

# PLANNING FOR PROFIT



Province of British Columbia  
Ministry of Agriculture, Fisheries and Food

## Feeder Enterprise Budget Cranbrook 1991

Agdex 422 - 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 **Gross 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
Average Daily Gain (lbs)	2
Days to Market	150

Maximum profit requires that calves are weaned at about 580 lbs. in order to reach a market weight of about 880 to 900 lbs. in 150 days.

High quality forage and grain, as well as water, must be available to the animals in dry and well protected lots.

Shipping and handling practices affect profit through weight loss and shrinkage, therefore it is important to practice good feed management at shipping and reduce animal stress levels through proper handling.

### Marketing Alternatives

Feeders are usually marketed in the spring. They may be sold privately to a livestock buyer or a packing house. Often, they are sold through a central market either through an auction sales yard or by computer. Prices differ markedly for a variety of reasons so it is important to use average prices when budgeting.

### Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc		50	50									
%Ex20	20	20	20	20								20

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

### Rules of Thumb

Market Margin % of Sale	more than 25%
Market Shrink	less than 3%
Death Loss	less than 2%

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

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# BEEF FEEDERS

## Target - 2 lbs daily gain

### Gross Margin Per 100 Feeders

Income	Market Weight	Price /Unit	Income
Feeder Sale	98 850	\$1.00	\$83,300
Less Market Shrink	3.00%		(2,499)
<b>Net Feeder Sales</b>			<b>\$80,801</b>
Less: Cost of Selling			
Trucking to Market	8.00	784	
Marketing Charges	10.00	980	
Brand Inspection	98 2.50	245	
Less: Cost of Feeder			
Feeder Purchase	100 550	1.05	(57,750)

**Market Margin** **\$ 21,042**

#### Direct Expense

Farm Grown Feed	Unit	Price / Unit	Total Expense
	lb.		
Hay	2,475	\$0.043	\$10,308
Barley	790	0.064	4,921

#### Feed Supplements

Days			
Min. & Salt	150	0.050	735

**Total Feed Cost** **\$15,964**

#### Supplies & Services

Bedding	4.00	400
Vet & Medicine	5.00	500

**Total Direct Costs** **\$16,864**

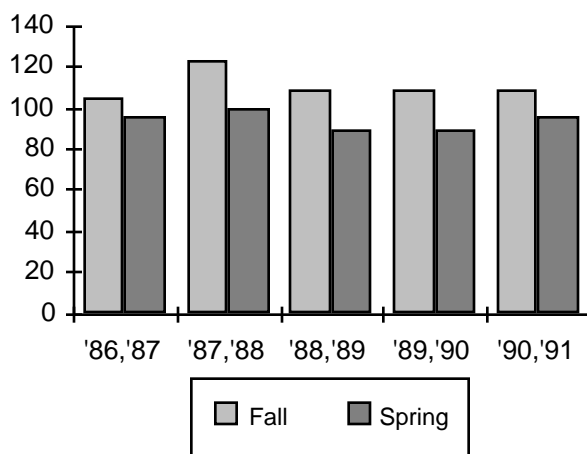
**Gross Margin** **\$4,178**

### Market Margin - Sensitivity Analysis

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

Feeder Cost \$/lb.	Sale Price \$/lb.			
	0.90	0.95	1.00	1.05
<b>0.95</b>	18,462	22,502	26,542	30,582
<b>1.00</b>	15,712	19,752	23,792	27,832
<b>1.05</b>	12,962	17,002	21,042	25,082
<b>1.10</b>	10,212	14,252	18,292	22,332

### Steers Southern Alberta Fall 500-600 lbs - Spr. 800-900 lbs



### Gross Margin - Sensitivity Analysis

The table below lists the changes to gross margin as barley price changes and hay cost varies.

Hay \$/ton	Barley Price \$/tonne			
	120	130	140	150
<b>75</b>	6,093	5,742	5,390	5,039
<b>80</b>	5,487	5,136	4,784	4,433
<b>85</b>	4,881	4,529	4,178	3,826
<b>90</b>	4,274	3,923	3,571	3,220

This information is provided as a guideline only. Target yield indicates above average production. An individual 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.