



PLANNING FOR PROFIT



BRITISH COLUMBIA Ministry of Agriculture and Food

150 Head Cow-Calf Enterprise Cariboo Fall 1998

Agdex 422 - 810

Introduction

The planning process provides producers the opportunity to look at their operation as a group of distinct enterprises. Alternative enterprises should be evaluated on the basis of **Contribution Margin**, taking into consideration resource constraints, market opportunity, risk and uncertainty.

The **Contribution Margin** 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**.

Key Factors Affecting Profit

	Target
Weaning Weight	580 lbs/steer 545 lbs/heifer
Calves Weaned as % of Cows Overwintered	More than 90%

For heavy fall calf weights high quality forage should be available to the calf, especially in the three month period prior to weaning.

To wean a 90% calf crop requires open cows to be culled in the fall, a good calf health program and good husbandry practices. Meeting the nutritional requirements of the cow particularly prior to and right after calving will increase the conception rate and thus reduce the number of open cows.

Shrink reduces profit through weight loss, therefore it is important to minimize animal stress levels through proper handling procedures during marketing.

Forage used by the cow-calf enterprise has been transferred from the crops enterprise at market value.

Marketing Alternatives

Calves are usually marketed in the fall. They may be sold privately to a livestock buyer or a feeder. Often they are sold through a central market either through an auction sales yard or by computer. All methods involve shrink and weighing conditions which are key factors affecting the net market returns. When budgeting, it is imperative to use average prices, not just the price for an exceptional lot or the best market price received.

Cash Flow Timing

	J	F	M	A	M	J	J	A	S	O	N	D
%Inc				5							95	
%Ex	4	2	16	3	5	5	5	4	5	6	2	15

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

Total Assets per Cow (less than)	\$5,000
Direct Expense % of Income	30% - 40%
Debt per Cow (less than)	\$600

The above indicators are provided for comparison purposes. They are set out as **potential targets** for cow-calf production. These indicators have been realized by the top third of the ranchers who participated in the Cow-Calf Farm Business Analysis program 1989 - 1993.

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COW - CALF RANCH

Target - 500 lbs/cow wintered

Contribution Margin Per 100 Cows Cariboo

Income	Head	Avg Weight	Price /lb	Income
Steers	47	555	\$1.111	\$28,967
Heifers	31	503	1.009	15,726
Cull Yearling Heifers	2	800	0.833	1,333
Cull Cows	11	1,140	0.500	6,267
Cull Bulls	1	1,850	0.611	1,130
Less Bull Purchase	1	1	2,000	(2,000)
Total Income				\$51,422

Direct Expense

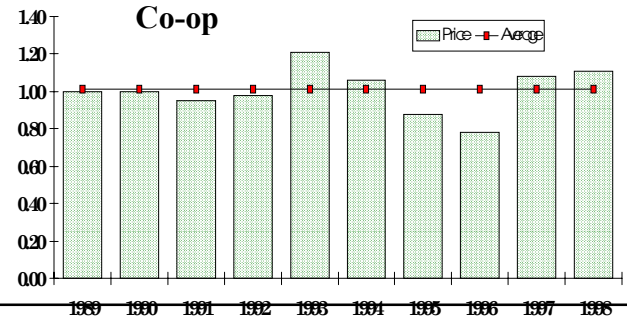
	Head	Input	Price / Unit	Total Expense
Hay:				
		Tons		
Cows	100	2.70	\$85.00	\$22,950
Bulls	3	3.15	85.00	803
Repl Hfr Calvs	15	1.35	85.00	1,721
Pasture:				
	AU	Mons	AUM	
Spring	116	0.75	12.00	1,044
Fall	116	0.75	12.00	1,044
Barley:				
		Lbs		
Cows	87	125	0.091	990
Bred Heifers	13	250	0.091	296
Bulls	3	360	0.091	98
Repl Hfr Calvs	15	540	0.091	737
Grazing Permit	115	4.5	2.03	1,051
Feed Supplements				
	Head	Days		
Min. & Salt	118	365	0.017	712
Supplies & Services				
	Cow		Cow	
Bedding	100		3.00	300
Livestock Spls	100		6.00	600
Vet & Medicine	100		20.9	2,090
Machinery Operation				
Fuel and Oil	100		8.25	825
R & M	100		9.25	925
Marketing				
	Head		Head	
Trucking	92		7.00	644
Mktg Charges	92		15.00	1,380
BIDB, Brand Insp.	92		2.75	253
Total Direct Expense				\$38,462
Contribution Margin				\$12,960

Buildings, Machinery and Livestock Investment

Farm Size - 150 Cultivated Acres
(Does not include haying equipment)

Buildings	\$30,000
Machinery	35,000
Cow Herd	170,000
Vehicles	10,000
Total	\$245,000

500 - 599 Steer Calves BC Livestock Marketing Co-op



Contribution Margin - Sensitivity Analysis

The table below lists the changes to Contribution Margin as the weaning weights, weaning percentage and steer price varies.

Steer Price	Weaning Weight Steers (Heifers 35 lbs less)			
	515	535	555	575
\$0.90	(150)	1,191	2,532	3,873
1.00	4,492	5,989	7,486	8,982
1.11	9,621	11,291	12,960	14,629
1.20	13,776	15,585	17,393	19,202

Weaning Percent	Weaning Weight Steers (Heifer 35 lbs less)			
	515	535	555	575
89%	8,662	9,740	10,782	11,785
91%	9,704	10,813	11,886	12,917
93%	10,717	11,857	12,960	14,021
95%	11,762	12,933	14,066	15,156

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 BC Ministry of Agriculture and Food.