



PLANNING FOR PROFIT



BRITISH COLUMBIA Ministry of Agriculture and Food

135 Head Cow-Calf Ranch
Peace River Area
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	615 lbs/steer 580 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)	\$4,000
Direct Expense % of Income	30% - 40%
Debt per Cow (less than)	\$700

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

Contact: JIM FORBES, P.Ag.
District Agriculturist
Dawson Creek
TOM PITTMAN, DVM
District Agriculturist
Fort St. John
ROGER KEAY, P.Ag.
Business Management Specialist
Kamloops

COW - CALF RANCH

Target - 560 lbs/cow wintered

Contribution Margin Per 100 Cows Peace River

Income	Head	Avg Weight	Price /lb	Income
Steers	46	625	\$1.122	\$32,258
Heifers	29	568	1.029	16,955
Cull Yearling Heifers	3	800	0.923	2,216
Cull Cows	14	1,275	0.505	9,012
Cull Bulls	1	1,900	0.617	1,172
Less Bull Purchase	1	1	2,000	(2,000)
Total Income				\$59,613

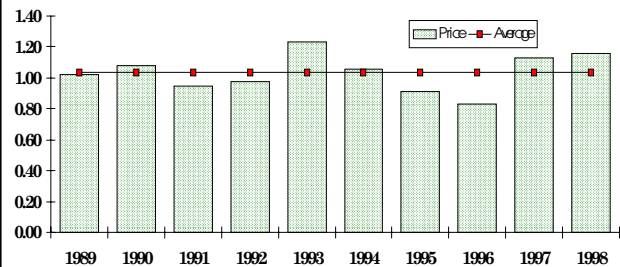
Direct Expense

	Head	Input	Price / Unit	Total Expense
Hay:		Tons		
Cows	100	4.20	\$38.00	\$15,960
Bulls	3	5.25	38.00	599
Repl Hfr Calvs	18	2.94	38.00	2,011
Pasture:	AU	Mons	AUM	
Spring	119	0.25	12.00	357
Fall	119	0.50	12.00	714
Barley:		Lbs		
Cows	85	100	0.064	544
Bred Heifers	15	300	0.064	288
Bulls	3	180	0.064	35
Repl Hfr Calvs	18	360	0.064	415
Grazing Permit	117	4.25	1.84	915
Feed Supplements	Head	Days		
Min. & Salt	121	365	0.020	875
Supplies & Services	Cow	Cow		
Bedding	100	3.00		300
Livestock Spls	100	2.50		250
Vet & Medicine	100	21.58		2,158
Machinery Operation				
Fuel and Oil	100	7.00		700
R & M	100	6.00		600
Marketing	Head	Head		
Trucking	93	14.00		1,302
Mktg Charges	93	15.00		1,395
BIDB, Brand Insp.	93	3.25		302
Total Direct Expense				\$29,719
Contribution Margin				\$29,894

Buildings, Machinery and Livestock Investment Farm Size - 250 Cultivated Acres (Does not include haying equipment)

Buildings	\$35,000
Machinery	25,000
Cow Herd	160,000
Vehicles	5,000
Total	\$225,000

500 - 599 Steer Calves Northern Alberta



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)			
	585	605	625	645
\$0.92	15,875	17,201	18,527	19,853
1.02	21,202	22,678	24,154	25,631
1.12	26,636	28,265	29,894	31,524
1.22	31,857	33,633	35,409	37,186
Weaning Percent	Weaning Weight Steers (Heifer 35 lbs less)			
	585	605	625	645
90.5%	26,961	27,838	28,673	29,462
92.5%	28,128	29,032	29,894	30,709
94.5%	29,326	30,258	31,147	31,987
96.5%	30,526	31,486	32,401	33,266

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.