

AgriProfit\$

Benchmarks for Alberta Cattlemen

Economics & Competitiveness

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

Southern Alberta

Fescue Grassland, Mixed Grassland
& Moist Mixed Grassland
(Combined)

Production Year - 1998

Nov-03



Foreword

This *AgriProfit\$ Cost & Returns Report* presents the productive, economic & financial performance of Alberta cow/calf producers in the Southern Alberta for the 1998 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:

- a regional average including all participating producers in the Fescue Grassland, Mixed Grassland & Moist Mixed Grassland grass types.
- an average of the "top performers" within this region. These include the lower 50%* of producers in the region as ranked by unit costs.
- an average (or Provincial Total) of all producers in the research pool.

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.

Cost and returns profiles for common forage and grazing crops in the grass type / region are included in this benchmark report in order to put these profit centers into context with the cow herd profiles they support. A list of definitions for common terms employed in this benchmark report is also appended.

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

J.G. O'Donoghue Building
#302, 7000 - 113 Street
Edmonton, Alberta
T6H 5T6

Tel: (780) 422-3771
Fax: (780) 427-5220

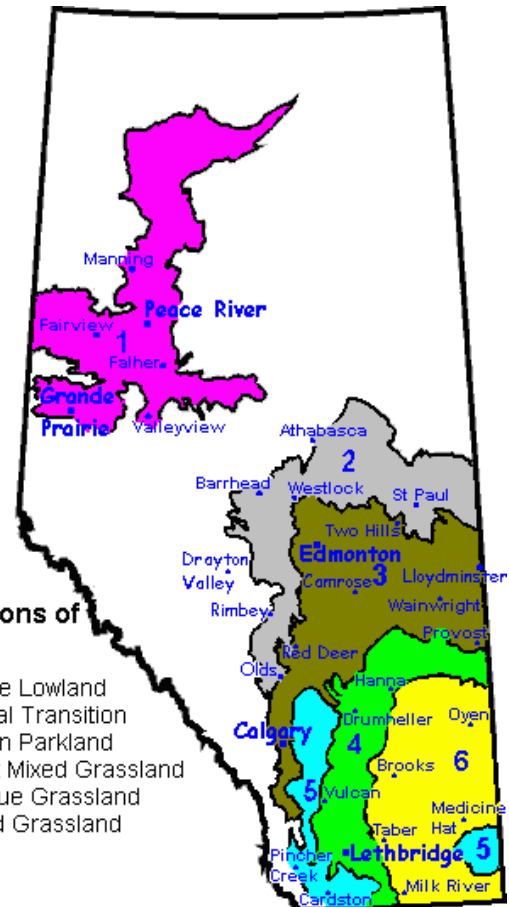
* For this analysis, total production cost per lb. weaned was the sole criteria for identifying the top management ("**Low Cost**") herds within the region. It should be noted, however, that there are several other factors that may contribute to the success of a cow/calf operation.

****Note:** The regional and top management groups provided sufficient 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 regional sample.

Dale A. Kaliel
Sr. Economist: Production Economics

Brian Perillat
Production Economist: Livestock & Forages

Alberta Agriculture, Food & Rural Development
November-03



1998 Cow/Calf Enterprise Overview

Economic & Physical Performance Comparisons

Benchmark Comparables: Southern Alberta Average & Low Cost Groups; Alberta Total

Enterprise Type: Weaned-Calf

Economic Performance Indicators:

	\$ / Lb. Weaned		
	Grass Type	Low Cost	Alberta Total
Production Stock Sales	1.148	1.072	0.994
Value of Production	1.107	1.014	1.101
Winter Feed Costs	0.339	0.223	0.451
Bedding Costs	0.017	0.008	0.030
Pasture Costs	0.284	0.208	0.213
Labour Costs	0.184	0.170	0.185
Other Variable Costs	0.261	0.219	0.202
Depreciation & Capital Lease Payments	0.112	0.107	0.081
Other Fixed Costs	0.065	0.087	0.069
Total Cash Costs	0.999	0.754	1.018
Total Production Costs	1.262	1.023	1.230
Contribution Margin	0.022	0.185	0.021
Gross Margin	0.108	0.260	0.083
Return to Investment	(0.127)	0.037	(0.106)
Return to Equity & Management	(0.155)	(0.009)	(0.129)
Total Investment (\$ / cow wintered)	1,968	2,292	1,715

Physical Performance Indicators:

	Grass Type	Low Cost	Alberta Total		Grass Type	Low Cost	Alberta Total
Conception Rate (%)	86.3	91.9	88.7	Cows Wintered	139.3	97.0	157.3
Calving Rate (%)	97.5	98.0	97.8	Cows per Bull	24.2	20.6	25.7
Weaning Rate (%)	100.4	107.7	97.9	Labour Hours per Cow	8.7	11.0	8.9
Calf Crop (%)	82.5	96.2	83.7	AUM's/Cow Wintered	8.4	8.1	6.9
% Calved - 1st 2 Cycles	88.4	88.0	81.6	Feeding Season Days	124.3	140.9	166.7
Lbs. Weaned/Cow Exposed	400.8	525.4	450.9	Tonnes Fed per Cow			
Lbs. Weaned/Cow Wintered	477.0	643.6	507.1	- as-fed	2.0	1.9	4.2
Wean Wt as a % of Cow Wt.	40.3	44.9	43.0	- dry matter			
Weight per Day of Age (lbs.)	2.61	2.87	2.70				

	Grass Type	Low Cost	Alberta Total
G rowth (weaning weight)	485.8	546.1	540.9
O pen Cows (%)	15.5	8.6	12.3
L ength of Calving Period	96.7	83.7	100.8
D eath Loss of Calves (%)	1.6	2.1	2.0

1998 Cow/Calf Enterprise Overview

Economic & Financial Performance Comparisons

Benchmark Comparables: Southern Alberta Average & Low Cost Groups; Alberta Total
Enterprise Type: Weaned-Calf

Economic Performance Indicators:

	<i>\$ / Cow Wintered</i>		
	Grass Type	Low Cost	Alberta Total
Production Stock Sales	547.70	689.72	504.21
Value of Production	528.09	652.83	558.49
Winter Feed Costs	161.46	143.57	228.58
Bedding Costs	8.18	5.42	15.31
Pasture Costs	135.58	134.15	107.88
Labour Costs	87.86	109.46	93.66
Other Variable Costs	124.36	140.83	102.33
Depreciation & Capital Lease Payments	53.48	68.92	41.25
Other Fixed Costs	30.87	56.28	34.90
Total Cash Costs	476.44	485.28	516.40
Total Production Costs	601.80	658.63	623.91
Contribution Margin	10.65	119.39	10.73
Gross Margin	51.65	167.55	42.09
Return to Investment	(60.61)	23.65	(53.74)
Return to Equity & Management	(73.71)	(5.80)	(65.41)

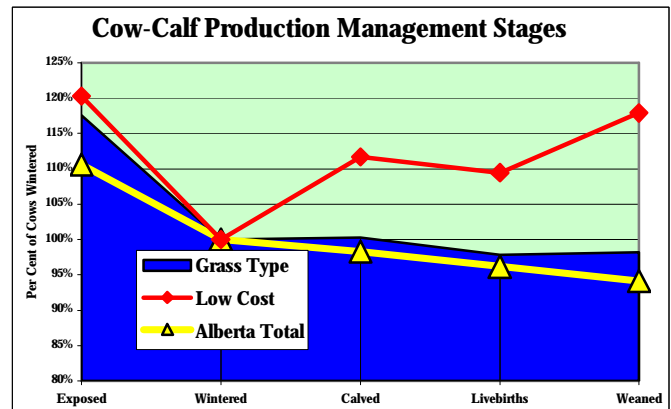
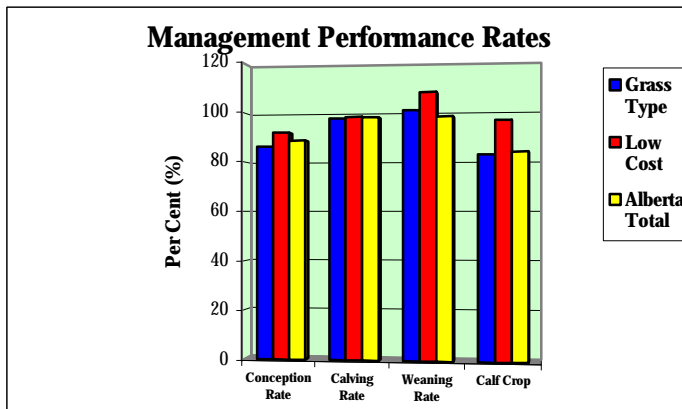
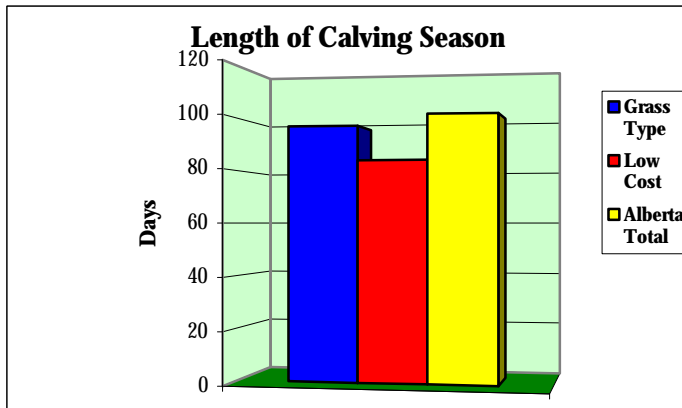
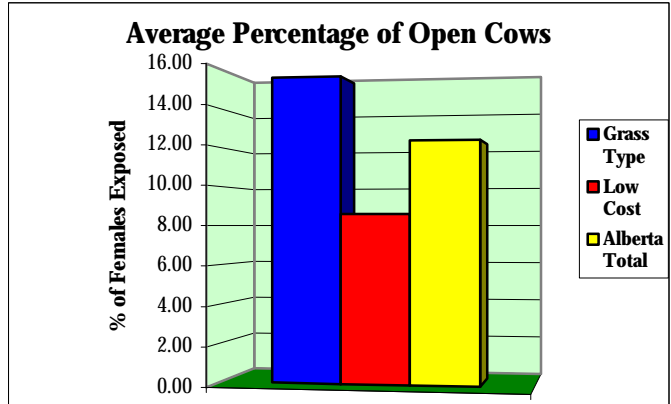
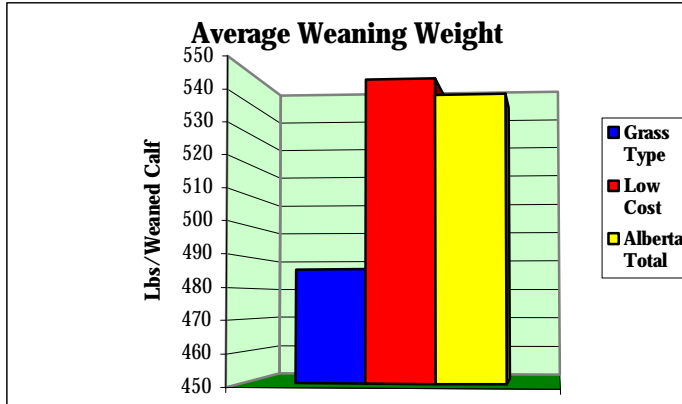
Farm Financial Performance Indicators:

ROAD to Profitability	Grass Type	Low Cost	Alberta Total	
Risk (Debt to Asset Ratio)	0.14	0.25	0.19	= Total Liabilities / Total Assets
Operating Expense Ratio	0.64	0.60	0.63	= Operating Expenses / Value of Production
Asset Return	0.01	0.01	0.02	= Return on Assets / Total Farm Assets
Debt Payout	10.74	35.19	6.54	= Total Liabilities / Net Farm Income
to Profitability	24,650.46	12,905.73	43,621.44	= Net Farm Income
The "3-C's"				
Current Ratio	2.34	1.27	2.18	= Current Assets / Current Liabilities
Calif. Working Cap. Ratio	0.54	0.19	0.57	= Working Capital / Total Expenses
Capital Turnover Ratio	0.11	0.10	0.16	= Value of Production / Total Farm Assets
Farm Size (Acres)	4,208	3,262	2,539	= Total Acres in crops, forages & grazing (includes all acres owned, rented & leased)

1998 Cow/Calf Enterprise Overview

Physical Performance Comparisons

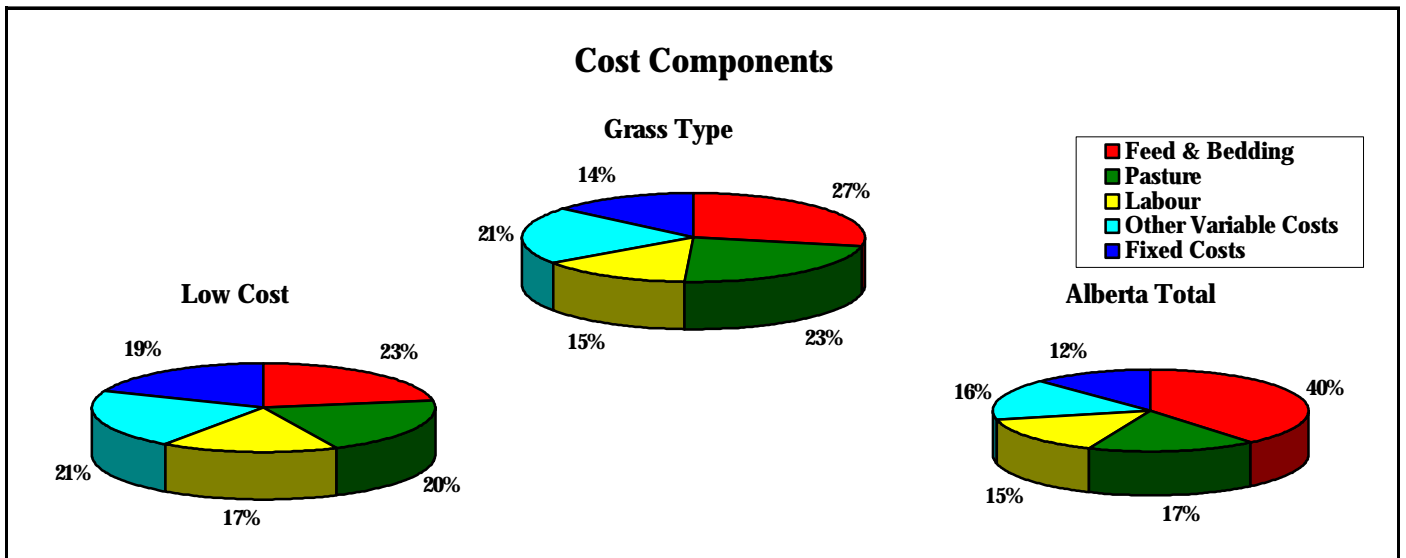
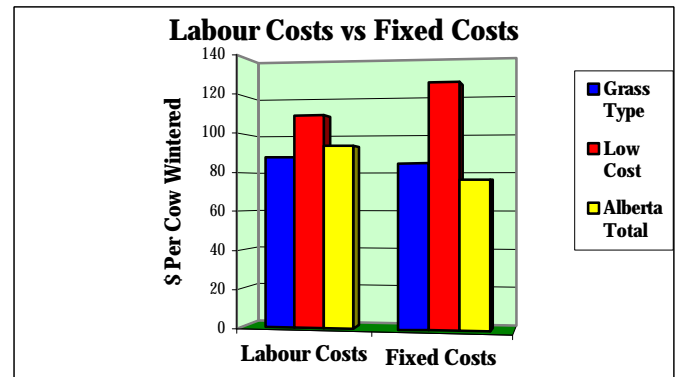
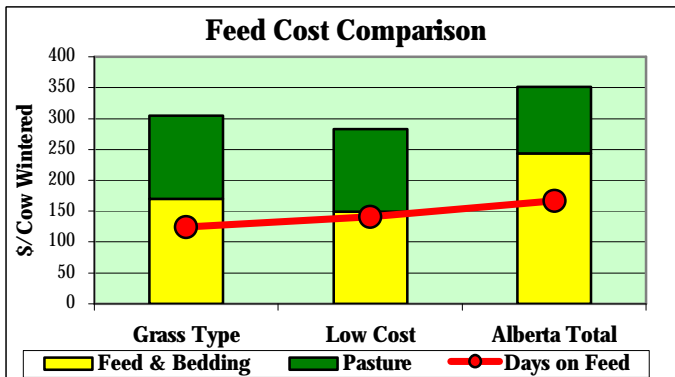
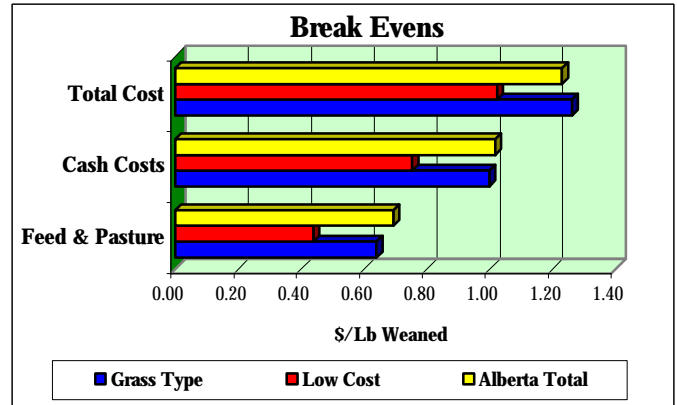
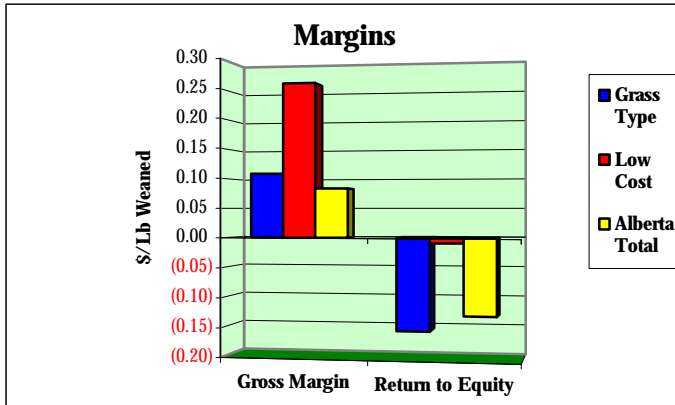
Benchmark Comparables: Southern Alberta Average & Low Cost Groups; Alberta Total



1998 Cow/Calf Enterprise Overview

Economic Performance Comparisons

Benchmark Comparables: Southern Alberta Average & Low Cost Groups; Alberta Total



1998 Cow/Calf Enterprise Unit Cost & Returns Detail
Economic Performance Comparisons

	<u>Grass</u> <u>Type</u>	<u>Low</u> <u>Cost</u>	<u>Alberta</u> <u>Total</u>
	----- \$/Lb Weaned -----		
(A)			
1. Weaned Calves	1.03	1.05	0.94
2. Feeder Calves	0.11	0.02	0.05
3. Slaughter Cattle	0.01	0.00	0.01
4. Purebred Calves	0.00	0.00	0.00
5. Baby Calves	0.00	0.00	0.00
6. Cull Cows/Open Heifers	0.24	0.18	0.24
7. Bulls	0.02	0.03	0.02
8. Bred Cows/Bred Heifers	0.07	0.09	0.05
9. Miscellaneous Receipts	0.01	0.00	0.01
10. Government Programs	0.00	0.00	0.00
11. Inventory Adjustment	0.05	0.40	0.02
12. Less: Cattle Purchases	0.44	0.76	0.24
Value of Production	1.11	1.01	1.10
(B)			
1. Winter Feed	0.34	0.22	0.45
2. Bedding	0.02	0.01	0.03
3. Pasture	0.28	0.21	0.21
4. Veterinary & Medicine	0.03	0.03	0.04
5. Breeding Fees/Bull Rental	0.00	0.00	0.00
6. Trucking & Marketing Charges	0.05	0.05	0.03
7. Fuel	0.03	0.02	0.02
8. Repairs - Machine	0.03	0.03	0.03
9. Repairs - Corrals & Buildings	0.02	0.02	0.02
10. Utilities & Miscellaneous Expenses	0.07	0.04	0.05
11. Custom Work & Specialized Labour	0.01	0.02	0.01
12. Operating Interest Paid	0.01	0.01	0.01
13. Paid Labour & Benefits	0.03	0.00	0.05
14. Unpaid Labour	0.15	0.17	0.13
Variable Costs	1.08	0.83	1.08
(C)			
1. Share/Lease Cattle Payments	0.01	0.02	0.03
2. Taxes, Water Rates, Lic. & Insurance	0.02	0.02	0.02
3. Equipment & Building	0.11	0.10	0.08
a) Depreciation			
b) Lease Payments	0.00	0.01	0.00
4. Paid Capital Interest	0.03	0.05	0.02
Total Capital Costs	0.18	0.19	0.15
(D) Cash Costs	(B+C-B14-C3)	1.00	0.75
(E) Total Production Costs	(B+C)	1.26	1.02
(F) Gross Margin	(A-D)	0.11	0.26
Return to Unpaid Labour	(A-D+B14)	(0.00)	0.16
Return to Investment	(A-E+C4)	(0.13)	0.04
Return to Equity	(A-E)	(0.15)	(0.01)
Total Investment		4.13	3.56
			3.38

1998 Cow/Calf Enterprise Unit Cost & Returns Detail
Economic Performance Comparisons

	<u>Gross</u> <u>Type</u>	<u>Low</u> <u>Cost</u>	<u>Alberta</u> <u>Total</u>
	----- \$/Cow Wintered -----		
(A)			
1. Weaned Calves	491.56	677.08	477.27
2. Feeder Calves	50.70	12.64	23.75
3. Slaughter Cattle	5.45	0.00	3.00
4. Purebred Calves	0.00	0.00	0.00
5. Baby Calves	0.00	0.00	0.18
6. Cull Cows/Open Heifers	115.90	118.33	120.58
7. Bulls	10.79	16.12	11.41
8. Bred Cows/Bred Heifers	33.53	58.46	24.66
9. Miscellaneous Receipts	5.46	2.60	6.12
10. Government Programs	0.50	0.00	0.95
11. Inventory Adjustment	25.55	257.22	11.14
12. Less: Cattle Purchases	211.34	489.62	120.58
Value of Production	528.09	652.83	558.49
(B)			
1. Winter Feed	161.46	143.57	228.58
2. Bedding	8.18	5.42	15.31
3. Pasture	135.58	134.15	107.88
4. Veterinary & Medicine	16.15	17.57	17.76
5. Breeding Fees/Bull Rental	0.74	0.00	0.86
6. Trucking & Marketing Charges	23.63	33.18	16.76
7. Fuel	14.27	16.02	12.31
8. Repairs - Machine	14.18	18.29	14.62
9. Repairs - Corrals & Buildings	11.09	11.79	7.99
10. Utilities & Miscellaneous Expenses	32.19	24.69	24.05
11. Custom Work & Specialized Labour	5.28	13.30	4.11
12. Operating Interest Paid	6.84	5.98	3.87
13. Paid Labour & Benefits	14.48	0.35	26.85
14. Unpaid Labour	73.38	109.12	66.81
Variable Costs	517.44	533.44	547.76
(C)			
1. Share/Lease Cattle Payments	6.85	15.39	15.38
2. Taxes, Water Rates, Lic. & Insurance	10.92	11.43	7.85
3. Equipment & Building	51.98	64.24	40.70
a) Depreciation			
b) Lease Payments	1.50	4.68	0.55
4. Paid Capital Interest	13.10	29.46	11.67
Total Capital Costs	84.36	125.19	76.15
(D) Cash Costs	(B+C-B14-C3)	476.44	485.28
(E) Total Production Costs	(B+C)	601.80	623.91
(F) Gross Margin	(A-D)	51.65	42.09
Return to Unpaid Labour	(A-D+B14)	(0.33)	1.40
Return to Investment	(A-E+C4)	(60.61)	(53.74)
Return to Equity	(A-E)	(73.71)	(65.41)
Total Investment		1,967.84	2,292.40
			1,715.39

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