

AgriProfit\$

Benchmarks for Alberta Cattlemen

Economics & Competitiveness

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

Comparing:

Alberta Total and
Low Production Cost
Management Groupings

Production Year - 2004
Preliminary Report

Aug. / 05

Alberta
AGRICULTURE, FOOD AND
RURAL DEVELOPMENT



Forward

This *AgriProfit\$ Cost & Returns Report* presents a preliminary summary of the productive, economic & financial performance of Alberta cow/calf producers for the 2004 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 two 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*.

This preliminary report focuses on the movement of unit production costs, financial position and productivity over time. It gives a sense of the direction each of these have taken in '04, but is subject to revision pending further additions to the sample. Further detail into the '04 production year will be included in the final report.

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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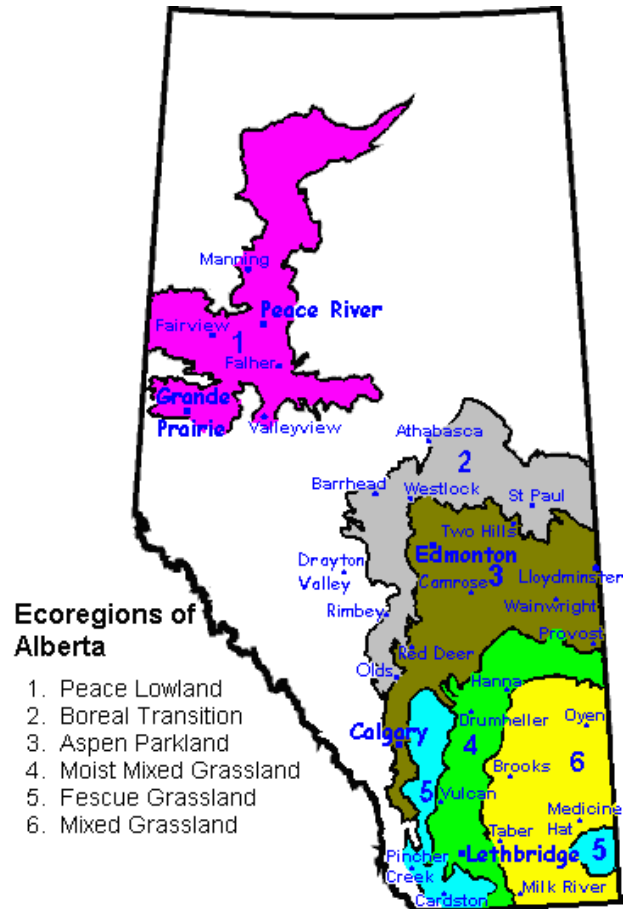
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* For this analysis, total production cost (TPC) per lb. weaned was the primary criteria for identifying the top management herd groupings. It should be noted, however, that there are several other factors that may contribute to the success of a cow/calf 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: 1999 - 2004

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

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

	----- \$ / Lb. Weaned -----					
	1999	2000	2001	2002	2003	2004
Winter Feed & Bedding Costs	0.403	0.395	0.521	0.654	0.712	0.357
Pasture Costs	0.227	0.303	0.298	0.355	0.315	0.319
Labour Costs	0.156	0.145	0.119	0.126	0.121	0.133
Other Variable Costs	0.192	0.185	0.200	0.223	0.186	0.185
Fixed Costs	0.137	0.104	0.108	0.116	0.116	0.088
Total Production Costs	1.114	1.131	1.245	1.475	1.451	1.082

Farm Financial Performance Indicators:

<u>ROAD to Profitability</u>	1999	2000	2001	2002	2003	2004
Risk (Debt to Asset Ratio)	0.15	0.12	0.21	0.18	0.16	0.13
Operating Expense Ratio	0.52	0.42	0.56	0.73	1.32	0.64
Asset Return	0.03	0.05	0.05	0.01	(0.06)	0.02
Debt Payout to Profitability	3.93	2.15	4.02	11.76	(3.13)	5.21
	58,731	92,546	97,941	40,955	(100,371)	
<u>The "3-C's"</u>						
Current Ratio	2.98	2.77	1.99	1.86	2.22	2.73
Calif. Working Cap. Ratio	0.86	0.98	0.76	0.56	0.69	0.80
Capital Turnover Ratio	0.14	0.14	0.19	0.14	0.07	0.13
Farm Size (Acres)	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

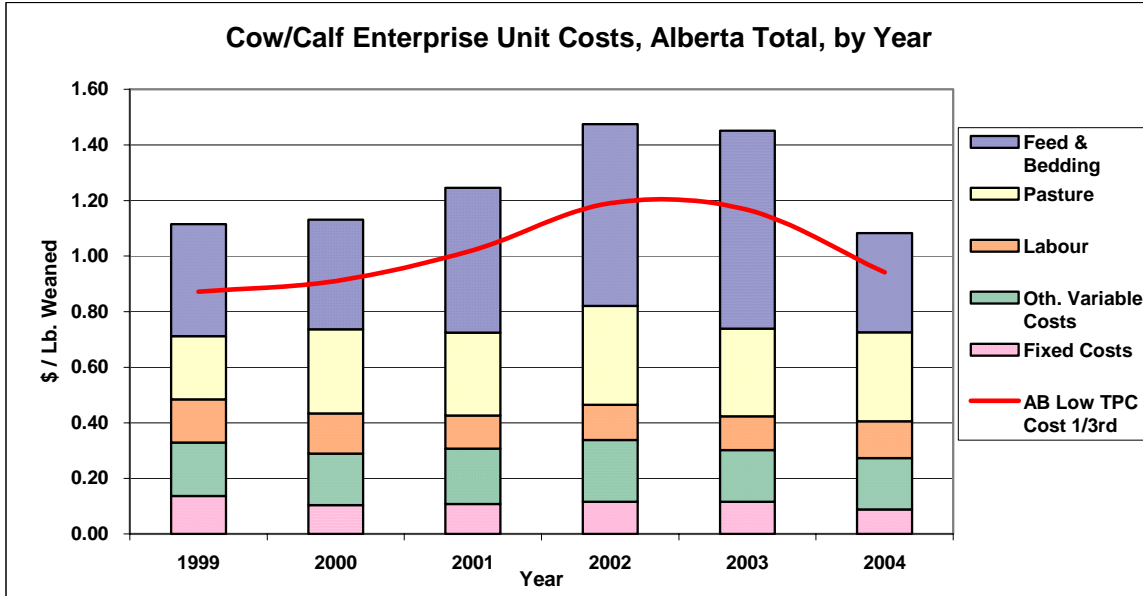
(includes all acres owned, rented & leased)

Productive Performance Indicators:

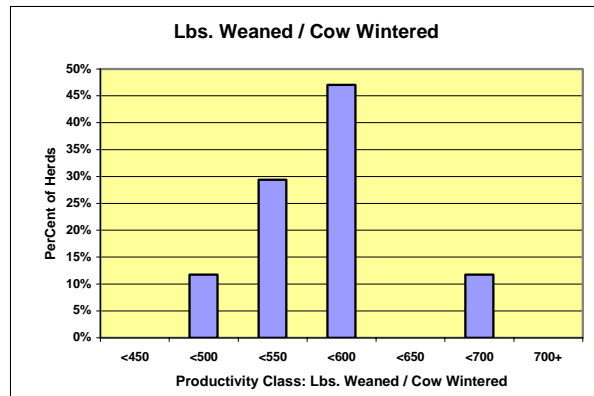
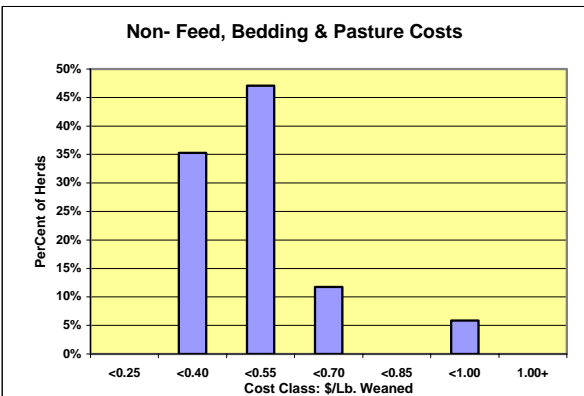
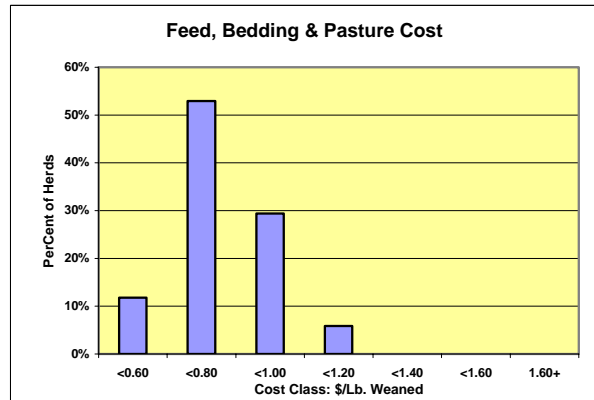
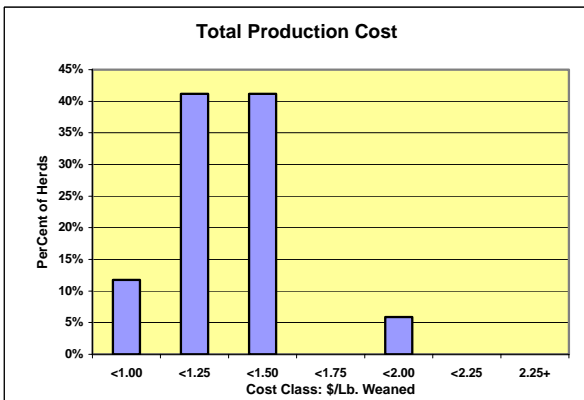
	1999	2000	2001	2002	2003	2004
Calf Crop (%)	87.3	88.8	86.0	85.5	85.0	88.3
Lbs. Weaned/Cow Wintered	525.2	537.9	531.8	505.5	527.1	573.8
Wean Wt as a % of Cow Wt.	44.0	43.8	45.2	43.4	43.7	45.1
Feeding Season Days	176.9	171.6	186.2	181.5	213.2	162.9
Tonnes Fed per Cow (as fed)	3.8	3.8	5.5	4.7	4.7	4.2
Growth (weaning weight)	559.2	565.7	562.7	542.2	554.8	589.3
Open Cows (%)	8.0	7.9	8.7	8.6	9.0	8.7
Length of Calving Period	98.6	96.6	108.6	107.8	110.6	124.7
Death Loss of Calves (%)	2.9	2.5	2.9	3.3	4.3	2.1

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, 2004



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