



PLANNING FOR PROFIT



BRITISH COLUMBIA Ministry of Agriculture and Food

120 Head Cow-Calf Enterprise
Smithers
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	94.5%

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 94.5% 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)	\$700

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.

Contact: DAVE RIENDEAU, P.Ag.
District Agriculturist
Williams Lake
ROGER KEAY, P.Ag.
Business Management Specialist
Kamloops

COW - CALF RANCH

Target - 520 lbs/cow wintered

Contribution Margin Per 100 Cows Smithers

Income	Head	Avg Weight	Price /lb	Income
Steers	47	570	\$1.107	\$29,654
Heifers	24	500	1.005	12,059
Cull Yearling Heifers	4	800	0.922	2,951
Cull Cows	18	1,110	0.498	9,952
Cull Bulls	1	1,850	0.609	1,126
Less Bull Purchase	1	1	2,000	(2,000)
Total Income				\$53,742

Direct Expense

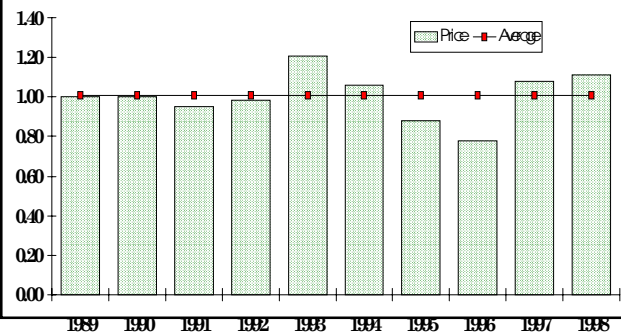
	Head	Input	Price / Unit	Total Expense
Hay:				
		Tons		
Cows	100	2.88	\$75.00	\$21,600
Bulls	4	3.42	75.00	1,026
Repl Hfr Calvs	24	1.53	75.00	2,754
Pasture:				
	AU	Mons	AUM	
Spring	124	0.75	10.00	930
Fall	0	0.00	10.00	0
Barley:				
		Lbs		
Cows	80	0.00	0.091	0
Bred Heifers	20	125	0.091	228
Bulls	4	180	0.091	66
Repl Hfr Calvs	24	360	0.091	786
Grazing Permit	123	4.25	2.03	1,061
Feed Supplements				
	Head	Days		
Min. & Salt	128	365	0.022	1,045
Supplies & Services				
	Cow		Cow	
Bedding	100		3.00	300
Livestock Spls	100		2.00	200
Vet & Medicine	100		20.44	2,044
Machinery Operation				
Fuel and Oil	100		12.40	1,240
R & M	100		12.40	1,240
Marketing				
	Head		Head	
Trucking	94		10.00	940
Mktg Charges	94		15.00	1,410
BIDB, Brand Insp.	94		2.75	259
Total Direct Expense				\$37,128
Contribution Margin				\$16,613

Buildings, Machinery and Livestock Investment

Farm Size - 200 Cultivated Acres
(Does not include haying equipment)

Buildings	\$30,000
Machinery	25,000
Cow Herd	130,000
Vehicles	4,000
Total	\$189,000

500 - 599 Steer Calves BC Livestock Marketing Coop



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)			
	530	550	570	590
\$0.90	3,507	4,736	5,965	7,194
1.00	8,370	9,741	11,112	12,483
1.11	13,568	15,090	16,613	18,136
1.20	18,094	19,749	21,405	23,060

Weaning Percent	Weaning Weight Steers (Heifer 35 lbs less)			
	530	550	570	590
90.0%	12,050	12,980	13,877	14,750
92.0%	13,105	14,067	14,994	15,897
94.5%	14,632	15,641	16,613	17,560
96.0%	15,203	16,228	17,216	18,179

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.