

AgriProfit\$

Benchmarks for Alberta Cattlemen

Economics & Competitiveness

Economic, Productive & Financial Performance Of Alberta Cow/Calf Operations

Comparing:

Alberta Total, Top Profitability
& Low Production Cost
Management Groupings

Production Year - 2003

July / 05

Alberta
AGRICULTURE, FOOD AND
RURAL DEVELOPMENT



Forward

This *AgriProfit\$ Cost & Returns Report* presents the productive, economic & financial performance of cow/calf producers across Alberta for the 2003 production year.

Field research was undertaken through Alberta Agriculture's *AgriProfit\$ Business Analysis & Research* program with the cooperation of producers across the Province.

The intent of this report is to benchmark three specific management groupings:

- an "Alberta Total" average including all program participants across the 6 grass type regions.
- an average of the "low cost" herds across the Province. This "**Low Cost**" average includes the lower 1/3rd of producers in the pool as ranked by total costs / lb. of calf weaned*.
- an average of the "top profit" herds across Alberta. This "**Top R2E**" average includes the upper 1/3rd of producers in the pool as ranked by profitability.*

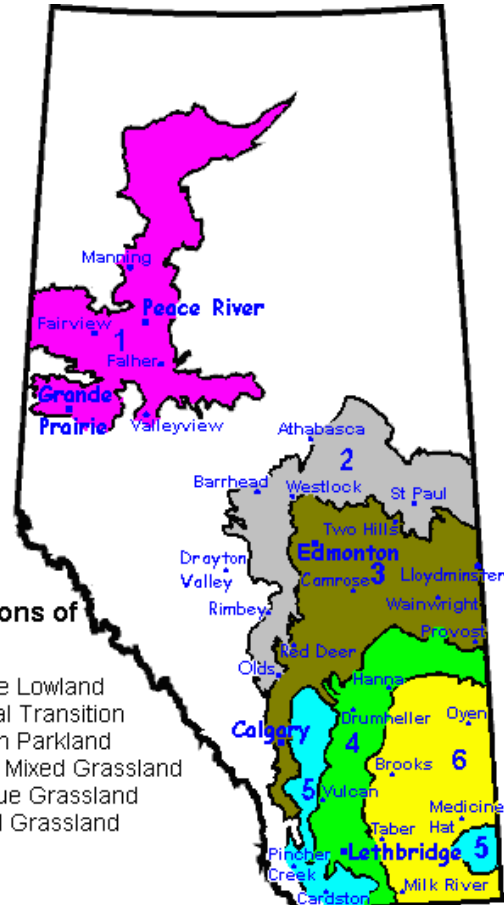
The primary value of this report is to enable producers to gauge their productive, economic and financial performance relative to their peers locally and provincially. Benchmark analysis, comparing to one's own detailed cost and returns analysis, is the first critical step in identifying operational strengths and weaknesses in a cow/calf operation.

The map above illustrates the location of each grass type region within Alberta. This package only reports the results of aggregated provincial groupings. If you are interested in obtaining information on specific regions, please contact the Economics Unit at:

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Ecoregions of Alberta

1. Peace Lowland
2. Boreal Transition
3. Aspen Parkland
4. Moist Mixed Grassland
5. Fescue Grassland
6. Mixed Grassland



* For this analysis, return to equity (R2E) per lb. weaned & total production cost (TPC) per lb. weaned were the primary criteria for identifying the top management herd groupings. It should be noted, however, that there are several other factors that may contribute to the success of a cow/calf operation.

****Note:** Regional & top management groups had sufficient full farm observations to develop the farm financial benchmarks ... only these are used to develop the farm level financial performance indicators. Enterprise productive & economic information is developed based upon the whole Alberta sample.

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Historical Review of Alberta Cow/Calf Operations Economic, Financial & Productive Performance: 1998 - 2003

Benchmark Comparables: Alberta Total, by Year
Enterprise Type: Weaned-Calf

Enterprise Economic Performance: Major Unit Cost Groups *(summing to Total Cost)*

	----- \$ / Lb. Weaned -----					
	1998	1999	2000	2001	2002	2003
Winter Feed & Bedding Costs	0.481	0.403	0.395	0.521	0.654	0.712
Pasture Costs	0.213	0.227	0.303	0.298	0.355	0.315
Labour Costs	0.185	0.156	0.145	0.119	0.126	0.121
Other Variable Costs	0.202	0.192	0.185	0.200	0.223	0.186
Fixed Costs	0.150	0.137	0.104	0.108	0.116	0.116
Total Production Costs	1.230	1.114	1.131	1.245	1.475	1.451

Farm Financial Performance Indicators:

<u>ROAD to Profitability</u>	1998	1999	2000	2001	2002	2003
Risk (Debt to Asset Ratio)	0.19	0.15	0.12	0.21	0.18	0.16
Operating Expense Ratio	0.63	0.52	0.42	0.56	0.73	1.32
Asset Return	0.02	0.03	0.05	0.05	0.01	(0.06)
Debt Payout to Profitability	6.54	3.93	2.15	4.02	11.76	(3.13)
	43,621	58,731	92,546	97,941	40,955	(100,371)
<u>The "3-C's"</u>						
Current Ratio	2.18	2.98	2.77	1.99	1.86	2.22
Calif. Working Cap. Ratio	0.57	0.86	0.98	0.76	0.56	0.69
Capital Turnover Ratio	0.16	0.14	0.14	0.19	0.14	0.07
Farm Size (Acres)	2,539	2,312	2,495	3,578	5,422	4,585

Debt to Assets = Total Liabilities / Total Assets

Operating Expense Ratio = Operating Expenses / Value of Production

Return on Assets = Return on Assets / Total Farm Assets

Debt Payout = Total Liabilities / Net Farm Income

Profitability = Net Farm Income

Current Ratio = Current Assets / Current Liabilities

Calif. Working Cap. Ratio = Working Capital / Total Expenses

Capital Turnover = Value of Production / Total Farm Assets

Farm Size = Total Acres in crops, forages & grazing

(includes all acres owned, rented & leased)

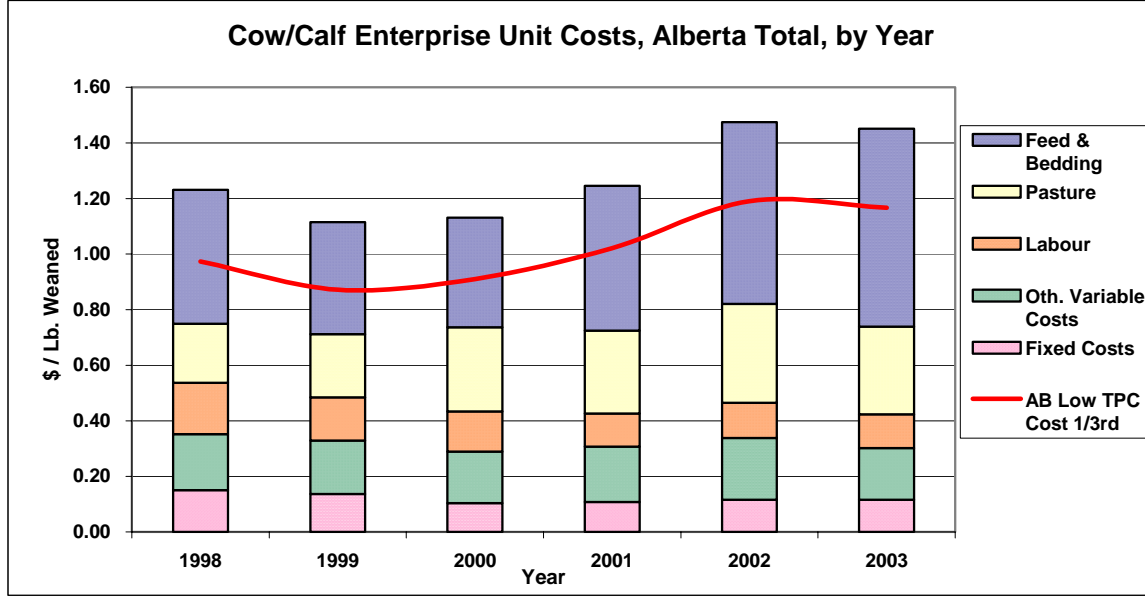
Productive Performance Indicators:

	1998	1999	2000	2001	2002	2003
Calf Crop (%)	83.7	87.3	88.8	86.0	85.5	85.0
Lbs. Weaned/Cow Wintered	507.1	525.2	537.9	531.8	505.5	527.1
Wean Wt as a % of Cow Wt.	43.0	44.0	43.8	45.2	43.4	43.7
Feeding Season Days	166.7	176.9	171.6	186.2	181.5	213.2
Tonnes Fed per Cow (as fed)	4.2	3.8	3.8	5.5	4.7	4.7
Growth (weaning weight)	540.9	559.2	565.7	562.7	542.2	554.8
Open Cows (%)	12.3	8.0	7.9	8.7	8.6	9.0
Length of Calving Period	100.8	98.6	96.6	108.6	107.8	110.6
Death Loss of Calves (%)	2.0	2.9	2.5	2.9	3.3	4.3

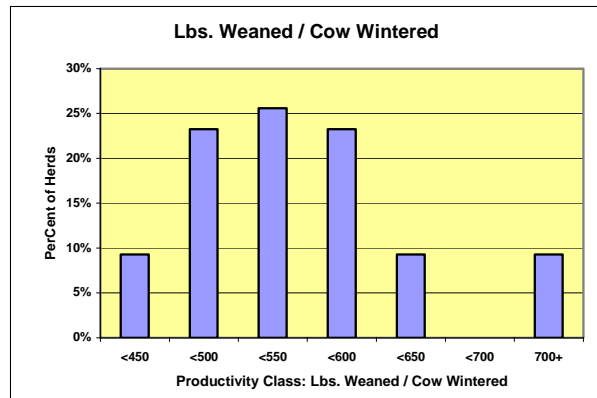
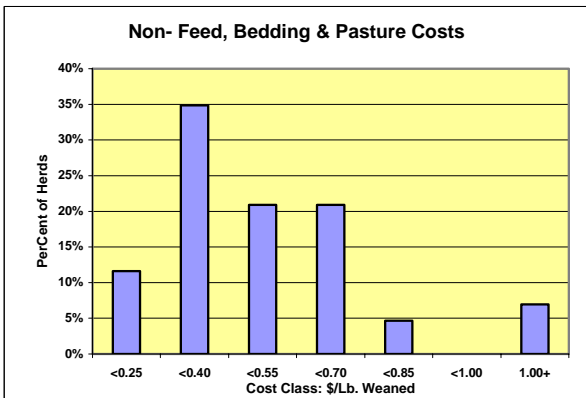
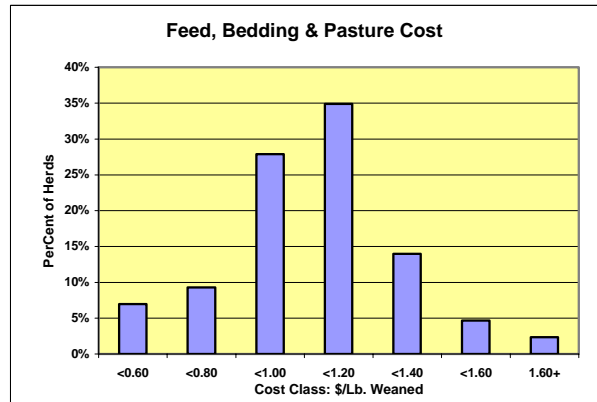
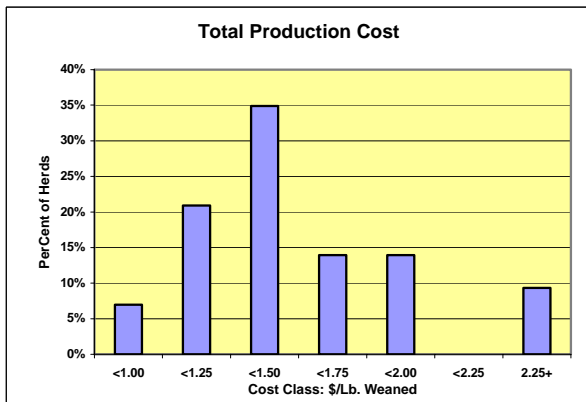
Historical Review of Alberta Cow/Calf Operations (cont'd)

Benchmark Comparables: Alberta Total, by Year

Enterprise Type: Weaned-Calf



Frequency Distributions: Selected Economic & Production Indicators, Alberta Total, 2003



2003 Cow/Calf Enterprise Overview

Economic & Physical Performance Comparisons

Benchmark Comparables: Alberta Total; Top Profit; Low Cost Groups

Enterprise Type: Weaned-Calf

Economic Performance Indicators:

	\$ / Lb. Weaned		
	Alberta Total	Top R2E	Low Cost
Production Stock Sales	1.062	1.099	1.053
Value of Production	0.509	0.948	0.619
Winter Feed Costs	0.666	0.588	0.570
Bedding Costs	0.046	0.030	0.032
Pasture Costs	0.315	0.318	0.244
Labour Costs	0.121	0.104	0.092
Other Variable Costs	0.186	0.172	0.141
Depreciation & Capital Lease Payments	0.074	0.059	0.046
Other Fixed Costs	0.043	0.049	0.041
Total Cash Costs	1.292	1.180	1.045
Total Production Costs	1.451	1.319	1.166
Contribution Margin	(0.826)	(0.264)	(0.460)
Gross Margin	(0.783)	(0.232)	(0.426)
Return to Investment	(0.913)	(0.336)	(0.519)
Return to Equity & Management	(0.942)	(0.372)	(0.547)
Total Investment (\$ / cow wintered)	1,587	1,703	1,390

Physical Performance Indicators:

	Alberta Total	Top R2E	Low Cost		Alberta Total	Top R2E	Low Cost
Conception Rate (%)	90.7	92.2	93.0	Cows Wintered	194.9	238.2	229.3
Calving Rate (%)	99.1	100.0	99.9	Cows per Bull	26.9	28.1	29.7
Weaning Rate (%)	95.8	95.4	94.8	Labour Hours per Cow	6.0	5.1	4.9
Calf Crop (%)	85.0	84.9	86.3	AUM's/Cow Wintered	7.8	8.0	6.4
% Calved - 1st 2 Cycles	83.6	87.9	84.8	Feeding Season Days	213.2	215.7	222.3
Lbs. Weaned/Cow Exposed	471.4	468.7	494.2	Tonnes Fed per Cow			
Lbs. Weaned/Cow Wintered	527.1	525.0	545.9	- as-fed	4.7	3.9	4.0
Wean Wt as a % of Cow Wt.	43.7	43.1	45.5	- dry matter			
Weight per Day of Age (lbs.)	2.72	2.75	2.72				

	Alberta Total	Top R2E	Low Cost
G rowth (weaning weight)	554.8	552.2	572.4
O pen Cows (%)	9.0	10.1	8.7
L ength of Calving Period	110.6	94.4	118.5
D eath Loss of Calves (%)	4.3	4.7	5.0

2003 Cow/Calf Enterprise Overview

Economic & Financial Performance Comparisons

Benchmark Comparables: Alberta Total; Top Profit; Low Cost Groups

Enterprise Type: Weaned-Calf

Economic Performance Indicators:

	<i>\$ / Cow Wintered</i>		
	Alberta Total	Top R2E	Low Cost
Production Stock Sales	559.82	576.71	575.11
Value of Production	268.04	497.59	337.99
Winter Feed Costs	350.96	308.92	311.35
Bedding Costs	24.50	15.50	17.30
Pasture Costs	166.25	166.90	133.26
Labour Costs	63.76	54.58	50.18
Other Variable Costs	97.91	90.20	77.25
Depreciation & Capital Lease Payments	38.80	30.75	24.92
Other Fixed Costs	22.48	25.82	22.51
Total Cash Costs	681.00	619.41	570.47
Total Production Costs	764.66	692.67	636.76
Contribution Margin	(435.34)	(138.51)	(251.34)
Gross Margin	(412.96)	(121.83)	(232.48)
Return to Investment	(481.05)	(176.53)	(283.14)
Return to Equity & Management	(496.62)	(195.08)	(298.77)

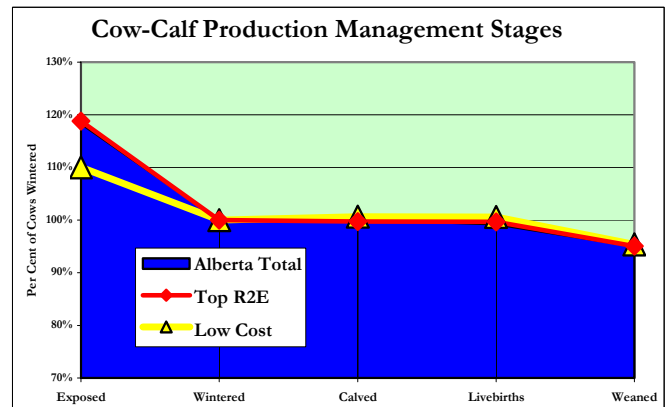
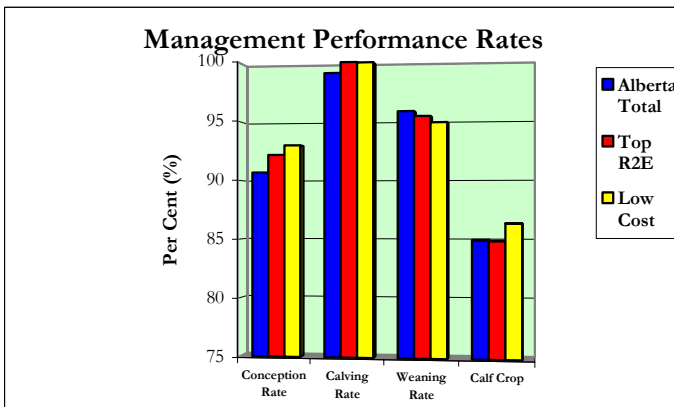
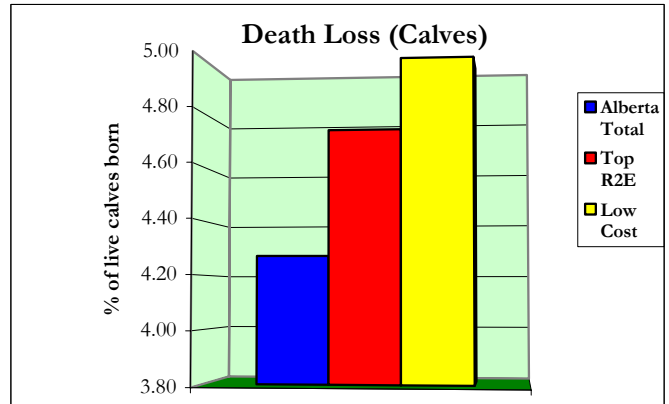
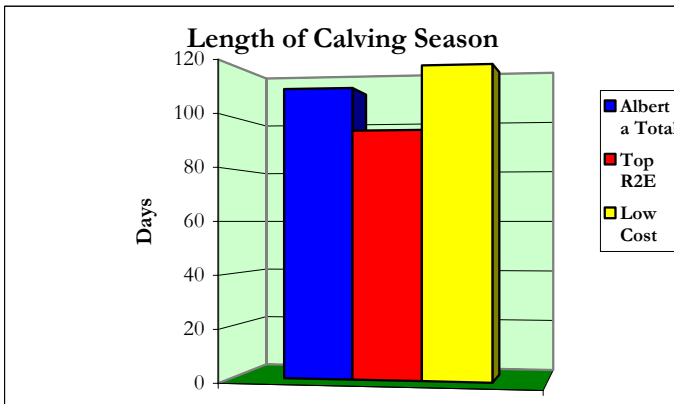
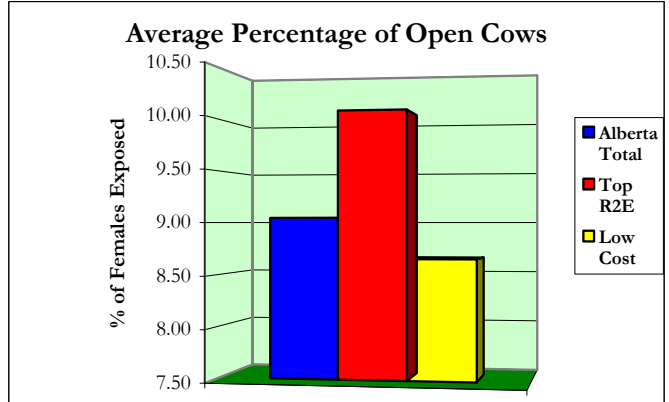
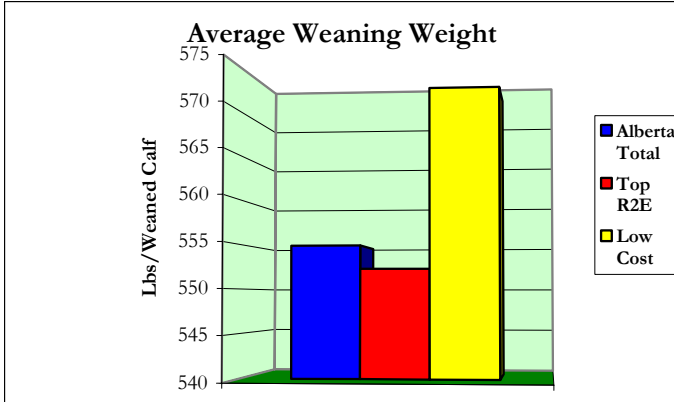
Financial Performance Indicators:

<i>ROAD to Profitability</i>	Alberta Total	Top R2E	Low Cost	
Risk (Debt to Asset Ratio)	0.16	0.18	0.18	= Total Liabilities / Total Assets
Operating Expense Ratio	1.32	0.81	1.69	= Operating Expenses / Value of Production
Asset Return	(0.06)	(0.02)	(0.08)	= Return on Assets / Total Farm Assets
Debt Payout	(3.13)	(16.50)	(2.42)	= Total Liabilities / Net Farm Income
to Profitability	(100,371.44)	(19,619.91)	(129,295.11)	= Net Farm Income
The "3-C's"				
Current Ratio	2.22	4.82	3.38	= Current Assets / Current Liabilities
Calif. Working Cap. Ratio	0.69	1.68	1.38	= Working Capital / Total Expenses
Capital Turnover Ratio	0.07	0.09	0.06	= Value of Production / Total Farm Assets
Farm Size (Acres)	4,585	2,862	3,310	= Total Acres in crops, forages & grazing (includes all acres owned, rented & leased)

2003 Cow/Calf Enterprise Overview

Physical Performance Comparisons

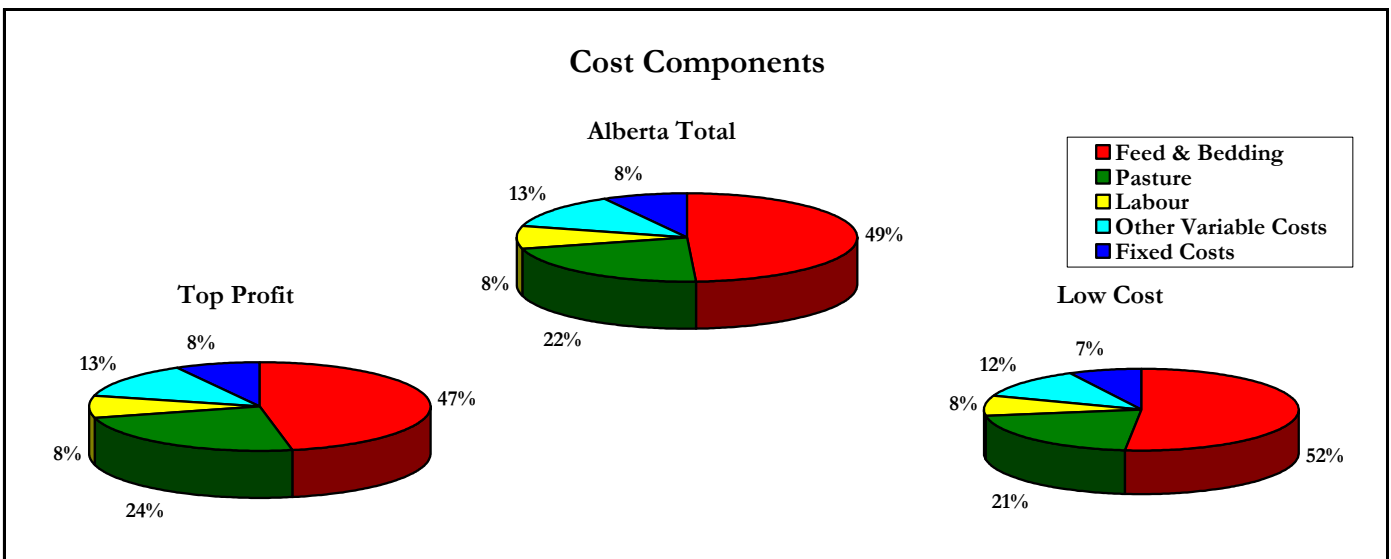
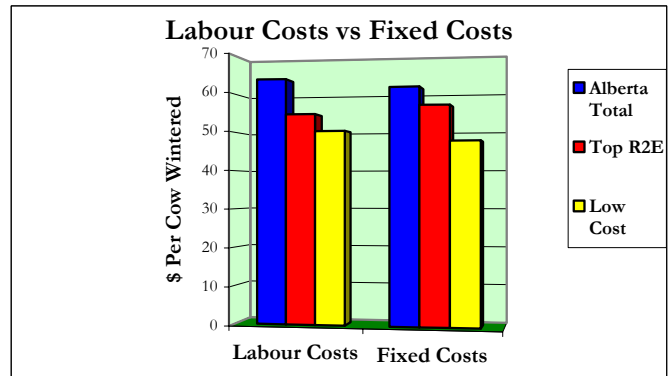
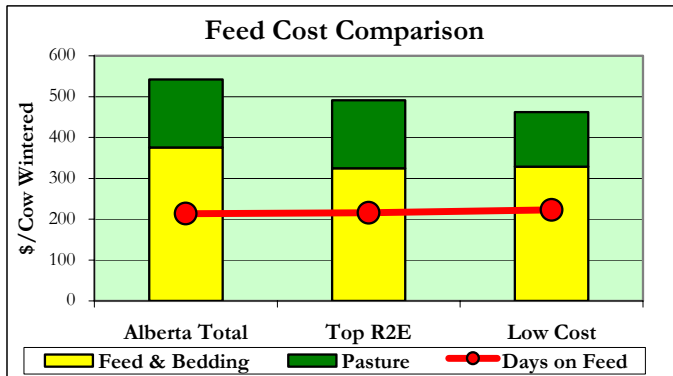
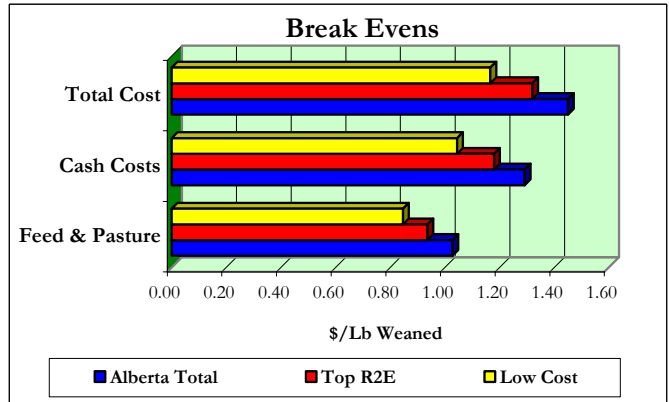
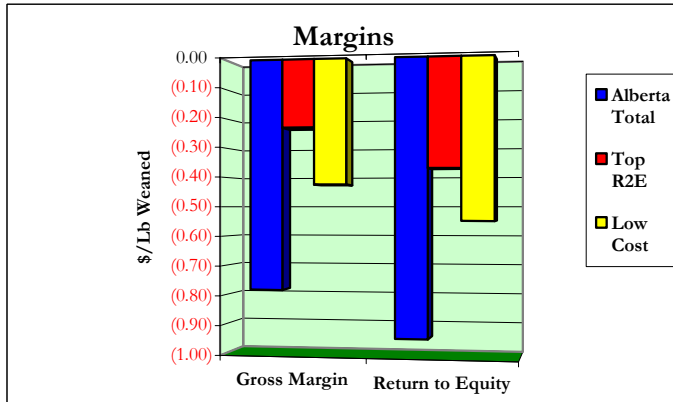
Benchmark Comparables: Alberta Total; Top Profit; Low Cost Groups



2003 Cow/Calf Enterprise Overview

Economic Performance Comparisons

Benchmark Comparables: Alberta Total; Top Profit; Low Cost Groups



07/14/05

AgriProfit®**Cow/Calf Enterprise Unit Cost & Returns Detail - 2003****Economic Performance Comparisons**

	Alberta	Top	Low
	Total	R2E	Cost
	----- \$/Lb Weaned -----		
(A)			
1. Weaned Calves	1.06	1.10	1.05
2. Feeder Calves	0.00	0.00	0.00
3. Slaughter Cattle	0.00	0.00	0.00
4. Purebred Calves	0.00	0.00	0.00
5. Baby Calves	0.00	0.00	0.00
6. Cull Cows/Open Heifers	0.08	0.07	0.07
7. Bulls	0.01	0.02	0.01
8. Bred Cows/Bred Heifers	0.01	0.00	0.00
9. Miscellaneous Receipts	0.00	0.00	0.00
10. Government Programs	0.00	0.00	0.00
11. Inventory Adjustment	(0.30)	0.11	(0.25)
12. Less: Cattle Purchases	0.36	0.35	0.26
Value of Production	0.51	0.95	0.62
(B)			
1. Winter Feed	0.67	0.59	0.57
2. Bedding	0.05	0.03	0.03
3. Pasture	0.32	0.32	0.24
4. Veterinary & Medicine	0.04	0.03	0.03
5. Breeding Fees/Bull Rental	0.00	0.00	0.00
6. Trucking & Marketing Charges	0.02	0.02	0.01
7. Fuel	0.02	0.02	0.02
8. Repairs - Machine	0.02	0.02	0.02
9. Repairs - Corrals & Buildings	0.01	0.01	0.01
10. Utilities & Miscellaneous Expenses	0.04	0.03	0.03
11. Custom Work & Specialized Labour	0.01	0.01	0.01
12. Operating Interest Paid	0.02	0.02	0.02
13. Paid Labour & Benefits	0.03	0.02	0.02
14. Unpaid Labour	0.09	0.08	0.08
Variable Costs	1.33	1.21	1.08
(C)			
1. Share/Lease Cattle Payments	0.00	0.00	0.00
2. Taxes, Water Rates, Lic. & Insurance	0.01	0.01	0.01
3. Equipment & Building	0.07	0.06	0.05
a) Depreciation			
b) Lease Payments	0.01	0.00	0.00
4. Paid Capital Interest	0.03	0.04	0.03
Total Capital Costs	0.12	0.11	0.09
(D) Cash Costs	(B+C-B14-C3)	1.29	1.18
(E) Total Production Costs	(B+C)	1.45	1.32
(F) Gross Margin	(A-D)	(0.78)	(0.23)
Return to Unpaid Labour	(A-D+B14)	(0.85)	(0.29)
Return to Investment	(A-E+C4)	(0.91)	(0.34)
Return to Equity	(A-E)	(0.94)	(0.37)
Total Investment		3.01	3.24
		2.55	

07/14/05

*AgriProfit\$***Cow/Calf Enterprise Unit Cost & Returns Detail - 2003****Economic Performance Comparisons**

	Alberta	Top	Low
	<u>Total</u>	<u>R2E</u>	<u>Cost</u>
	----- \$/Cow Wintered -----		
(A)			
1. Weaned Calves	559.52	576.36	574.64
2. Feeder Calves	0.00	0.00	0.00
3. Slaughter Cattle	0.00	0.00	0.00
4. Purebred Calves	0.00	0.00	0.00
5. Baby Calves	0.31	0.35	0.47
6. Cull Cows/Open Heifers	43.18	37.36	38.85
7. Bulls	6.67	8.58	3.55
8. Bred Cows/Bred Heifers	2.64	0.00	0.00
9. Miscellaneous Receipts	1.18	1.46	0.11
10. Government Programs	0.00	0.00	0.00
11. Inventory Adjustment	(156.67)	57.39	(137.03)
12. Less: Cattle Purchases	188.78	183.92	142.60
Value of Production	268.04	497.59	337.99
(B)			
1. Winter Feed	350.96	308.92	311.35
2. Bedding	24.50	15.50	17.30
3. Pasture	166.25	166.90	133.26
4. Veterinary & Medicine	19.59	17.34	16.96
5. Breeding Fees/Bull Rental	0.26	0.33	0.11
6. Trucking & Marketing Charges	8.16	11.80	4.25
7. Fuel	12.73	10.73	10.86
8. Repairs - Machine	11.69	10.55	9.41
9. Repairs - Corrals & Buildings	6.82	6.77	5.49
10. Utilities & Miscellaneous Expenses	20.87	15.90	14.11
11. Custom Work & Specialized Labour	6.70	4.96	5.73
12. Operating Interest Paid	11.10	11.83	10.33
13. Paid Labour & Benefits	15.11	11.36	8.56
14. Unpaid Labour	48.65	43.22	41.62
Variable Costs	703.38	636.10	589.33
(C)			
1. Share/Lease Cattle Payments	0.55	1.32	0.00
2. Taxes, Water Rates, Lic. & Insurance	6.36	5.95	6.88
3. Equipment & Building	35.01	30.04	24.67
a) Depreciation			
b) Lease Payments	3.79	0.71	0.25
4. Paid Capital Interest	15.57	18.55	15.63
Total Capital Costs	61.28	56.57	47.43
(D) Cash Costs	(B+C-B14-C3)	681.00	619.41
(E) Total Production Costs	(B+C)	764.66	692.67
(F) Gross Margin	(A-D)	(412.96)	(121.83)
Return to Unpaid Labour	(A-D+B14)	(447.97)	(151.86)
Return to Investment	(A-E+C4)	(481.05)	(176.53)
Return to Equity	(A-E)	(496.62)	(195.08)
Total Investment		1,586.76	1,702.85
			1,389.98

Definitions & Explanations to Accompany the Cow/Calf Enterprise Overview

Production Stock Sales - revenues associated with the sale of weaned calves & other **non-breeding stock** related sales.

Value of Production (VOP) - the value of what was produced by the cow/calf enterprise over the course of the production year. Includes cash & non-cash values of:

- g** cull & breeding stock sales, revenues from miscellaneous sources (eg. program payments, patronage refunds, etc.) as allocated to the cow/calf enterprise,
- g** inventory adjustments relating changes in the number & value of stock included in the enterprise,
- g** an adjustment for livestock purchases (value is added only from the point of purchase forward)

Winter Feed Costs - the cost of all feeds used by the cow/calf enterprise, purchased or homegrown, based on the market value of these feeds (**not** the cost of raising the feeds).

Pasture Costs - the value of grazing used by the cow/calf enterprise (exclusive of any other retained ownership/backgrounding uses). Pasture is valued into the cow/calf enterprise at market value (**not** cost) & is treated as a "cash" cost.

Labour Costs - a sum of paid & contributed labour, as allocated to the cow/calf enterprise. Paid labour is valued at cost, while unpaid labour is valued at a standard or base cost.

Depreciation & Capital Lease Payments - sum of depreciation & mach./equip't/ bldg. lease payments on assets allocated to the cow/calf enterprise.

Other Fixed Costs - total cash overheads, as allocated to the cow/calf enterprise (share/lease cattle payments, property taxes, insurances, licences & term loan interest).

Total Cash Costs - sum of enterprise cash costs, considering home grown feeds, bedding & pasture as cash costs.

Total Production Costs - sum of all variable & fixed production costs.

Contribution Margin - VOP less Variable Costs

Gross Margin - VOP less Total Cash Costs

Return to Investment - VOP less Total Production Costs plus Term (Capital) Interest Paid

Return to Equity & Management - VOP less Total Production Costs

Investment - sum of assets allocated to the enterprise. includes: breeding stock, machinery, equipment, buildings/facilities & building site (only).

Breeding Performance Rates

(adjusted for sales & purchases of bred cattle)

Conception Rate (%) - # Bred / # Exposed

Calving Rate (%) - # Livebirths / # Bred Females

Weaning Rate (%) - # Weaned / # Livebirths

Calf Crop (%) - # Weaned / # Exposed

Calved in 1st 2 Cycles (%) - $\frac{\# \text{ Calved Cycle 1 \& 2}}{\text{Total Calved}}$

Lbs. Weaned/Cow Exposed - $\frac{\text{Total Lbs. Weaned}}{\# \text{ Females Exposed}}$

Lbs. Weaned/Cow Wintered - $\frac{\text{Total Lbs. Weaned}}{\# \text{ Bred Females Wintered}}$

Wean Wt. as % of Cow Wt. - $\frac{\text{Avg. Lbs. Weaned}}{\text{Avg. Mature Cow Wt.}}$
(adjusting bred heifer wts.)

Weight per Day of Age (lbs.) - $\frac{\text{Avg. Lbs. Weaned}}{\text{Wtd Avg Wean Age}}$

Cows Wintered - Open Inventory of Bred Cows & Heifers

Cows / Bull - # Cows & Heifers Exposed / # Bulls Used

Labour Hours / Cow - Total Labour Hrs. / Cows Wintered

AUM's / Cow Wintered - $\frac{\text{Total Enterprise AUM's}}{\text{Cows Wintered}}$

Feeding Season Days - Days Fed (in yard)

Tonnes Fed per Cow -

as-fed $\frac{\text{Tonnes Total Feed (As-Fed)}}{\# \text{ Cows Wintered}}$

dry matter $\frac{\text{Tonnes Total Feed (Dry Matter)}}{\# \text{ Cows Wintered}}$

GOLD Indicators

Growth (wean wt.) - $\frac{\text{Total Lbs. Weaned}}{\# \text{ Calves Weaned}}$

Open Cows (%) - $\frac{\# \text{ Open Cows \& Heifers}}{\# \text{ Exposed}}$

Length of Calving Period - Days from 1st to last calf

Death Loss of Calves (%) - $\frac{\# \text{ Calves Died}}{\# \text{ Livebirths}}$