

AgriProfit\$

Benchmarks for Alberta Cattlemen

Economics & Competitiveness

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

Aspen Parkland

Production Year - 1999

Nov-03



Foreword

This *AgriProfit\$ Cost & Returns Report* presents the productive, economic & financial performance of Alberta cow/calf producers in the Aspen Parkland Region for the 1999 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 Aspen Parkland grass type.
- 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:

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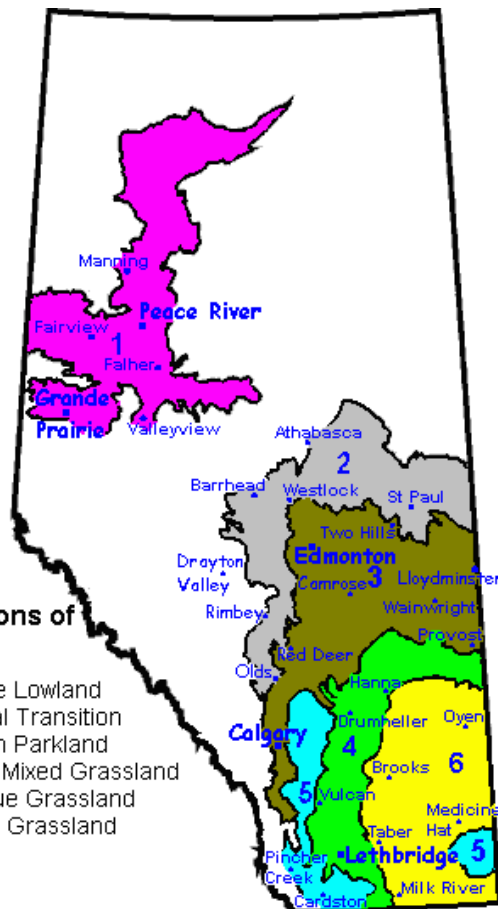
* For this analysis, total production cost per lb. weaned was the sole criteria for identifying the top management ("**Low Cost**") herds within the region. It should be noted, however, that there are several other factors that may contribute to the success of a cow/calf operation.

****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.

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Alberta Agriculture, Food & Rural Development
November-03



1999 Cow/Calf Enterprise Overview

Economic & Physical Performance Comparisons

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

Economic Performance Indicators:

	\$ / Lb. Weaned		
	Grass Type	Low Cost	Alberta Total
Production Stock Sales	1.298	1.278	1.302
Value of Production	1.378	1.419	1.338
Winter Feed Costs	0.370	0.361	0.374
Bedding Costs	0.032	0.031	0.028
Pasture Costs	0.214	0.174	0.227
Labour Costs	0.178	0.146	0.156
Other Variable Costs	0.172	0.136	0.192
Depreciation & Capital Lease Payments	0.086	0.069	0.082
Other Fixed Costs	0.054	0.026	0.055
Total Cash Costs	0.851	0.741	0.899
Total Production Costs	1.106	0.943	1.114
Contribution Margin	0.412	0.571	0.360
Gross Margin	0.527	0.678	0.439
Return to Investment	0.301	0.485	0.254
Return to Equity & Management	0.272	0.476	0.223
Total Investment (\$ / cow wintered)	1,995	1,868	1,913

Physical Performance Indicators:

	Grass Type	Low Cost	Alberta Total		Grass Type	Low Cost	Alberta Total
Conception Rate (%)	93.0	92.5	91.7	Cows Wintered	149.2	166.4	144.4
Calving Rate (%)	98.0	97.4	98.2	Cows per Bull	25.9	29.6	25.1
Weaning Rate (%)	98.1	98.4	97.3	Labour Hours per Cow	9.4	8.3	8.3
Calf Crop (%)	89.3	89.2	87.3	AUM's/Cow Wintered	7.0	6.7	7.0
% Calved - 1st 2 Cycles	85.5	85.6	81.7	Feeding Season Days	183.9	189.3	176.9
Lbs. Weaned/Cow Exposed	503.7	532.9	488.0	Tonnes Fed per Cow			
Lbs. Weaned/Cow Wintered	523.1	565.8	525.2	- as-fed	4.6	5.1	3.8
Wean Wt as a % of Cow Wt.	42.4	44.7	44.0	- dry matter			
Weight per Day of Age (lbs.)	2.63	2.61	2.60				

	Grass Type	Low Cost	Alberta Total
G rowth (weaning weight)	564.0	597.2	559.2
O pen Cows (%)	6.5	6.5	8.0
L ength of Calving Period	91.4	81.3	98.6
D eath Loss of Calves (%)	2.6	2.0	2.9

1999 Cow/Calf Enterprise Overview

Economic & Financial Performance Comparisons

Benchmark Comparables: Aspen Parkland 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	678.95	723.15	683.82
Value of Production	720.61	802.72	702.49
Winter Feed Costs	193.68	204.11	196.67
Bedding Costs	16.70	17.75	14.87
Pasture Costs	111.97	98.18	119.03
Labour Costs	93.08	82.50	81.70
Other Variable Costs	89.82	77.07	101.03
Depreciation & Capital Lease Payments	45.20	38.89	43.21
Other Fixed Costs	27.99	14.94	28.65
Total Cash Costs	445.09	419.35	472.01
Total Production Costs	578.45	533.43	585.15
Contribution Margin	215.35	323.11	189.20
Gross Margin	275.52	383.37	230.48
Return to Investment	157.54	274.22	133.44
Return to Equity & Management	142.16	269.29	117.35

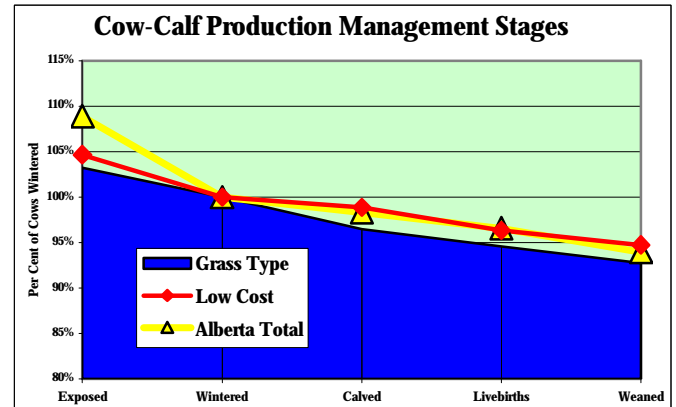
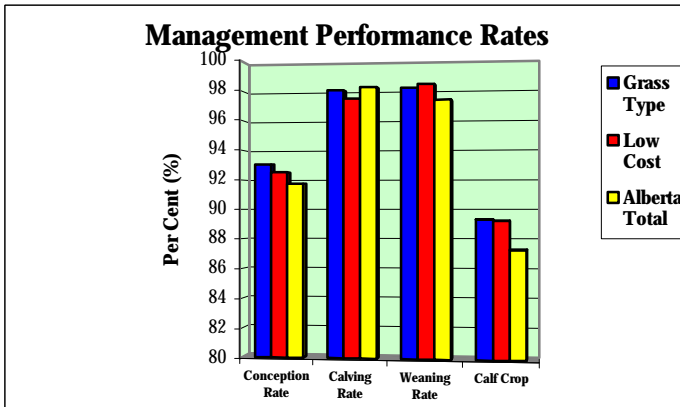
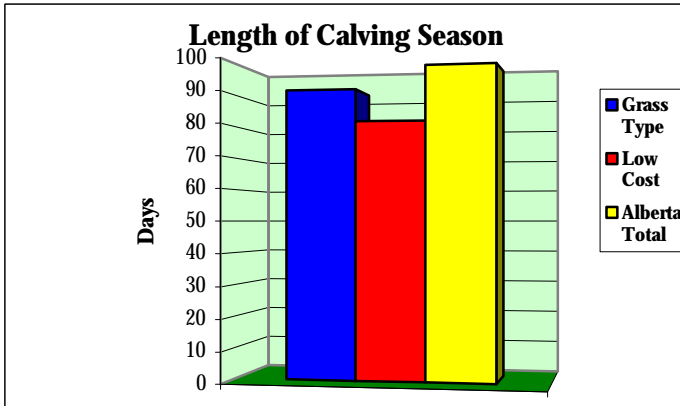
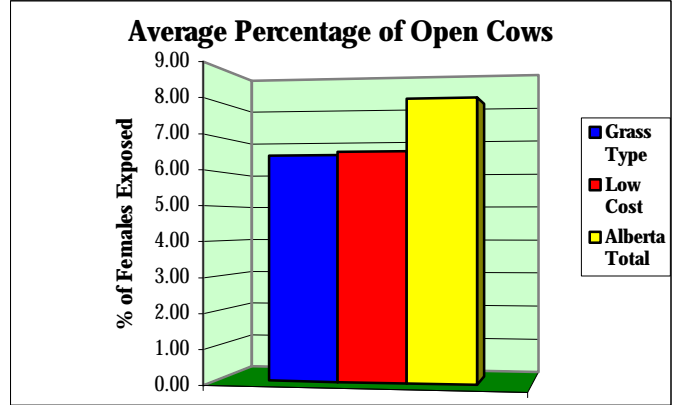
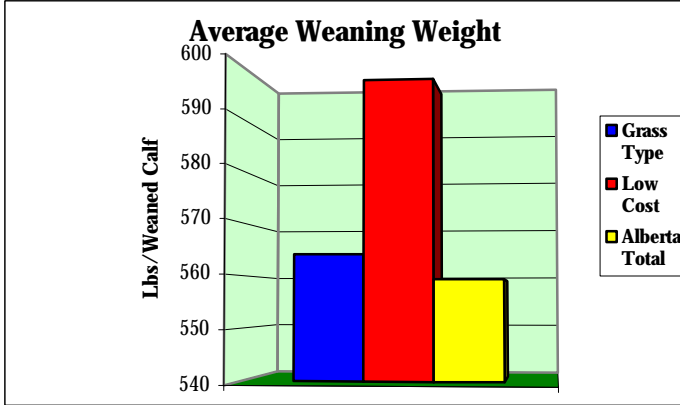
Farm Financial Performance Indicators:

ROAD to Profitability	Grass Type	Low Cost	Alberta Total	
Risk (Debt to Asset Ratio)	0.12	0.07	0.15	= Total Liabilities / Total Assets
Operating Expense Ratio	0.47	0.46	0.52	= Operating Expenses / Value of Production
Asset Return	0.04	0.04	0.03	= Return on Assets / Total Farm Assets
Debt Payout	2.32	1.48	3.93	= Total Liabilities / Net Farm Income
to Profitability	84,940.85	104,980.64	58,730.51	= Net Farm Income
The "3-C's"				
Current Ratio	3.06	6.24	2.98	= Current Assets / Current Liabilities
Calif. Working Cap. Ratio	0.89	1.15	0.86	= Working Capital / Total Expenses
Capital Turnover Ratio	0.14	0.13	0.14	= Value of Production / Total Farm Assets
Farm Size (Acres)	2,257	2,936	2,312	= Total Acres in crops, forages & grazing (includes all acres owned, rented & leased)

1999 Cow/Calf Enterprise Overview

Physical Performance Comparisons

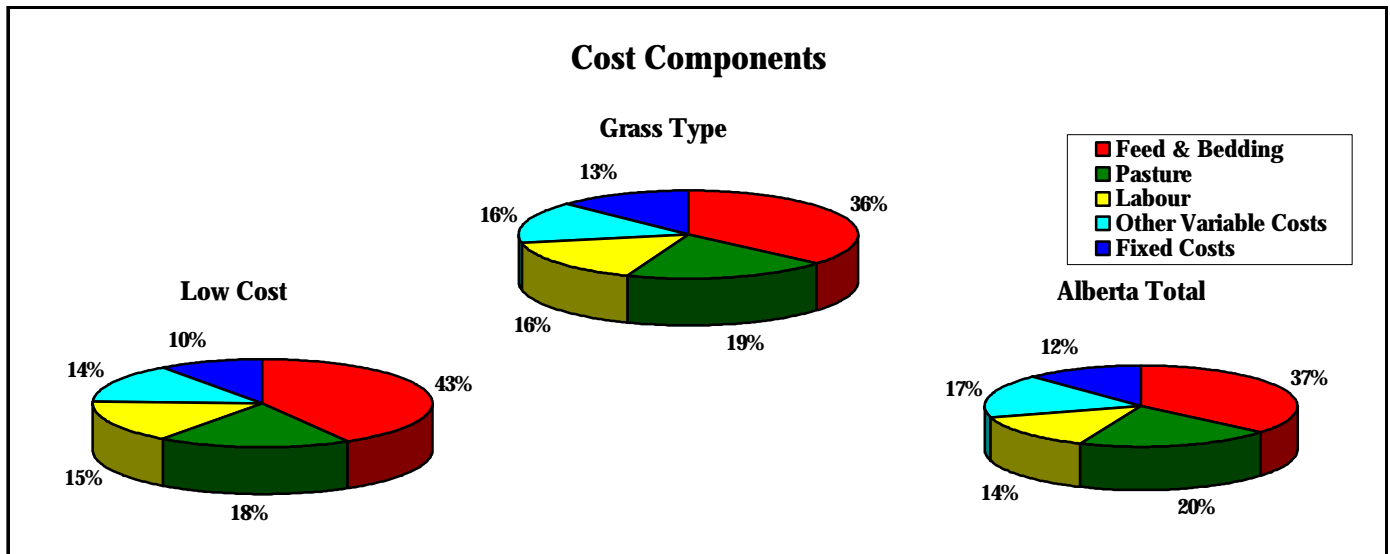
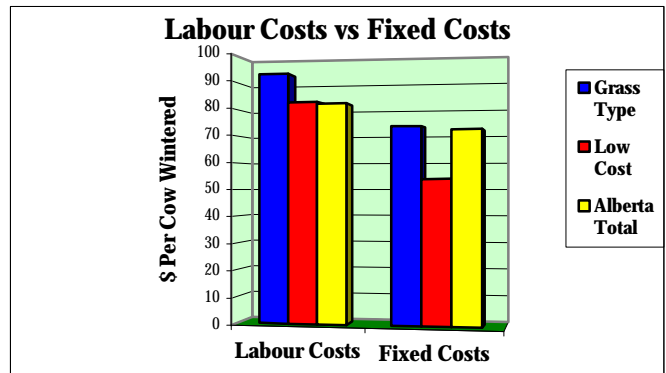
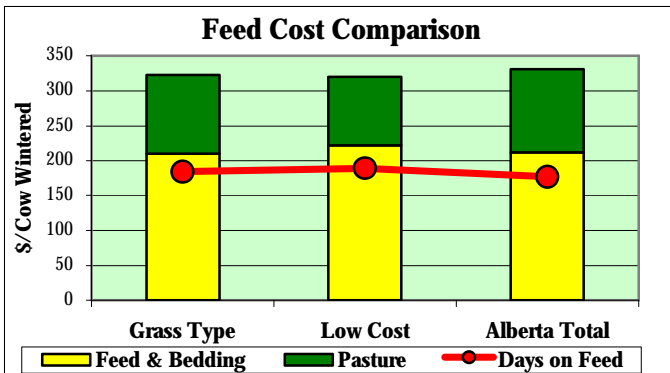
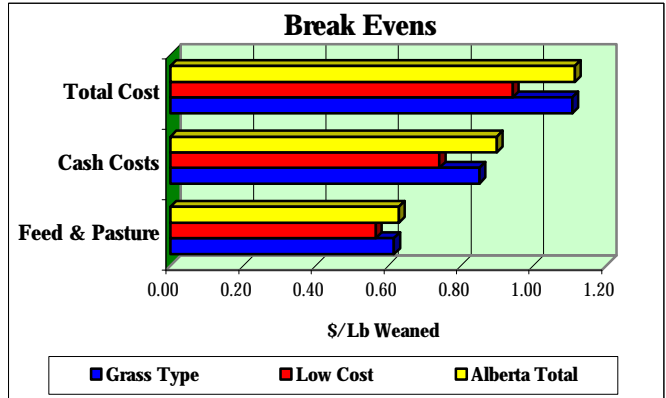
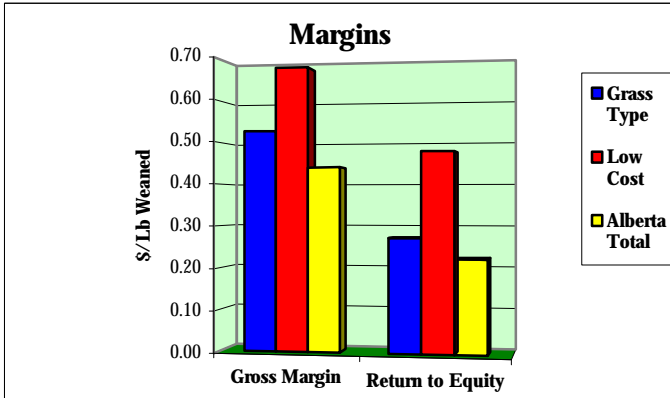
Benchmark Comparables: Aspen Parkland Average & Low Cost Groups; Alberta Total



1999 Cow/Calf Enterprise Overview

Economic Performance Comparisons

Benchmark Comparables: Aspen Parkland Average & Low Cost Groups; Alberta Total



1999 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	1.30	1.28	1.30
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	0.21	0.17	0.17
7. Bulls	0.05	0.04	0.04
8. Bred Cows/Bred Heifers	0.05	0.05	0.07
9. Miscellaneous Receipts	0.00	0.00	0.01
10. Government Programs	0.00	0.00	0.00
11. Inventory Adjustment	0.26	0.22	0.16
12. Less: Cattle Purchases	0.49	0.34	0.41
Value of Production	1.38	1.42	1.34
(B)			
1. Winter Feed	0.37	0.36	0.37
2. Bedding	0.03	0.03	0.03
3. Pasture	0.21	0.17	0.23
4. Veterinary & Medicine	0.04	0.04	0.03
5. Breeding Fees/Bull Rental	0.00	0.00	0.00
6. Trucking & Marketing Charges	0.01	0.01	0.02
7. Fuel	0.02	0.02	0.02
8. Repairs - Machine	0.02	0.02	0.03
9. Repairs - Corrals & Buildings	0.01	0.01	0.02
10. Utilities & Miscellaneous Expenses	0.04	0.03	0.04
11. Custom Work & Specialized Labour	0.01	0.01	0.01
12. Operating Interest Paid	0.01	0.00	0.01
13. Paid Labour & Benefits	0.01	0.01	0.02
14. Unpaid Labour	0.17	0.13	0.14
Variable Costs	0.97	0.85	0.98
(C)			
1. Share/Lease Cattle Payments	0.01	0.01	0.01
2. Taxes, Water Rates, Lic. & Insurance	0.02	0.01	0.02
3. Equipment & Building	0.09	0.07	0.08
a) Depreciation			
b) Lease Payments	0.00	0.00	0.01
4. Paid Capital Interest	0.03	0.01	0.03
Total Capital Costs	0.14	0.10	0.14
(D) Cash Costs	(B+C-B14-C3)	0.85	0.74
(E) Total Production Costs	(B+C)	1.11	0.94
(F) Gross Margin	(A-D)	0.53	0.68
Return to Unpaid Labour	(A-D+B14)	0.44	0.61
Return to Investment	(A-E+C4)	0.30	0.48
Return to Equity	(A-E)	0.27	0.48
Total Investment		3.81	3.30
			3.64

1999 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	678.95	723.15	683.82
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	107.36	93.99	88.09
7. Bulls	23.97	24.76	19.60
8. Bred Cows/Bred Heifers	28.03	29.39	34.59
9. Miscellaneous Receipts	1.44	0.57	3.04
10. Government Programs	0.00	0.00	0.46
11. Inventory Adjustment	138.00	125.55	85.94
12. Less: Cattle Purchases	257.14	194.69	213.05
Value of Production	720.61	802.72	702.49
(B)			
1. Winter Feed	193.68	204.11	196.67
2. Bedding	16.70	17.75	14.87
3. Pasture	111.97	98.18	119.03
4. Veterinary & Medicine	20.46	21.09	17.54
5. Breeding Fees/Bull Rental	0.58	0.00	1.06
6. Trucking & Marketing Charges	7.05	4.72	12.62
7. Fuel	11.24	10.17	12.09
8. Repairs - Machine	11.95	11.40	13.42
9. Repairs - Corrals & Buildings	5.35	4.02	9.05
10. Utilities & Miscellaneous Expenses	19.90	17.55	23.19
11. Custom Work & Specialized Labour	6.84	6.93	7.09
12. Operating Interest Paid	6.45	1.19	4.96
13. Paid Labour & Benefits	4.33	7.30	8.94
14. Unpaid Labour	88.76	75.20	72.76
Variable Costs	505.26	479.61	513.29
(C)			
1. Share/Lease Cattle Payments	4.44	2.87	3.92
2. Taxes, Water Rates, Lic. & Insurance	8.17	7.13	8.64
3. Equipment & Building	44.61	38.89	40.38
a) Depreciation			
b) Lease Payments	0.59	0.00	2.83
4. Paid Capital Interest	15.38	4.94	16.10
Total Capital Costs	73.19	53.82	71.86
(D) Cash Costs	(B+C-B14-C3)	445.09	419.35
(E) Total Production Costs	(B+C)	578.45	533.43
(F) Gross Margin	(A-D)	275.52	383.37
Return to Unpaid Labour	(A-D+B14)	230.91	344.48
Return to Investment	(A-E+C4)	157.54	274.22
Return to Equity	(A-E)	142.16	269.29
Total Investment		1,995.28	1,868.01
			1,913.07

1999 Forage & Pasture Enterprise Cost & Returns Analysis
Aspen Parkland

----- Forages -----				----- Pastures -----		
	Alfalfa /Grass Hay	Greenfeed	Grain Silage	Alfalfa /Grass	Tame Grass	Native Grassland
Average field size (acres)	75.7	60.0	121.4	130.8	168.1	202.2
Number of Observations	30	8	9	12	29	12
	-----\$/Tonne-----			-----\$/AUM-----		
(A) 1. Crop Sales	57.00	43.41	25.11	20.16	15.57	14.76
2. Crop Insurance Receipts	0.00	0.00	0.00	0.00	0.00	0.00
3. Miscellaneous Receipts	0.12	0.30	0.51	0.16	0.22	0.08
4. Government Programs	0.01	0.00	0.00	0.00	0.00	0.00
5. Straw / Aftermath Grazing	1.94	0.26	0.21	0.00	0.00	0.00
Gross Return	59.07	43.97	25.83	20.33	15.78	14.85
(B) 1. Seed	0.00	3.38	0.93	0.00	0.00	0.00
2. Fertilizer	1.97	3.38	2.72	0.00	3.19	0.00
3. Chemicals	0.00	1.08	0.93	0.00	0.02	0.00
4. Crop Insurance Premiums	0.00	0.10	0.17	0.00	0.02	0.00
5. Trucking & Marketing	0.00	0.00	0.00	0.00	0.00	0.00
6. Fuel	4.20	10.00	1.46	0.41	0.56	0.37
7. Irrigation Fuel & Electricity	0.00	0.00	0.00	0.00	0.00	0.00
8. Repairs - Machinery	4.31	3.04	1.91	0.08	0.74	0.37
9. Repairs - Buildings	0.33	0.48	0.26	0.69	1.05	0.72
10. Utilities & Misc. Expenses	4.42	3.72	1.80	0.73	0.27	0.15
11. Custom Work & Specialized Labour	0.40	0.38	1.37	0.00	0.02	0.00
12. Operating Interest Paid	1.43	1.42	0.33	0.00	0.04	0.13
13. Paid Labour & Benefits	0.10	0.05	1.43	0.00	0.03	0.05
14. Unpaid Labour	6.36	4.39	2.89	3.86	1.31	2.00
Variable Costs	23.53	31.43	16.21	5.78	7.25	3.78
(C) 1. Cash/Share Rent & Land Lease	7.32	13.42	1.34	12.43	2.61	7.98
2. Taxes, Water Rates, Lic. & Insurance	2.07	1.51	0.30	1.50	1.06	0.52
3. Equip. & Bldg. a) Depreciation	7.67	5.52	4.61	0.20	0.83	0.23
b) Lease Payments	1.23	0.00	0.00	0.00	0.00	0.00
4. Paid Capital Interest	2.77	1.28	0.80	0.10	2.53	0.14
Total Capital Costs	21.07	21.74	7.04	14.23	7.03	8.87
(D) Cash Costs (B+C-B14-C3)	30.57	43.25	15.75	15.94	12.14	10.42
(E) Total Production Costs (B+C)	44.60	53.17	23.25	20.01	14.28	12.66
(F) Gross Margin (A-D)	28.50	0.72	10.08	4.39	3.64	4.43
Return to Unpaid Labour (A-E+B14)	20.82	(4.80)	5.48	4.18	2.81	4.19
Return to Investment (A-E+C4)	17.24	(7.91)	3.38	0.41	4.04	2.32
Return to Equity (A-E)	14.47	(9.20)	2.58	0.32	1.50	2.19
Return on Investment (%)	5.0	(3.7)	3.4	0.3	1.0	3.3
Total Investment (\$/acre)	688.68	486.12	524.06	186.06	365.84	72.86
Management						
Yield per Acre (tonnes or AUM's)	2.02	2.25	5.28	1.22	0.92	1.05
Expected Market Price (\$/unit)	57.00	43.41	25.11	20.16	15.57	14.76

* Cost and returns profiles include/combine all tenure types ... owned, rented & leased.

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