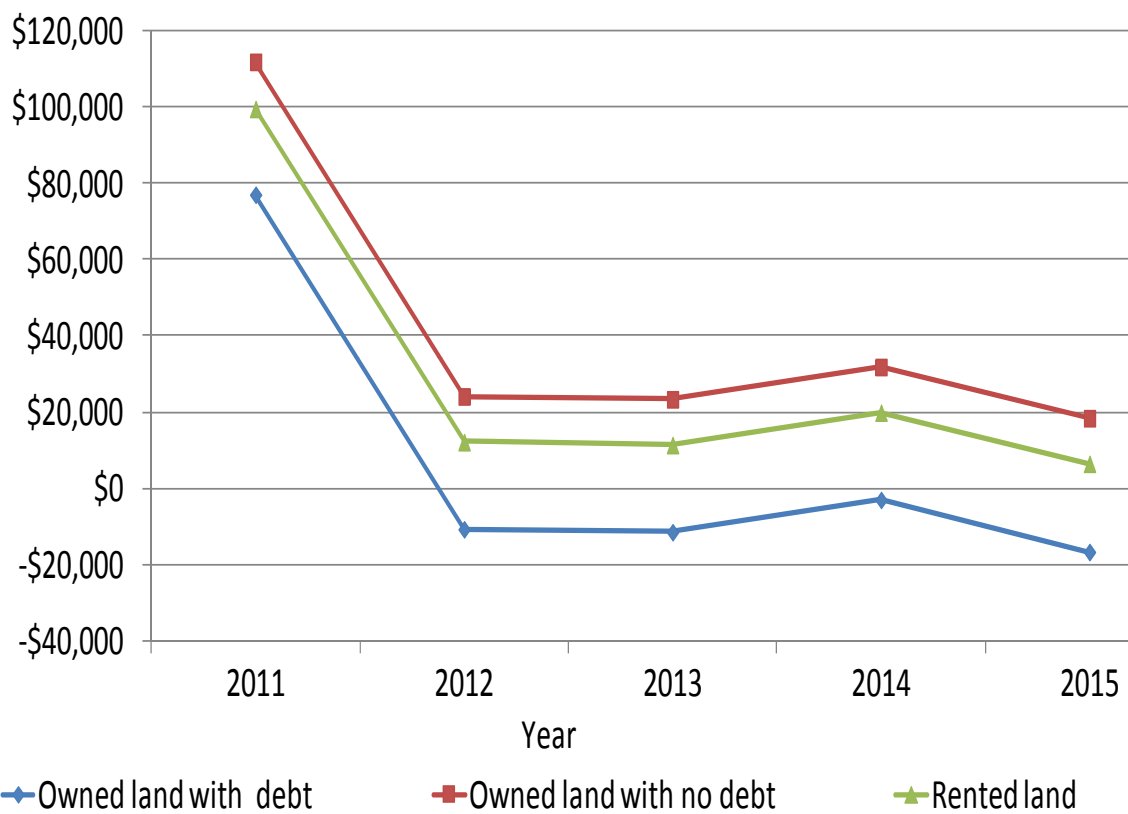


## Financial Projections for Rebuilding Slowly: Owned Native Pasture with No Land Debt

	2011	2012	2013	2014	2015
Cash inflow	130,568	274,150	261,866	197,215	57,969
Cash farm expenses	18,244	245,394	234,233	150,209	18,406
Debt service payments					
Operating interest	392	4,624	4,252	2,585	272
Capital asset purchases			53,000	36,000	
<b>Net cash flow</b>	<b>111,952</b>	<b>24,132</b>	<b>23,381</b>	<b>31,869</b>	<b>18,435</b>
Line of credit: avg.	6,029				
Line of credit: max.	14,625				
Line of credit: end balance					
Debt to asset ratio (%)	0	0	3.7	5.3	4.1

<b>Rebuilding Slowly: Native Pasture</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Owned land with debt</b>					
Net cash flow	<b>77,079</b>	<b>(10,741)</b>	<b>(11,492)</b>	<b>(3,034)</b>	<b>(16,709)</b>
Debt to asset ratio (%)	18.6	16.8	18.4	18.1	15.0
Interest expense %	30.9	6.9	6.6	9.0	32.5
<b>Owned land with no debt</b>					
Net cash flow	111,952	24,132	23,381	31,869	18,435
Debt to asset ratio (%)	0	0	3.7	5.3	4.1
<b>Rented land</b>					
Net cash flow	99,592	12,132	11,381	19,869	6,435
Debt to asset ratio (%)	0	0	15.4	19.5	14.5

## Rebuilding Slowly Including Stockers: Native Pasture



## Plan for Rebuilding Fast from Total Liquidation

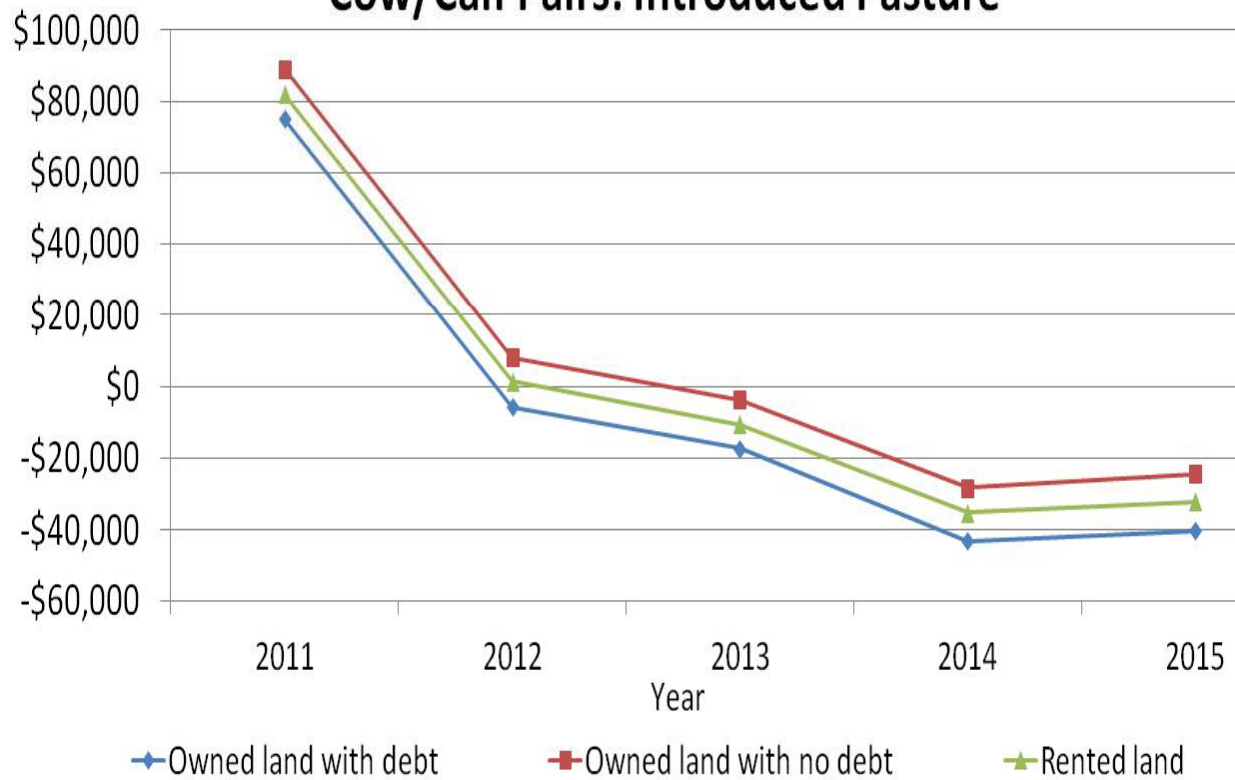
	2011	2012	2013	2014	2015
Cow/calf	85		50	80	100
Bulls	3		2	2	3
Bred heifers	15				
Raised heifers retained	15				
<b>Purchases</b>					
Cow/calf pairs		50	30	20	
Bulls		2		1	
New Term Debt (\$)		106,000	60,000	43,000	

## Financial Projections for Rebuilding Fast: Introduced Pasture with No Land Debt

	2011	2012	2013	2014	2015
Cash inflow	130,568	42,438	62,383	55,374	70,807
Cash farm expenses	41,105	34,331	41,058	44,246	45,045
Debt service payments					
Operating interest	500		39	679	2,375
Capital purchases		106,000	60,000	43,000	
<b>Net cash flow</b>	<b>88,962</b>	<b>8,106</b>	<b>(3,839)</b>	<b>(28,280)</b>	<b>(24,250)</b>
Line of credit: avg. balance	7,697				6,095
Line of credit: max. balance	22,811				26,187
Debt to asset ratio (%)	0	14.6	19.2	20.7	16.1

<b>Rebuilding Fast: Introduced Pasture</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
		106,000	60,000	43,000	
<b>Owned land with debt</b>					
Net cash flow	75,012	(5,844)	(17,287)	(42,909)	(40,179)
Debt to asset ratio (%)	14.9	27.4	30.9	31.7	29.6
Interest expense %	13.0	13.4	18.6	25.6	25.2
<b>Owned land with no debt</b>					
Net cash flow	88,962	8,106	(3,839)	(28,280)	(24,250)
Debt to asset ratio (%)	0	14.6	19.2	20.7	16.1
<b>Rented land</b>					
Net cash flow	82,040	1,386	(10,559)	(35,122)	(31,988)
Debt to asset ratio (%)	0	37.4	46.5	50.8	43.0

## Rebuilding Fast by Buying Cow/Calf Pairs: Introduced Pasture



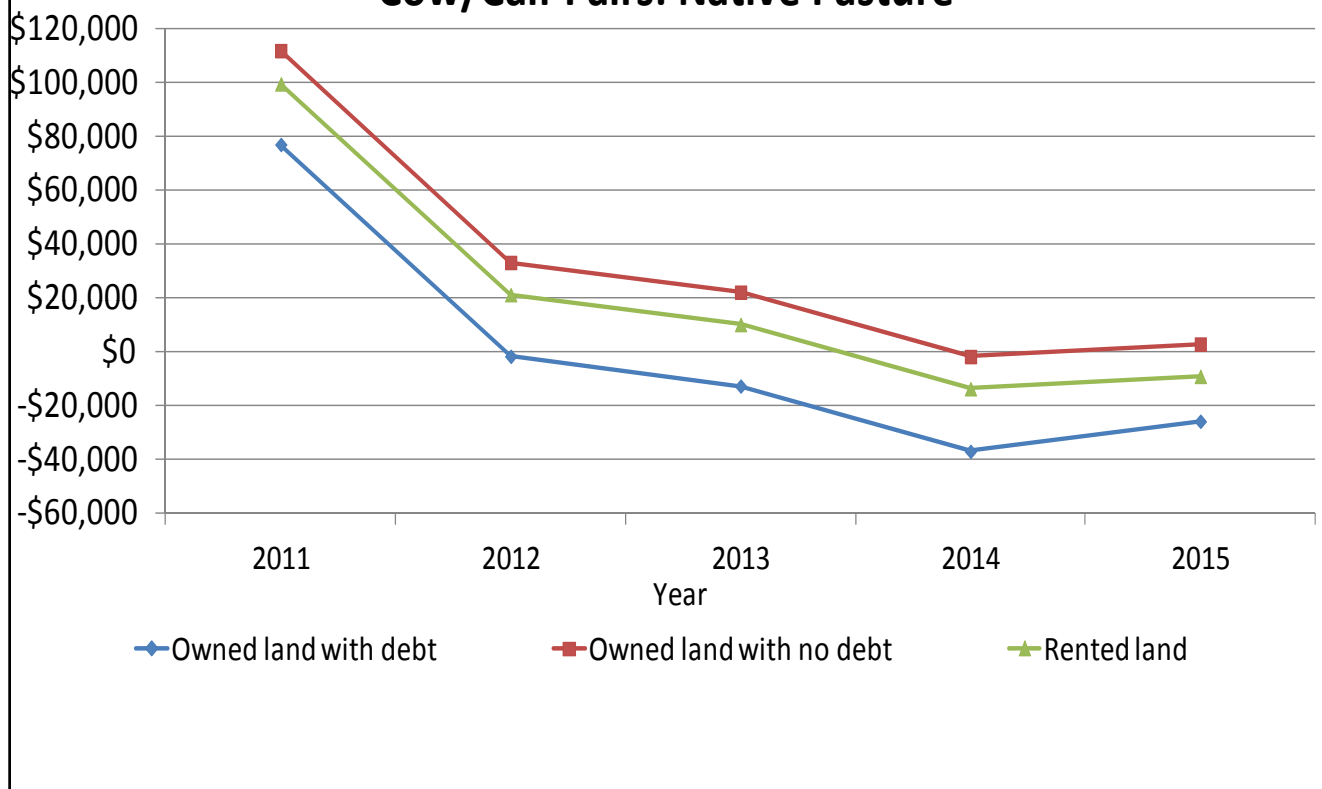
## Financial Projections for Rebuilding Fast: Owned Native Pasture with No Land Debt

	2011	2012	2013	2014	2015
Cash inflow	130,568	42,438	62,383	55,374	70,807
Cash farm expenses	18,224	9,190	15,049	17,672	18,272
Debt service payments					
Operating interest	392			370	1,613
Capital purchases		106,000	60,000	43,000	
<b>Net cash flow</b>	<b>111,952</b>	<b>33,248</b>	<b>22,170</b>	<b>(1,706)</b>	<b>2,919</b>
Line of credit: avg. balance	6,029				
Line of credit: max.	14,625				
Line of credit: end balance					
Debt to asset ratio (%)	0	7.6	10.1	10.7	8.0



<b>Rebuilding Fast: Native Pasture</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Owned land with debt</b>					
Net cash flow	77,079	(1,625)	(12,703)	(36,949)	(25,802)
Debt to asset ratio	18.6	24.0	24.9	24.2	20.5
Interest expense %	30.9	33.5	31.0	37.7	33.7
<b>Owned land with no debt</b>					
Net cash flow	111,952	33,248	22,170	(1,706)	2,919
Debt to asset ratio (%)	0	7.6	10.1	10.7	8.0
<b>Rented land</b>					
Net cash flow	99,592	21,248	10,170	(13,706)	(9,081)
Debt to asset ratio (%)	0	33.2	39.5	40.9	31.8

### Rebuilding Fast by Buying Cow/Calf Pairs: Native Pasture



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## Plan for Rebuilding Using Leased Cows

	2011	2012	2013	2014	2015
Cow/calf	85				13
Bulls	3				
Bred heifers	15			13	21
Raised heifers retained	15		14	23	25
<b>Leases</b>					
Cows		50	80	86	66
Bulls		2	2	3	3

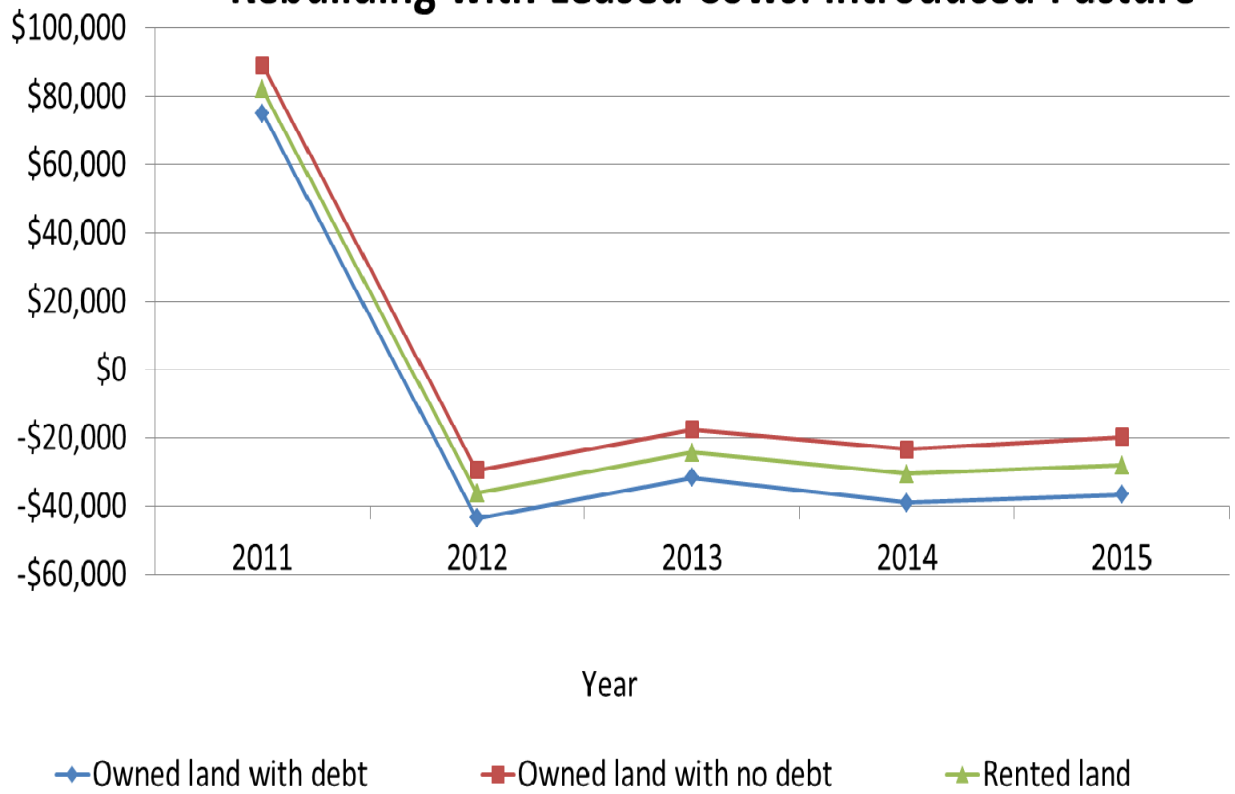
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## Financial Projections for Leasing Cows: Introduced Pasture with No Land Debt

	2011	2012	2013	2014	2015
Cash inflow	130,568	12,863	20,580	23,301	23,204
Cash farm expenses	41,105	36,436	38,170	43,661	42,867
Debt service payments					
Operating interest	500			7	251
<b>Net cash flow</b>	<b>88,962</b>	<b>(29,573)</b>	<b>(17,590)</b>	<b>(23,367)</b>	<b>(19,915)</b>
Line of credit: avg. balance	7,697			100	4,037
Line of credit: max.	22,811			1,304	20,129
Debt to asset ratio (%)	0	0	0	0	0.2

<b>Rebuilding w/ Leased Cows: Introd. Pasture</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Owned land with debt</b>					
Net cash flow	75,012	(43,523)	(31,729)	(39,021)	(36,657)
Debt to asset ratio	14.9	14.4	13.4	17.5	20.7
Interest expense %	13.0	44.3	26.2	28.5	33.5
<b>Owned land with no debt</b>					
Net cash flow	88,962	(29,573)	(17,590)	(23,367)	(19,915)
Debt to asset ratio (%)	0	0	0	0	0.2
<b>Rented land</b>					
Net cash flow	82,040	(36,293)	(24,310)	(30,636)	(28,088)
Debt to asset ratio (%)	0	0	0	5.2	17.6

### Rebuilding with Leased Cows: Introduced Pasture



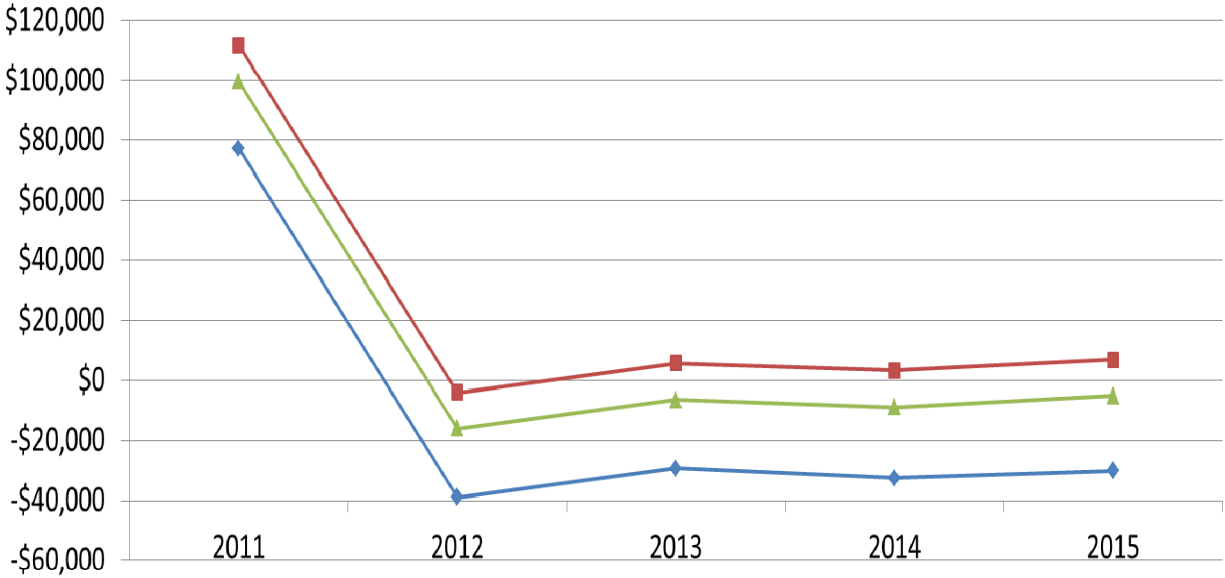
## Financial Projections for Leasing Cows: Owned Native Pasture with No Land Debt

	2011	2012	2013	2014	2015
Cash inflow	130,568	12,863	20,580	23,301	23,204
Cash farm expenses	18,224	10,917	15,055	17,161	16,439
Debt service payments					
Operating interest	392				
<b>Net cash flow</b>	<b>111,592</b>	<b>(4,054)</b>	<b>5,525</b>	<b>3,139</b>	<b>6,764</b>
Line of credit: avg. balance	6,029				
Line of credit: max.	14,625				
Debt to asset ratio (%)	18.6				

<b>Rebuilding w/ Leased Cows: Native Pasture</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Owned land with debt</b>					
Net cash flow	77,079	(38,927)	(29,478)	(32,668)	(30,200)
Debt to asset ratio	18.6	17.4	15.9	15.6	15.6
Interest expense %	30.9	110.6	63.8	56.4	57.9
<b>Owned land with no debt</b>					
Net cash flow	111,592	(4,054)	5,525	3,139	6,764
Debt to asset ratio (%)	0	0	0	0	0
<b>Rented land</b>					
Net cash flow	99,592	(16,054)	(6,475)	(8,861)	(5,236)
Debt to asset ratio (%)	0	0	0	0	0

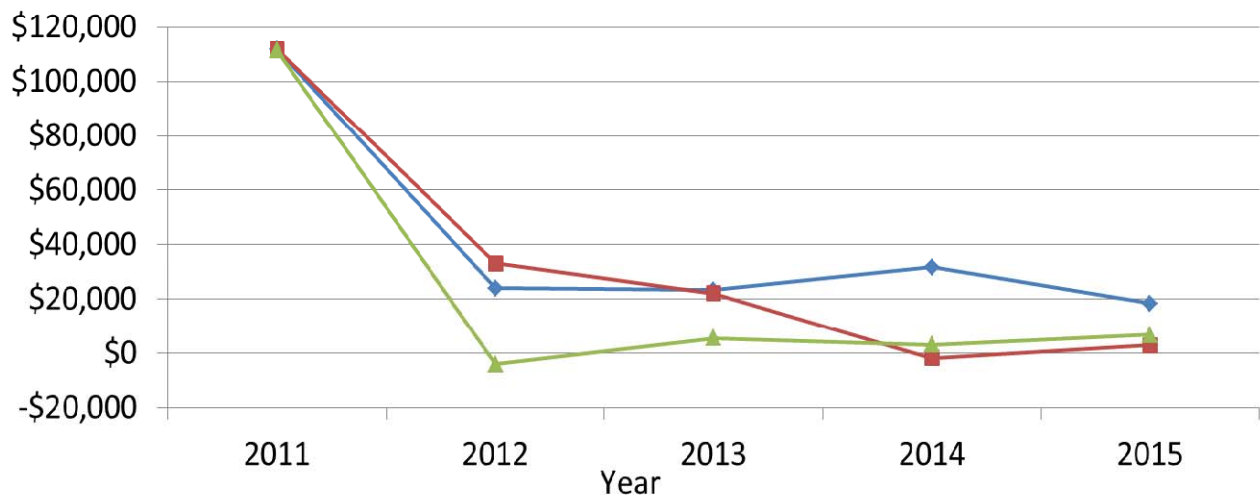


### Rebuilding with Leased Cows: Native Pasture



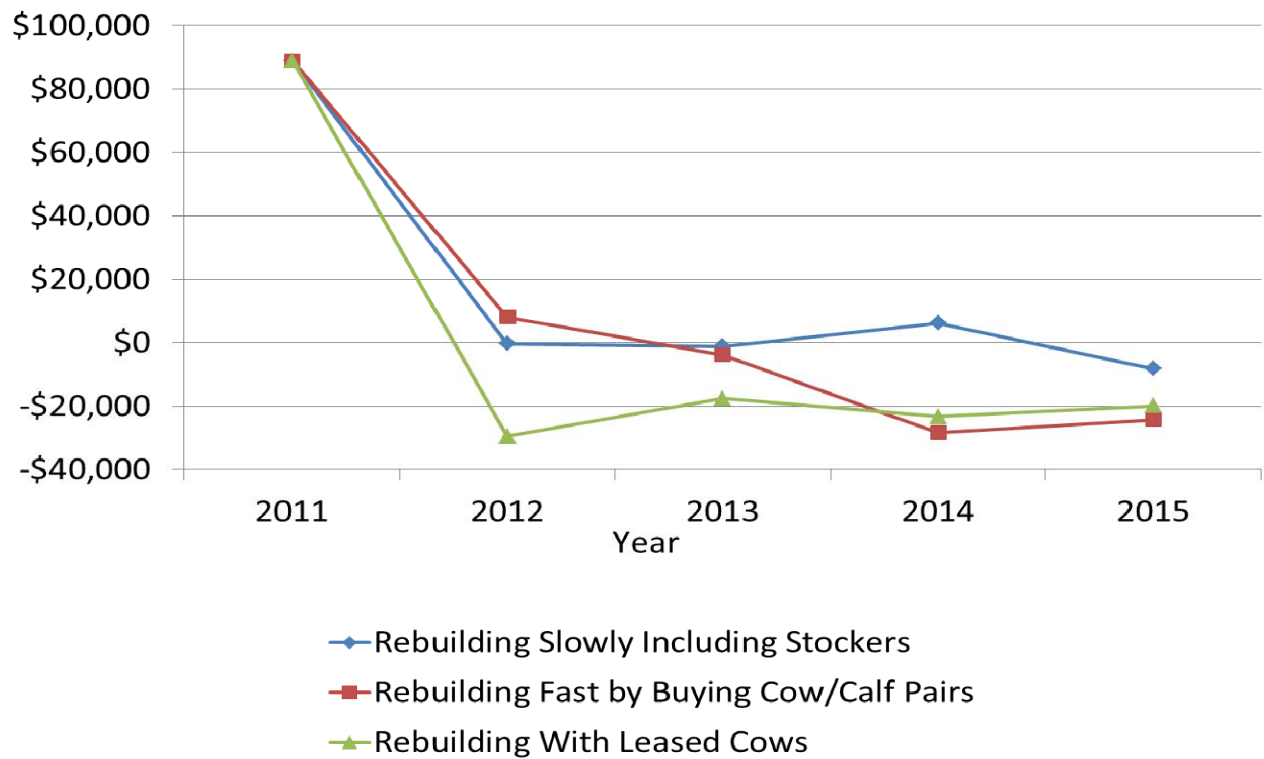
Owned land with debt      Owned land with no debt      Rented land

## Net Cash Flow for Owned Land With No Debt: Native Pasture



◆ Rebuilding Slowly Including Stockers      ■ Rebuilding Fast by Buying Cow/Calf Pairs  
▲ Rebuilding With Leased Cows

## Net Cash Flow for Owned Land With No Debt: Introduced Pasture



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# To Meet the Financial Challenge

- Monitor cash flow carefully and measure/monitor profitability
    - Keep good records
    - Monitor withdrawals
    - Control costs
    - Change asset ownership
    - Equity infusions?
    - Increase returns
    - Change enterprise mix
  - Risk management
  - Forward planning
    - Short term
    - Long term
  - Communicate with lenders
  - Consult with your tax preparer
  - Get help if you need it!
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## IFMAPS

- A free, ***confidential*** service assisting Oklahoma farmers and ranchers with financial planning since 1985
- Trained financial specialists work with families one-on-one to develop financial statements and evaluate alternative plans
- Contact us:
  - local Extension office
  - Area Agricultural Economics specialist
  - IFMAPS office in Stillwater at 1-800-522-3755



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# Resources

## ■ Records

- [agecon.okstate.edu/quicken](http://agecon.okstate.edu/quicken)
- <http://agrisk.tamu.edu/agrisk/quickbooks/index.php>

## ■ Budgets

- [agecon.okstate.edu/budgets](http://agecon.okstate.edu/budgets)
- <http://agecoext.tamu.edu/resources/>

## ■ Beefextension.com

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