

# Drought Related Beef Cattle Management Decisions

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Information provided by Dr. Curt Lacy and Keith D. Kightlinger, University of Georgia  
and Dr. Walt Prevatt, Auburn University.

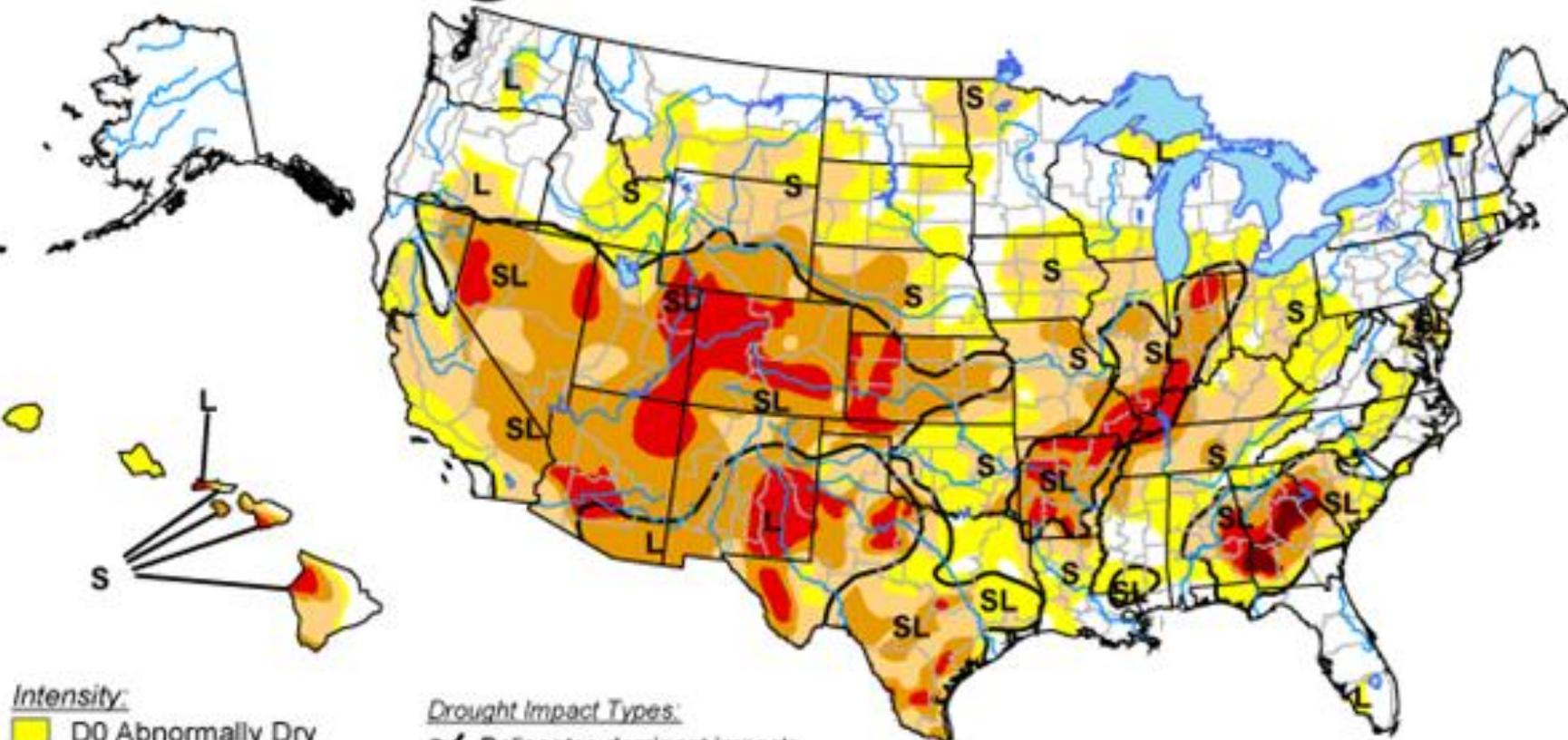
Try to avoid making decisions based on fear,  
panic, and misinformation!



# U.S. Drought Monitor

June 26, 2012

Valid 7 a.m. EDT



## Intensity:

-  D0 Abnormally Dry
-  D1 Drought - Moderate
-  D2 Drought - Severe
-  D3 Drought - Extreme
-  D4 Drought - Exceptional

## Drought Impact Types:

-  Delineates dominant impacts
- S = Short-Term, typically <6 months  
(e.g. agriculture, grasslands)
- L = Long-Term, typically >6 months  
(e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions.  
Local conditions may vary. See accompanying text summary  
for forecast statements.

<http://droughtmonitor.unl.edu/>



Released Thursday, June 28, 2012

Author: Richard Heim/L. Love-Brotak, NOAA/NESDIS/NCDC

# U.S. Drought Monitor

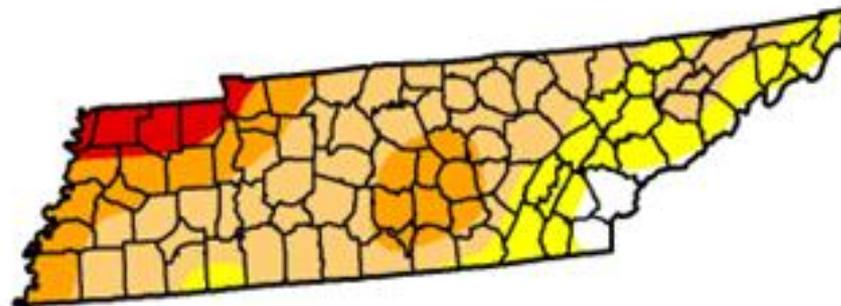
## Tennessee

June 26, 2012

Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	3.97	96.03	76.55	26.02	5.68	0.00
Last Week (06/19/2012 map)	10.65	89.35	37.01	8.90	1.14	0.00
3 Months Ago (03/27/2012 map)	100.00	0.00	0.00	0.00	0.00	0.00
Start of Calendar Year (12/27/2011 map)	100.00	0.00	0.00	0.00	0.00	0.00
Start of Water Year (09/27/2011 map)	73.21	26.79	6.96	0.00	0.00	0.00
One Year Ago (06/21/2011 map)	96.53	3.47	0.57	0.00	0.00	0.00



Intensity:



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Released Thursday, June 28, 2012  
Richard Heim, National Climatic Data Center, NOAA

# U.S. Drought Monitor

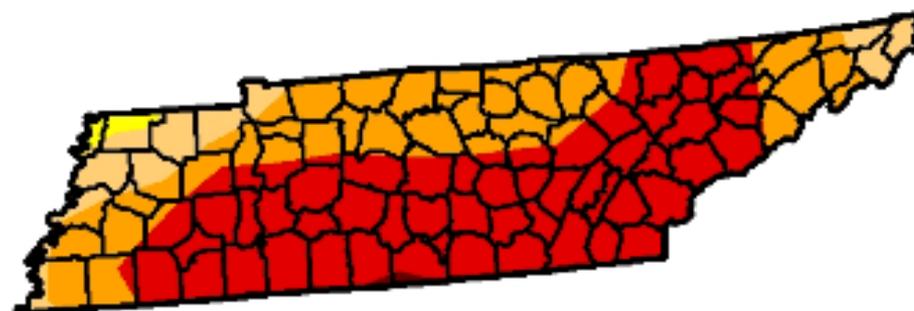
## Tennessee

July 3, 2007

Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	0.0	100.0	98.9	89.3	56.3	0.4
Last Week (06/26/2007 map)	0.0	100.0	100.0	95.3	70.9	2.9
3 Months Ago (04/10/2007 map)	0.0	100.0	72.7	30.4	3.7	0.0
Start of Calendar Year (01/02/2007 map)	37.7	62.3	0.0	0.0	0.0	0.0
Start of Water Year (10/03/2006 map)	52.1	47.9	0.0	0.0	0.0	0.0
One Year Ago (07/04/2006 map)	82.4	17.6	0.0	0.0	0.0	0.0



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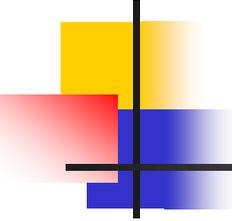
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements

<http://drought.unl.edu/dm>



Released Thursday, July 5, 2007

Author: Douglas Le Comte, CPC/NOAA



# Three Biggest Mistakes Cattlemen Make During a Drought

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1. Do nothing, hoping it rains or that additional land can be rented or hay purchased.
2. Early weaning AND marketing calves hoping that cows won't have to be liquidated.
3. Once culling begins, saving young cows (less than 4 yrs) instead of more productive (4-7 yrs) COWS.

*Adapted from Gill and Pinchak. "Destocking Strategies During Drought". TX A&M University.*

# Water

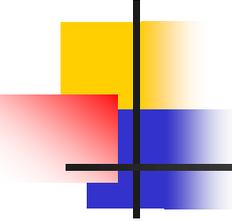


- 1) Monitor water quantity and quality.
- 2) An insufficient quantity and/or inferior quality of water will result in serious cattle health problems or death, which adversely affects profitability. The economics of this input are large!
- 3) Develop a cattle marketing plan before water availability or water quality become limiting.

# Cattle



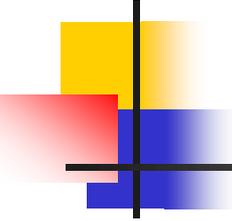
- 1) Body Condition Score (BCS) all cattle to determine when and how much weight loss has occurred.
- 2) Body Condition Scores below 4 will result in "uneconomic" levels of performance.
- 3) Determine if you need to DESTOCK or DEPOPULATE your cattle operation.



# Destocking vs. Depopulating

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- Destocking – increasing the number of acres for a set number of cows.
  - Involves procuring additional pastureland
  - Usually requires additional expenses
- Depopulating – an economic decision that means you have decided to sell some or all of the cows.



# Suggestions on a Marketing Plan

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- 1) Determine if feeder calf prices are high enough to purchase supplemental feed for the cows
- 2) Determine if early weaning of calves and/or preconditioning calves will work for you
- 3) Estimate how long you think you can supplement cattle before selling cattle

# Suggestions on a Marketing Plan



## 4) Develop an animal culling plan

Open Cows

Old Cows / Bulls

Cows / Bulls with defects, bad dispositions, etc.

Lower Performance Cows

Thin Cows

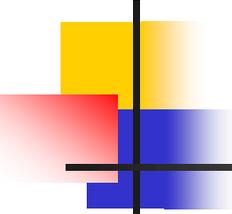
Older Bred Cows (7+ years)

Younger Bred Cows (2 – 4 years)

# Some Thoughts on Cool-Season Grazing



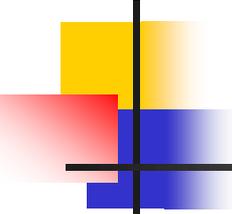
- 1) As fall approaches, evaluate moisture conditions and determine if cool-season grass or winter annuals are possible on your operation this year.
- 2) Consider stockpiling forage in the fall.
- 3) Consider rotational, limit, and strip grazing.



# Suggestions On Stored Feed

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- 1) Determine the quantity of stored feed needed
- 2) Determine the quality of stored feed needed
- 3) Identify & compare alternative feedstuffs and complete rations
- 4) Buy feedstuffs based on weight, quality and nutrient content
- 5) Group buy feedstuffs in bulk when possible
- 6) Calculate total stored feed costs and/or total stored feed costs per brood cow
- 7) Estimate the profitability of your cattle operations with these higher feed costs



# Minimize Feedstuff Storage & Feeding Losses

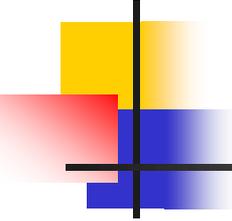
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- 1) Most farmers can reduce their feedstuff costs between 10 and 50 percent by reducing storage and feeding losses.
- 2) Identify ways to reduce feedstuff storage losses. You are going to pay for hay storage whether you invest in hay storage methods or not.
- 3) Identify ways to reduce feeding losses (i.e. feed hay on well-drained sod, with hay panels or hay rings, move the location of hay rings before refilling, rolling out hay, feed smaller amounts more frequently).

# Tax Management



- Calf sales – reported on Schedule F
- Cow / Bull sales – reported on Schedule D
  - Capital Gains and Losses
  - Taxed at Lower Rate (5 or 15%) than other income
  - No self employment tax on Capital Gains
- Purchased Breeding Stock
  - Can be depreciated beginning 1<sup>st</sup> year of production
  - 179 deduction \$139,000 limit in 2012



# Tax Management:

## Weather Related Livestock Sales

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Internal Revenue Code – Section 451(e)

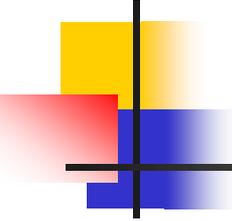
Provides for a one-year deferral of recognition of income from weather related livestock sales (breeding and market sales in excess of normal).

**Requires a federal disaster declaration.**

**Principal business must be farming.**

Must use the cash method of accounting.

Must show that the livestock would normally have been sold in a future year.



# Tax Management: Weather Related Livestock Sales

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Internal Revenue Code – Section 1033(e)

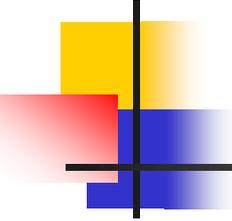
Permits the deferral of gains realized from breeding livestock due to weather related conditions. Gain is deferred by purchasing replacement breeding livestock of the same kind within a specified period (2 years) or (4 years if in a federal disaster declaration area).

**Federal disaster declaration is not required.**

**Principal business of farming is not required.**

Excess sales of market livestock are not eligible.

May require amended tax returns.

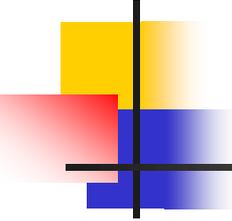


# Tax Management

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- 1) Consult your bookkeeper and tax preparer before you sell the cattle.
- 2) Determine what information you need to provide the tax preparer.
- 3) Make sure you comply with the requirements which must be met to use the tax management alternative.
- 4) Evaluate the impact the drought will have on the costs, net farm income, and the taxable income for your cattle operation.

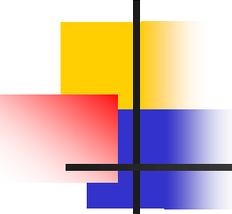


# Money Management

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Droughts usually interfere with making good money management decisions.

- Droughts constrain cash flow
- Droughts usually increase the cost of production
- Droughts often require a loan
- Droughts sometimes require refinancing
- Droughts may require a different management plan



# On Dealing With Mental Stress ...

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**Droughts cause mental stress and the inability to make good decisions.**

- 1) Accept that droughts are a part of the cattle business.
- 2) Develop a proactive attitude about dealing with the drought. View it as a challenge, not an obstacle.
- 3) Formulate a plan to minimize the effects of the drought.
- 4) Remember, there is no perfect decision. You simply have to make the best decision you can today given the facts you have and some expectation about the future.

# Questions ?



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