
Seven Mile Creek Ranch Land and Cattle Investment Analysis

Rita Palm

Overview

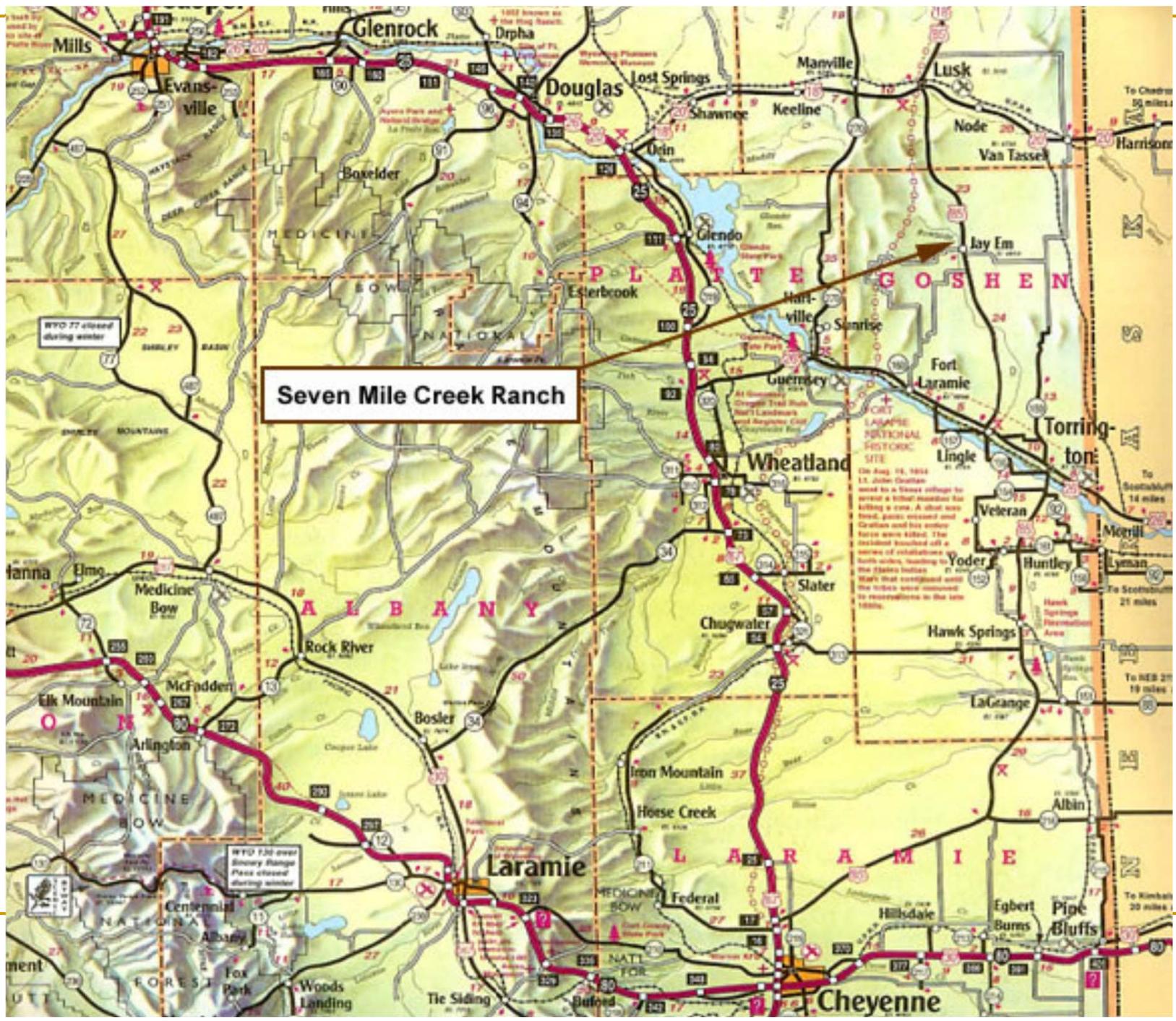
- Investor assumptions
 - Ranch overview
 - Investment options
 - Leasing
 - Running
 - CD option
 - Return on equity analysis
 - Conclusions from research
 - Weakness of research
-

Investor Assumption

- Investor with knowledge of the cattle industry and ranch property market willing to run working cattle ranch as family business
 - Open to the option of leasing out the entire ranch
 - Open to the option of not investing money in ranch property and instead FDIC insured certificates of deposit
 - Investment will be considered for a maximum of ten years
-

Ranch Overview

- <http://www.clarklandbrokers.com/brochures/SevenMileCreekRanch.pdf>
 - 30 miles north of Lingle, 27 miles south of Lusk
 - 10,696 total acres, 10,176 deeded, 400 state 120 BLM
 - Stocking rate of 400 cow/calf pairs year round
 - List price \$5,300,000
-

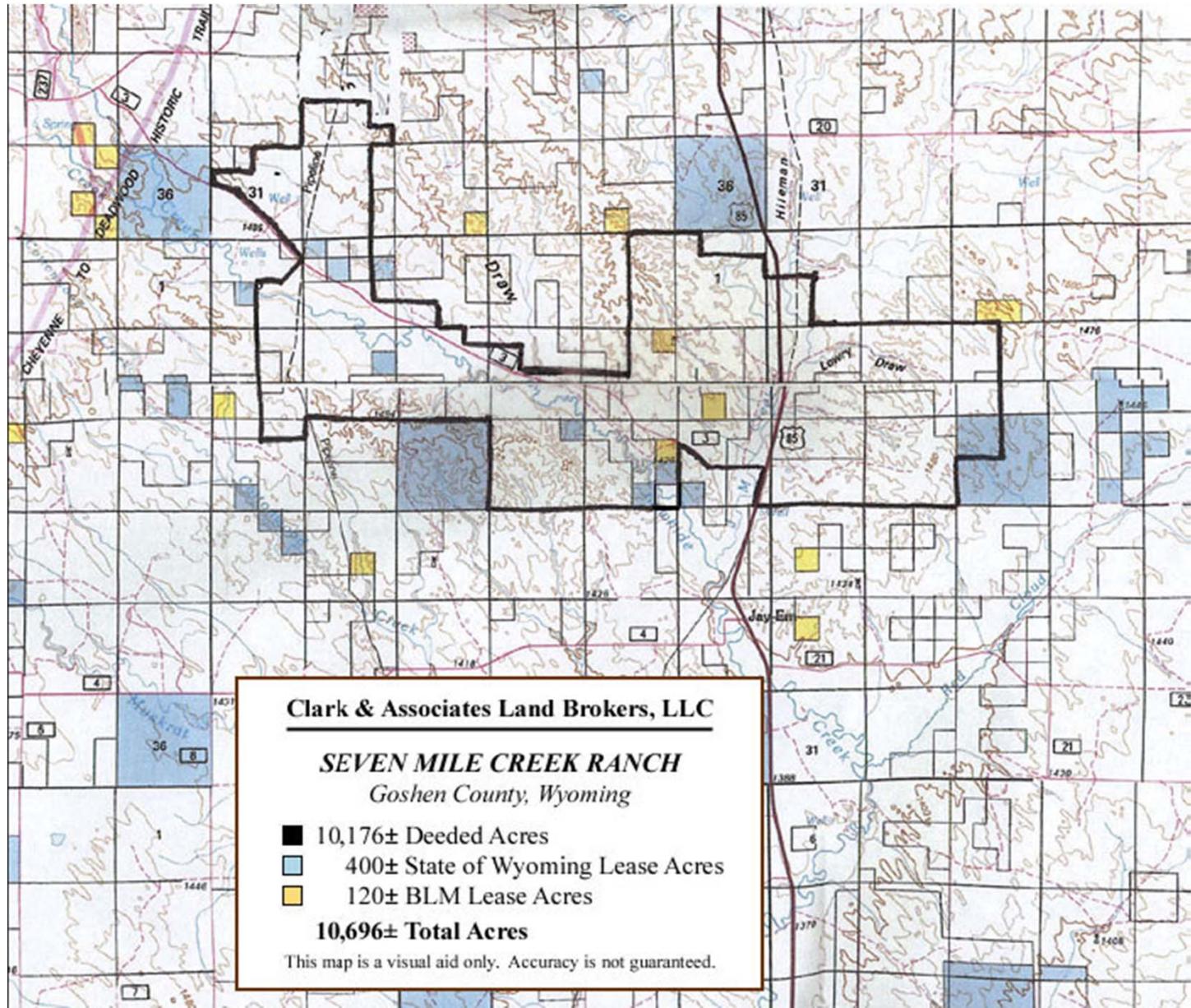


Seven Mile Creek Ranch

On Aug. 16, 1854
U.S. John Graham
went to a Sioux village to
secure a better location for
killing a cow. A shot was
fired, panic ensued and
Graham and his entire
party were killed. The
incident brought off a
series of retaliations
both sides, leading to
the "Savage Indian"
War that originated west
of the Rockies. The
tribes were removed
to reservations in the late
1860s.

WYO 77 closed
during winter

WYO 130 over
Snowy Range
Pass closed
during winter



Clark & Associates Land Brokers, LLC

SEVEN MILE CREEK RANCH

Goshen County, Wyoming

- 10,176± Deeded Acres
- 400± State of Wyoming Lease Acres
- 120± BLM Lease Acres

10,696± Total Acres

This map is a visual aid only. Accuracy is not guaranteed.

















Purchasing Ranch Leasing Out

- Assume investor has the required list price
 - Purchases entire ranch
 - Leases out ranch to either cow calf or yearling producer
 - Assumes owner does not manage the livestock
-

Lease options					
year around	\$ 22.50	cow calf	400	12	\$ 108,000.00
may 15-october 1	\$ 17.00	yearling	900	4.5	\$ 68,850.00
4.5 months					
Net of taxes and leases	\$6,109.72 \$745.03 \$48.60				
Cow calf lease Net Profit	\$101,096.65				
Yearling Net Profit	\$61,946.65				

Leasing ROE

- Leasing out to yearlings 1.17%
 - Leasing out to cow/calf 1.91%
-

Running Cows

- Assume 400 head of cows will be used to stock the ranch
 - 2 options, either having the cattle or taking a loan out to purchase necessary stocking livestock
 - Loan for \$500,000 at 4% interest over 10 year period, assumed repaid in equal total payments
-

Cow Cash Costs

	quantity	dollars	total
labor	2	\$35,000.00	\$ 70,000.00
feed	400	\$ 125.00	\$ 50,000.00
vet	1	\$ 6,000.00	\$ 6,000.00
utilities	1	\$ 6,552.00	\$ 6,552.00
phone	1	\$ 1,622.70	\$ 1,622.70
repairs	1	\$ 8,270.80	\$ 8,270.80
gas	1	\$ 8,492.10	\$ 8,492.10
parts & tires	1	\$ 2,000.10	\$ 2,000.10
vehicle repair	1	\$ 2,491.92	\$ 2,491.92
licenses	1	\$ 1,687.00	\$ 1,687.00
brand inspection	1	\$ 665.20	\$ 665.20
insurance	1	\$ 8,776.40	\$ 8,776.40
taxes	1	\$ 6,109.72	\$ 6,109.72
lease fees	1	\$ 793.63	\$ 793.63
sale barn expenses	376	\$ 25.00	\$ 9,400.00
Total Expenses			\$182,861.57

Cow Cash Income

Sell/ replacement rate	Income	quantity	pounds	price	dollars
0.93	calves	312	550	\$1.03	\$176,748.00
0.12	cull cows	48	1200	\$0.45	\$ 25,920.00
0.2	cull bulls	4	1800	\$0.65	\$ 4,680.00
	Replace heifers	12	850	\$0.85	\$ 8,670.00
Total Revenue					\$207,348.00

Cow Cash Costs - with Loan

	quantity	dollars	total
labor	2	\$ 35,000.00	\$ 70,000.00
feed	400	\$ 125.00	\$ 50,000.00
vet	1	\$ 6,000.00	\$ 6,000.00
utilities	1	\$ 6,552.00	\$ 6,552.00
phone	1	\$ 1,622.70	\$ 1,622.70
repairs	1	\$ 8,270.80	\$ 8,270.80
gas	1	\$ 8,492.10	\$ 8,492.10
parts & tires	1	\$ 2,000.10	\$ 2,000.10
vehicle repair	1	\$ 2,491.92	\$ 2,491.92
licenses	1	\$ 1,687.00	\$ 1,687.00
brand inspection	1	\$ 665.20	\$ 665.20
insurance	1	\$ 8,776.40	\$ 8,776.40
taxes	1	\$ 6,109.72	\$ 6,109.72
lease fees	1	\$ 793.63	\$ 793.63
loan payments	1	\$ 61,646.00	\$ 61,646.00
sale barn expenses	376	\$ 25.00	\$ 9,400.00
Total Expenses			\$244,507.57

Cow Cash Income

Sell/ replacement rate	Income	quantity	pound s	price	dollars
0.93	calves	312	550	\$1.03	\$176,748.00
0.12	cull cows	48	1200	\$0.45	\$ 25,920.00
0.2	cull bulls	4	1800	\$0.65	\$ 4,680.00
	Replace heifers	12	850	\$0.85	\$ 8,670.00
Total Revenue					\$207,348.00

Bank Loan Amortization

Year	Payment	Interest	Principal	Balance
				\$500,000.00
1	\$61,646.00	\$ 20,000.00	\$ 41,646.00	\$458,354.00
2	\$61,646.00	\$ 18,334.16	\$ 43,311.84	\$415,042.16
3	\$61,646.00	\$ 16,601.69	\$ 45,044.31	\$369,997.85
4	\$61,646.00	\$ 14,799.91	\$ 46,846.09	\$323,151.76
5	\$61,646.00	\$ 12,926.07	\$ 48,719.93	\$274,431.83
6	\$61,646.00	\$ 10,977.27	\$ 50,668.73	\$223,763.10
7	\$61,646.00	\$ 8,950.52	\$ 52,695.48	\$171,067.63
8	\$61,646.00	\$ 6,842.71	\$ 54,803.29	\$116,264.33
9	\$61,646.00	\$ 4,650.57	\$ 56,995.43	\$ 59,268.91
10	\$61,646.00	\$ 2,370.76	\$ 59,275.24	\$ (6.34)

Running Cows

- Net profit from cow operation with no loan
\$24,486.43
 - ROE 0.46%

 - Net profit from cow operation with loan
-\$37,159.57
 - ROE -0.70%
-

Federal Deposit Insurance Corporation CD's

- Investor could simply spread the 5.3 million out into several certificates of deposit
 - 1, 5 and 10 year CD's will be considered
-

Certificate of Deposit Rates

Time	Rate	Invested Amount	Total Money at end of year	Interest earned	ROE
1	2.5	5,300,000	5,432,500.00	\$ 132,500.00	2.50%
5	3.5	5,300,000	6,294,737.00	\$ 994,737.00	18.77%
10	4.25	5,300,000	8,035,937.00	\$2,735,937.00	51.62%

Return on Equity of Investment Options

ROE for leasing to cow calf	1.91%
ROE for leasing to yearling	1.17%
ROE for cow calf without loan	0.46%
ROE cow calf with loan	-0.70%
ROE 1 year CD	2.50%
ROE 5 Year CD	18.77%
ROE 10 Year CD	51.62%

Conclusions

- Based on the ROE calculations the investor would be better off to invest in FDIC insured certificates of deposit
 - If purchasing the ranch leasing out to cow calf operation shows the highest ROE
 - All options with the exception of taking out a loan show positive ROE
-

Weaknesses

- Price of ranch
 - Livestock purchase and selling prices
 - Yearling stocking rates
 - Leasing out value doesn't take into account wear and tear on equipment
 - Only money from the cow operation was considered, no additional enterprises were looked at
-

Works Cited

- Biles, William. Personal interview. 17 February 2009.
 - Barry, Peter J., Paul Elinger, John Hoplin, C.B. Baker. Financial Management in Agriculture. Danville, Illinois, Interstate Publishers 2000.
 - Clark, Corry. Personal interview. 18 February 2009.
 - Clark and Associates Land Brokers. 16 February 2009.
<<http://www.clarklandbrokers.com/>>.
 - “Compound Interest Calculator.” Moneychimp. 18 February 2009.
<http://www.moneychimp.com/calculator/compound_interest_calculator.htm>.
 - Douglas, John. Personal interview. 21 February 2009.
 - Farthing, Carol. Personal interview. 20 February 2009.
 - McKee, Al. Personal interview. 21 February 2009.
 - Palm, Steve. Personal interview. 20 February 2009.
 - Pearson Real Estate Company. 16 February 2009.
<<http://www.pearsonrealestate.com/index.htm>>.
 - Summer, Cheryl. Personal interview. 17 February 2009.
 - Torrington Livestock Markets. 16 February 2009.
<<http://www.torringtonlive.com/>>.
 - Williams, J.D. Personal interview. 19 February 2009.
 - ~~Wisseman, Dave. Personal interview. 21 February 2009.~~
-

Questions?

