



PLANNING FOR PROFIT



Province of British Columbia
Ministry of Agriculture, Fisheries and Food

Grassing Yearlings - Dryland Cariboo Spring 1992

Agdex 423 - 810

Introduction

The planning process provides producers with the opportunity to look at their operation as a group of distinct enterprises. Alternative enterprises should be evaluated on the basis of **Contribution Margin**. This must provide funds for interest, overhead and other indirect expenses as well as a return for living expenses, loan repayment and investment. These items should be included in the overall farm plan which will include a **Projected Income Statement** and **Projected Cash Flow Statement**.

The **Market Margin** is the sale price less the purchase price and actual marketing costs. It must provide funds for both direct and indirect expenses.

Key Factors Affecting Profit

	Target
Quantity	850 lbs. (Mid-Sept.)
Market Shrink	3%
Death Loss	2%

The condition of the yearlings in May is vital to how they will gain on grazing land. Their winter feeding program must consist of high quality forage and grain.

Yearlings must be about 650 lbs. by May in order to reach a market weight of 850 lbs. in 120 days.

Handling practices affect profit through weight loss and shrinkage, therefore it is important to reduce animal stress levels through proper handling.

Marketing Alternatives

The market for yearlings tends to remain fairly high from July to mid-September. Any time after this prices drop quickly and thus profits will be lower. The size of lot for sale and the market timing are the most critical variables to consider when marketing yearlings.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc								20	80			
%Exp	8	8	8	8	8	8	8	8	8	8	8	8

The above information indicates the timing of monthly flow of funds included in the Contribution Margin only. A complete **Projected Cash Flow** should include indirect expenses, capital sales and purchases, loans and personal expenses.

Rules of Thumb

Average Daily Gain	1.7 lbs.
Market Margin % of Sale	10-15%

The above indicators are provided for comparison purposes. They are set out as potential targets for yearling production.

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YEARLINGS ON DRYLAND

Target - 1.7 lbs. daily gain

Contribution Margin Per 100 Yearlings

Income

	Market Weight	Price /Unit	Income
Feeder Sale	98	850	\$79,135
Less Market Shrink	3.0%		(2,374)
Net Feeder Sales			\$76,761

Less: Cost of Selling

	Market Weight	Price /Unit	Income
Trucking to market	7.00	686	
Marketing Charges	11.40	1,117	
Brand Inspec/CIDB	2.80	274	
Less: Cost of Feeder			
Feeder Purchase*100	650	\$1.02	(66,300)

Market Margin \$8,384

Direct Expenses

	Unit	Price /Unit	Total Expense
<u>Grazing</u>			
Pasture Rental* (4X)	a.u.m.	\$10.50	\$4,200
<u>Feed Sup. & Vet Services</u>			
Min & Salt	120days	0.05	588
Vet & Medicine	100	4.00	400
Total Direct Expenses			\$5,188

Contribution Margin \$3,196

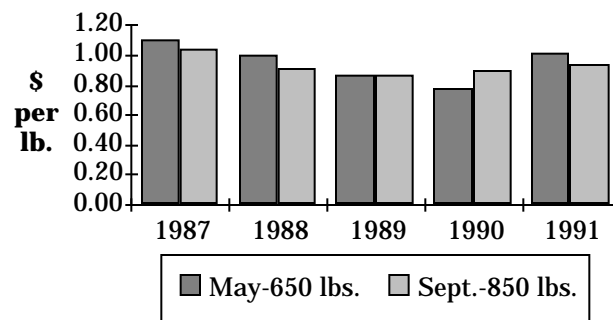
*Assuming calves purchased in May. If calves are utilized and returned to own herd, shrink and marketing costs will not be incurred.

Market Margin - Sensitivity Analysis

The table below lists the changes to market margin as feeder cost changes and sale price varies.

Yearling Cost \$/lb.	0.85	0.90	0.95	1.00
0.95	4,854	8,894	12,934	16,974
1.00	1,604	5,644	9,684	13,724
1.02	304	4,344	8,384	12,424
1.10	(4,897)	1,393	3,184	7,224

Yearling Prices



Contribution Margin - Sensitivity Analysis

The table below lists the changes to contribution margin as quantity of yield changes and price received varies.

PRICE \$/A.U.M.	A.U.M to Market			
	3.0	3.5	4.0	4.5
8.0	4,996	4,596	4,196	3,796
9.0	4,696	4,246	3,796	3,346
10.5	4,246	3,721	3,196	2,671
12.0	3,796	3,196	2,596	1,996

This information is provided as a guideline only. Target yield indicates above average production. An individual crop plan should be developed by each producer. Planning forms may be obtained from your local office of the B. C. Ministry of Agriculture, Fisheries and Food.