



PLANNING FOR PROFIT



BRITISH COLUMBIA

Ministry of Agriculture and Food

160 Head Cow-Calf Enterprise Kamloops 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	600 lbs/steer 565 lbs/heifer
Calves Weaned as % of Cows Overwintered	94%

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 94% 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	40% - 50%
Debt per Cow (less than)	\$700

The above indicators are provided for comparison purposes. They are set out as **potential targets** for the 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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Kamloops

COW - CALF RANCH

Target - 530 lbs/cow wintered

Contribution Margin Per 100 Cows Kamloops

Income	Head	Avg Weight	Price /lb	Income
Steers	47	580	\$1.102	\$30,027
Heifers	29	523	1.005	15,244
Cull Yearling Heifers	3	800	0.918	2,203
Cull Cows	13	1,140	0.496	7,346
Cull Bulls	1	1,900	0.606	1,151
Less Bull Purchase	1	1	2,000	(2,000)
Total Income				\$53,771

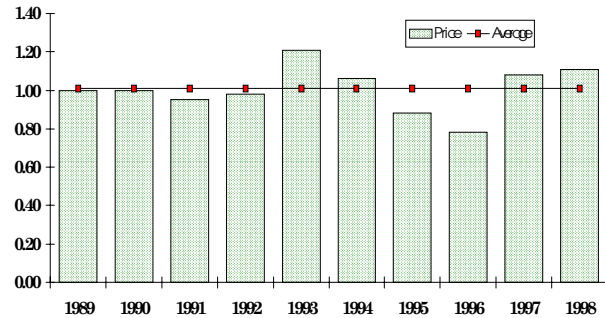
Direct Expense

	Head	Input	Price / Unit	Total Expense
Hay:				
		Tons		
Cows	100	2.43	\$90.00	\$21,870
Bulls	4	2.84	90.00	1,022
Repl Hfr Calvs	18	1.22	90.00	1,976
Pasture:				
	AU	Mons	AUM	
Spring	120	1	12.00	1,440
Fall	120	1	12.00	1,440
Barley:				
		Lbs		
Cows	85	100	0.091	774
Bred Heifers	15	300	0.091	410
Bulls	4	300	0.091	109
Repl Hfr Calvs	18	300	0.091	491
Grazing Permit	119	4.75	2.03	1,147
Feed Supplements				
	Head	Days		
Mineral & Salt	122	365	0.017	736
Supplies & Services				
	Cow		Cow	
Bedding	100		0.00	0
Livestock Spls	100		3.00	300
Vet & Medicine	100		19.58	1,958
Machinery Operation				
Fuel and Oil	100		12.50	1,250
R & M	100		12.00	1,200
Marketing				
	Head		Head	
Trucking	93		8.00	744
Mktg Charges	93		15.00	1,395
BIDB, Brand Insp.	93		2.75	256
Total Direct Expense				\$35,518
Contribution Margin				\$15,253

Buildings, Machinery and Livestock Investment Farm Size - 160 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



Contribution Margin - Sensitivity Analysis

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

Steer Price	Weaning Weight Steers (Heifers 35 lbs less)			
	540	560	580	600
\$0.90	2,525	3,837	5,149	6,461
1.00	7,235	8,699	10,163	11,627
1.10	12,016	13,634	15,253	16,871
1.20	16,655	18,423	20,192	21,960

Weaning Percent	Weaning Weight Steers (Heifer 35 lbs less)			
	540	560	580	600
90%	10,913	11,972	12,999	13,991
92%	11,992	13,082	14,140	15,160
94%	13,043	14,164	15,253	16,303
96%	14,125	15,277	16,396	17,475

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.