Applications of Repurposing and Salvage Value on Cattle Operations

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Use of repurposing and good management of salvage value can enhance cattle operation profitability. Repurposing involves finding new uses for assets beyond their original intended uses. The idea of salvage value is that value can be extracted out of assets in the cattle operation after the end of their useful life or when opportunities arise to move them out of the operation.

Repurposing on Ranches

In a sense, cattle are routinely repurposed on cattle operations. Prospective and current breeding animals are eventually shifted into market animal classifications. For instance, a nursing heifer calf may at one time be considered a future replacement heifer but may later be deemed a feeder heifer if she does not show adequate potential to continue on into a breeding replacement role. Even current brood cows cycle out of breeding herds into market cows channels for eventual harvest.

Besides cattle, objects on cattle operations may be best used in repurposed capacities. One example of repurposing cattle operation assets for continued use on the ranch is taking an old tractor tire and adapting it to construct a livestock watering tank. Another idea to extend the useful life of ranch supplies is using worn out hay baler belts woven and secured together to produce non-slip mats for use in cattle handling facilities. Inventive producers have also successfully adapted old dairy parlors into commodity feed or hay storage sheds. Old plastic barrels have new use converted into hanging cattle mineral feeders. A classic repurposing example is using plastic 5-gallon buckets from various sources to hand tote cattle feed.

Across diverse agricultural operations, one enterprise’s waste can be another enterprise’s input. Swine effluent and poultry litter make excellent pasture and hayfield fertilizer. Cattle manure may be useful in horticultural operations. Crop residues can serve as grazing for livestock. Even human food product wastes have value as livestock feeds. Cattle feed tubs have numerous uses after they are emptied; they are frequently found being used as planters long after the cattle feed is gone.

Materials from industries outside of agriculture can make their way onto cattle operations in useful forms. Recycled advertising billboard vinyls can be repurposed as hay storage tarps. Empty liquid detergent bottles can be cut to make handy feed scoops with handles. Old freezers easily convert to feed storage containers that help keep rodents out of the feed.
Salvage Value
From an income tax filing preparation standpoint, salvage value is used in calculations of asset depreciation expense. Salvage value is essentially an estimate of the value that an asset will realize once sold at the conclusion of its useful life. The result of purchase price minus salvage value divided by useful life equals the straight-line depreciation amount for one year. Other depreciation methods involving salvage value are used as well. An accountant or economist can walk producers through this concept, so ask questions to better understand how this works.

From a practical operational perspective, salvage value and useful life are important to cattle producers because they determine how much of an investment in an asset is recaptured once it is sold after a certain period of use on the ranch. By extending the useful life of an asset, the producer may get a greater return on the initial investment in an asset.

Improving the longevity of brood cows is something that many operations strive to accomplish in order to realize as much productivity from these cattle as is realistic. However, this can be taken too far. Keeping older cattle in breeding herds longer can slow the introduction of improved genetics in the herd. Also, if an animal such as a brood cow is kept on the operation until it dies, its salvage value is forgone. Once an animal becomes nonproductive or has a relatively high risk of dying soon, then timely marketing make capture some salvage value. Marketing while an animal still has a good productive outlook may reap an even greater salvage value. Beef Quality Assurance best management practices and good animal husbandry follow through dictate that market cows not be in compromised health or condition before entering the human food supply.

The list of non-cattle items on ranches that can be sold or redirected to new uses is extensive. Old metal objects can have notable value as scrap metal. There is a decent market for weathered barn wood. It is sought after for its vintage appeal. A quick internet search for "barbed wire art" shows that even rusty old barbed wire can have new purpose beyond keeping cattle contained. Internet marketing opportunities make marketing these items easier than ever before.

Take a New Look at Old Things
Repurposing and improving return on investment in cattle operation assets challenges cattle producers to be creative in their thinking about how and what to use to accomplish certain operational purposes. “Junk” may still have value that can be captured through sale or further use in a new way. Livestock industry publications, the internet, and local producer gatherings are good sources for sharing these ideas amongst producers. For more information about beef cattle production, contact an office of the Mississippi State University Extension Service or visit msucares.com/livestock/beef.