



Cattle Producer's Handbook

Finance Section

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What Is a Cow Worth?

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Many pencils have been worn out trying to calculate the value of a cow. As a local cow buyer points out, "Value depends on whether you are buying or selling. Sale price is a function of supply and demand and is largely established by the present market value of comparable classes and quality of cattle."

If you want to buy a cow, purchase price should be evaluated in a different manner. The value of a potential brood cow is a function of the following:

- The age of that cow at time of purchase.
- How many years of production are left.
- Cull value of the cow.
- Weaning percent.
- Weaning weight.
- Flesh of cow at purchase.
- Time of year of purchase.
- Annual cow cost.
- Interest or opportunity value of your money.
- The estimated market price of calves during the cow's remaining productive life.

When buying cows, do not let the present market set the purchase price of your investment. Instead, cattlemen should determine **what they can afford to pay for a cow**. If that figure happens to be above the present market value, then they should buy. This paper discusses the various factors that influence the value of a cow to the buyer.

Present and Future Market's Effect on Cow Value

The first step in determining what you can afford to pay for a cow is to estimate that cow's gross lifetime income potential. Income potential for the brood cow is determined by present and future calf values combined with cow salvage or cull value.

Do not just consider the present market value in determining the cow's value as this is the case for only one year of production. To accurately estimate the value of a cow, consider calf prices for each of the productive years of that cow. Cull cow value also needs to be estimated for the year that the cow leaves the herd.

Because of the risk and uncertainty involved in predicting the market, educated predictions should be made using the various marketing forecast information available. Many companies, such as Cattle Fax and trade magazines, provide this information from their perspective.

Remaining on the conservative side is recommended when predicting the market. Cattle producers are notorious for being overly optimistic. It is better to be pleasantly surprised than grossly disappointed.

Market predictions are at best an estimate. You can estimate the short-term market with much more accuracy than the long-term market. This means you can determine what you can afford to pay for an older cow more confidently than for that of a young cow.

Age of Cow at Purchase and Years of Production

Young cows are more valuable than older cows. The biggest expense is in heifer development stages—from weaning to third conception. This is due to the additional nutrient requirements of the growing and developing heifer. Also, many heifers are culled for failed or delayed conceptions, calf mortality due to heifer inexperience, and low production.

A 3-year-old, early bred, moderately fleshed cow that has potential for 7 more years of production is much more valuable than a 7-year-old, "sound" bred cow that has 3 years of production left. The young cow has 7 years of calf sales in which to pay back the initial purchase price, 3 of which will be during her peak years