



PLANNING FOR PROFIT



BRITISH COLUMBIA Ministry of Agriculture and Food

135 Head Cow-Calf Enterprise
Vanderhoof - Prince George
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 - 540 lbs/cow wintered

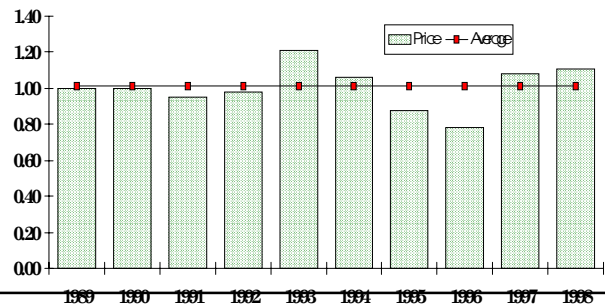
Contribution Margin Per 100 Cows Vanderhoof - Prince George

Income	Head	Avg Weight	Price /lb	Income
Steers	48	585	\$1.093	\$30,683
Heifers	32	534	0.990	16,919
Cull Yearling Heifers	2	800	0.783	1,253
Cull Cows	11	1,180	0.379	4,916
Cull Bulls	1	1,750	0.451	789
Less Bull Purchase	1	1	2,000	(2,000)
Total Income				\$52,560
Direct Expense	Head	Input	Price / Unit	Total Expense
Hay:				
		Tons		
Cows	100	3.2	\$85.00	\$27,200
Bulls	3	3.8	85.00	969
Repl Hfr Calvs	15	1.7	85.00	2,168
Pasture:				
	AU	Mons	AUM	
Spring	116	0	15.00	0
Fall	116	1.5	15.00	2,610
Barley:				
		Lbs		
Cows	87	150	0.091	1,188
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	2.03	934
Feed Supplements Head Days				
Min. & Salt	118	365	0.019	797
Supplies & Services Cow				
			Cow	
Bedding	100		3.00	300
Livestock Spls	100		1.50	150
Vet & Medicine	100		20.9	2,090
Machinery Operation				
Fuel and Oil	100		9.25	925
R & M	100		9.50	950
Marketing Head				
			Head	
Trucking	94		8.00	752
Mktg Charges	94		15.00	1,410
BIDB, Brand Insp.	94		2.75	259
Total Direct Expense				\$43,831
Contribution Margin				\$8,729

Buildings, Machinery and Livestock Investment Farm Size - 150 Cultivated Acres (Does not include haying equipment)

Buildings	\$45,000
Machinery	30,000
Cow Herd	145,000
Vehicles	4,000
Total	\$224,000

500 - 599 Steer Calves BC Livestock Marketing Co-op



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)			
	545	565	585	605
\$0.90	(2,724)	(1,349)	25	1,399
1.00	1,473	3,007	4,542	6,076
1.09	5,363	7,046	8,729	10,411
1.20	9,867	11,721	13,575	15,430
Weaning Percent	Weaning Weight Steers (Heifer 35 lbs less)			
	545	565	585	605
91%	4,212	5,355	6,466	7,541
93%	5,269	6,442	7,582	8,685
95%	6,358	7,560	8,729	9,860
97%	7,416	8,648	9,845	11,004

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.