



# PLANNING FOR PROFIT



Summer 2001

## 35 Mares Horse Budget—Peace River

This information is a tool to project costs and returns for B.C. farm enterprises and is a general guide to plan individual farm operations.

This sample budget should be used as a guide only and should not be used for business analysis. Each farm should develop their own budget to reflect their production goals, costs and market prices.

Information regarding financial planning and other enterprise budgets may be downloaded from the internet at <http://fbminet.ca/bc> or obtained from your local office of the B.C. Ministry of Agriculture, Food and Fisheries.

### Market & Risk Factors

- New entrants should be willing to access a range of markets to generate revenue including the pleasure, feeder, and finished meat markets.
- Entrants are encouraged to secure markets prior to making production decisions and capital investments for horse production. Entrants should consider using the feeder horse market price as a base price when assessing revenue for a budget of their operation.
- Prices received for pleasure horses are a reflection of market forces. A strong influence to the pleasure horse prices is the horse meat price for good feeders. Note that the influence can be reversed on occasion with the pleasure horse market setting the trend.
- Entrants to the industry should be prepared for seasonal variations on pleasure horses and feeders prior to green grass availability.

- Market demand & channels for feeder horses should be well researched prior to starting the business. Specific attention should be being paid when assessing the yearly variations in market demand for feeder and finished meat horses. Preferences for youthful, well-fleshed draft cross horses versus light framed, very fat animals may vary throughout the year. Producers should assess and then aim for finishing weights preferred by brokers.

### Risk Factors & Strategies

#### Production

- Routine use of de-worming for all the horses on the farm provides an important aspect of maintaining the bands good health and feed economy. Preventative herd health programs are recommended as a standard practice to be used, including Equine Infectious Anemia testing of brood stock.
- Access to good cheap fall and winter pasture is capable of reducing productions costs considerably, not all breeds of horses are equally capable of rustling under northern conditions. Draft breeds and draft breed crosses seem to have an advantage in this regard.

### Key Success Factors

- Strong health programs to maintain adequate herd health plus minimize foal and mare losses.
- Market contacts & access
- Good quality feed and pasture

## Assumptions: 35 Mares Horse Budget - Peace River

The sample budget is based on interviews with producers and BCMAFF commodity specialists. Cost and revenue estimates are based on standard practices in the area and do not represent any particular farm. The following assumptions were made in calculating the sample budget:

- Acreage Size 480, Number of Mares 35, Number of Stallions 2

	% of Mares	Number
Mare Replacement	5%	2
Mare Death Loss	1%	0
Foaling Percentage	95%	33
Foal Losses	2.5%	1
Weaning Percentage	90%	32
Replacement Fillies	5%	2
Foals available for sale	50%	30

### Price Levels

Low Price (\$0.55/lb) Average Price (\$0.65/lb)

Budget assumes all hay is purchased. However, custom hay baling is an alternative with estimated costs at 180 - 1400 lb bales at \$7 per bale = \$1,260 This estimate does not include the cost of establishing and maintaining a hay crop.

## Sensitivity Analysis

The profitability of an operation will be strongly influenced by market prices and yield.

Weaning Percentage		Contribution Margin	Price \$/lb		Contribution Margin
Low	75%	2,535	Low	0.55	883
Average	85%	4,112	Average	0.65	2,222
<b>Target</b>	<b>90%</b>	<b>4,899</b>	<b>Target</b>	<b>0.85</b>	<b>4,899</b>
High	95%	5,688	High	0.95	6,238

\*Price 0.85/lb yearlings

\*Weaning 90%

## Cash Flow Timing

The table below indicates the monthly flow of income and direct expenses. A complete Projected Cash Flow should include indirect expenses, capital sales and purchases, loans and personal expenses.

	J	F	M	A	M	J	J	A	S	O	N	D
% Income				35							65	
% Direct Expenses	5	5	5	10	5	5	5	10	10	20	15	5

## Sample Enterprise Budget and Worksheet

### 35 Mares Horse Budget - Peace River

The sample enterprise budget provided should be viewed as a first approximation only. Use the column "Your Estimate," to add, delete and adjust items to reflect your specific production situation.

<b>Projected Income:</b>	Head	Avg. Wt	Units	Price	Total	Your Estimate
				(\$/Unit)		
Stud Colts	8	495	lb	0.7	2,729	_____
Fillies	6	460	lb	0.65	1,831	_____
Cull Mares	2	1200	lb	0.6	1,260	_____
Yearlings	15	900	lb	0.85	11,379	_____
Saddle Horses	1			1500	1,500	_____
<b>Total Projected Income</b>					<b>18,699</b>	_____
<b>Project Expenses:</b>	Head	Quantity	Unit	Price	Total	Your Estimate
				(\$/Unit)		
<u>Feed and Supplements</u>						
Hay - Mares	35	2	ton	45	3,150	_____
Hay -Other Mature Horses	20	2	ton	45	1,789	_____
Hay -Weaning	1	3	ton	55	165	_____
Oats- Weaning & Gestation	1	3.5	tonne	100	350	_____
Hay-Saddle Horses	3	3	ton	55	495	_____
Minerals & Salt	58			5	289	_____
<u>Pasture Production Costs</u>						
Fertilizer		35	acres	22.5	788	_____
Reseeding		35	acres	35	1,225	_____
Fence Repair & Maintenance					800	_____
<u>Livestock Supplies and Services</u>						
Deworming	58		head	6	347	_____
Vet & Medicine: Minor	1			300	300	_____
Surgery & Drugs						
Miscellaneous Supplies	30			3	89	_____
<u>Marketing</u>						
Trucking	32		head	25	791	_____
Sales Commission	32	1	head	15	474	_____
<u>Other</u>						
Fuel, Oil & Lube					1,248	_____
Building & Equip. Repairs and Maintenance					1,500	_____
<b>Total Direct Expenses</b>					<b>13,800</b>	_____
<b>Contribution Margin</b> (gross income less direct expense)					<b>4,900</b>	_____

### Calculation of Projected Net Income

To assess net income, **indirect expenses** must be subtracted from income. Indirect expenses do not vary with the level of output and are typically associated with inputs used in more than one enterprise and must be allocated appropriately (prorated) between uses.

<b>Projected Income</b>	.....
<b>Less Projected Direct Expenses</b>	- .....
<b>= Projected Contribution Margin</b>	= .....
<b>Less Projected Indirect Expenses</b>	
Depreciation (e.g., buildings and equipment)	- .....
Interest	- .....
Other Indirect Expenses (e.g., operator labour)	- .....
<b>= Projected Net Income</b>	.....

## 35 Mares Horse Budget - Peace River

### Buildings and Machinery Replacement Cost\*

Mares & Stallion	45,000
Fencing	11,000
Buildings	25,000
Tractor/Loader	15,000
Field Machinery	5,000
Vehicle	25,000
Stock Trailer	5,000
<b>Total</b>	<b>131,000</b>

### Labour Requirements

**Average number of hours per year per mare** **20.23 hours**

<b>Total Labour Spent on Various Work Areas</b>	<b>Hours</b>	<b>%</b>
Winter Feeding	260	37%
Grazing Surveillance	96	14%
General labour	160	23%
Health	24	3%
Foaling	24	3%
Marketing	60	8%
Other	84	12%
<b>Total</b>	<b>708</b>	<b>100%</b>

### Historical Prices

The following sales data shows the fluctuation in prices.

	<b>Feb 13/01</b>	<b>Mar 20/01</b>	<b>Apr 17/01</b>	<b>Jul 10/01</b>
<b>Medium Draft</b>				
Group Avg \$	\$ 0.57	\$ 0.75	\$0.79	0.72
Group Avg Wt.	1,610			
<b>Medium Light</b>				
Group Avg \$	\$ 0.59	\$ 0.75	\$0.80	0.65
Group Avg Wt.	1,194			
<b>Good Type Meat</b>				
Group Avg \$	\$ 0.62	\$ 0.90	\$0.90	0.92
Group Avg Wt.	1382			
<b>Feeder Good</b>				
Group Avg \$	\$ 0.62	\$ 0.75	\$0.78	0.64
<b>Feeder Medium</b>				
Group Avg \$	\$ 0.57	\$ 0.65	\$0.72	0.57

Source: Peace Country Livestock Auction

### Alternative Production Practices

Alternative practices include:

- sale of papered purebred weanlings and yearlings
- specialty trained horses such as packhorses or ranch saddle horses
- meat horse production

In each of the above noted practices the market access and price potential should be well researched prior to entry to the business.

### For More Information

#### References

- Peace Country Livestock Market
- BCMAFF B.C. Horses , A Significant Agricultural Activity  
<http://www.agf.gov.bc.ca/croplive/anhlt/horse/bchorse.htm>
- Horse On The Internet A To Zed  
<http://www.illinoishorse.com/tourdehorse.html>
- Manitoba Agriculture & Food, Manitoba Livestock Industry Profiles 1999 Horse Sector  
<http://www.gov.mb.ca/agriculture/statistics/aac02s05.html>

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