AgriProfit#

Benchmarks for Alberta Cattlemen

Economic, Productive & Financial Performance Of Alberta Cow/Calf Operations

Comparing:

Alberta Provincial Total Average, Low & High Total Cost Management Groupings

Production Year - 2008

October, 2011



Economics & Competitiveness



Forward

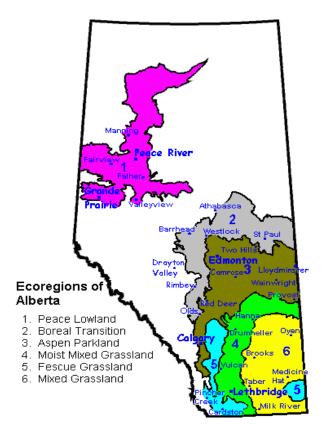
This *AgriProfit***\$** Cost & Returns Report presents a preliminary summary of the productive, economic & financial performance of Alberta cow/calf producers for the 2008 production year.

Field research was undertaken through Alberta Agriculture's *AgriProfit*\$ Business Analysis & Research program with the cooperation of producers across the Province.

The intent of this report is to benchmark three specific management groupings:

- an "Alberta Total" average including all program participants across the 6 grass type regions,
- an average of the "low cost" herds across the Province for '08. This "**Low Cost**" average includes the lower 1/3rd of producers in the pool as ranked by total costs / lb. of calf weaned*, &
- comparison of the '08 "Alberta Total" with the long term, 5 year ('04 '08) average of low cost herds across the Province.

This report focuses on the movement of unit production costs, financial position and productivity over time at the provincial level. It is useful for charting general changes over time. Regional & grass type analyses are more appropriate for business level comparisons.



The primary value of this report is to enable producers to gauge their productive, economic and financial performance relative to their peers locally and provincially. Benchmark analysis, comparing to one's own detailed cost and returns analysis, is the first critical step in identifying operational strengths and weaknesses in a cow/calf operation.

The map above illustrates the location of each grass type region within Alberta. This package only reports the results of aggregated provincial groupings. If you are interested in obtaining information on specific regions, please contact the Economics Unit at:

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- * For this analysis, total production cost (TPC) per lb. weaned was the primary criteria for identifying the top management herd groupings. It should be noted, however, that there are several other factors that may contribute to the success of a cow/calf operation.
- **Note: Regional & top management groups had sufficient full farm observations to develop the farm financial benchmarks ... only these are used to develop the farm level financial performance indicators. Enterprise productive & economic information is developed based upon the whole Alberta sample.

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October-11



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Historical Review of Alberta Cow/Calf Operations Economic, Financial & Productive Performance: 2004 - 2008

Benchmark Comparables: Alberta Total vs. '04-'08 Alta 5 Year Low TPC Group Enterprise Type: Weaned-Calf

Enterprise Economic Performance: Major Unit Returns & Costs Grove

		AB '04-'08				
	2004	2005	2006	2007	2008	Low TPC
Weaned Calf Values	0.963	1.263	1.113	0.941	0.989	1.034
Winter Feed & Bedding Costs	0.396	0.341	0.368	0.368	0.371	0.279
Pasture Costs	0.366	0.426	0.398	0.432	0.451	0.365
Labour Costs	0.123	0.104	0.093	0.085	0.090	0.094
Other Variable Costs	0.178	0.180	0.150	0.146	0.136	0.133
Fixed Costs	0.099	0.098	0.084	0.093	0.084	0.065
Total Production Costs	1.162	1.148	1.093	1.124	1.132	0.936

Farm Financial Performance Indicators:

						AB '04-'08	
ROAD to Profitability	2004	2005	2006	2007	2008	Low TPC	
Risk (Debt to Asset Ratio)	0.18	0.18	0.10	0.16	0.11	0.08	
Operating Expense Ratio	0.64	0.59	0.59	0.67	0.63	0.54	
Asset Return	0.03	0.04	0.02	0.02	0.02	0.03	
D ebt Payout	6.37	4.25	4.78	7.98	5.90	2.09	
to P rofitability	81,131	109,243	62,511	52,967	63,987	126,304	
The "3-C's"							
Current Ratio	1.86	2.22	3.40	2.93	3.23	5.01	
Calif. Working Cap. Ratio	0.56	0.74	1.27	0.85	0.88	1.52	
Capital Turnover Rato	0.14	0.16	0.11	0.12	0.10	0.12	
Farm Size (Acres)	5,347	4,263	5,576	4,688	5,027	8,852	

Debt to Assets = Total Liabilites / Total Assets
Operating Expense Ratio = Operating Expenses / Value of Production
Return on Assets = Return on Assets / Total Farm Assets
Debt Payout = Total Liabilities / Net Farm Income
Profitability = Net Farm Income

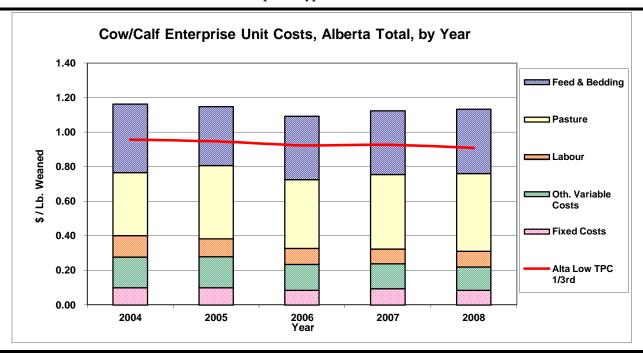
Current Ratio = Current Assets / Current Liabilities
Calif. Working Cap. Ratio = Working Capital / Total Expenses
Capital Turnover = Value of Production / Total Farm Assets
Farm Size = Total Acres in crops, forages & grazing
(includes all acres owned, rented & leased)

Productive Performance Indicators:						AB '04-'08
	2004	2005	2006	2007	2008	Low TPC
Calf Crop (%)	88.8	86.5	85.5	83.9	83.9	86.1
Lbs. Weaned/Cow Wintered	537.2	502.7	526.3	505.2	525.0	549.4
Wean Wt as a % of Cow Wt.	44.0	41.3	42.2	41.8	43.2	45.1
Feeding Season Days	155.8	143.2	150.9	141.2	136.0	135.3
Tonnes Fed per Cow (as fed)	3.9	3.8	4.2	3.8	3.6	3.1
G rowth (weaning weight)	560.4	537.6	556.5	541.8	557.5	581.6
O pen Cows (%)	7.0	8.4	9.6	9.3	11.1	9.0
L ength of Calving Period	127.1	138.7	117.7	108.5	103.3	104.5
D eath Loss of Calves (%)	2.7	2.9	3.2	5.0	3.5	2.9

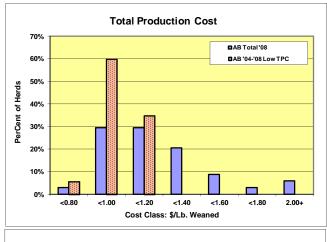


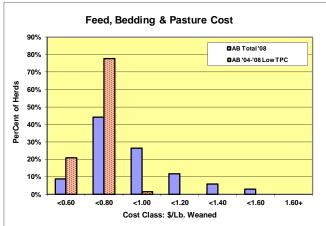
Historical Review of Alberta Cow/Calf Operations (cont'd)

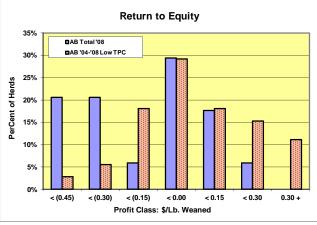
Benchmark Comparables: Alberta Total Components, by Year vs. LowTPC 1/3rd Total Enterprise Type: Weaned-Calf

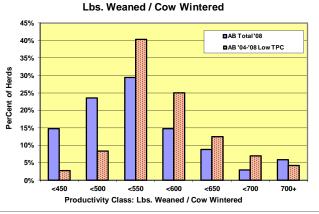


Frequency Distributions: Selected Economic & Production Indicators, Alberta Total, 2008 vs. 5 Year Alta Low Cost Group









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2008 Cow/Calf Enterprise Overview

Economic & Physical Performance Comparisons

Benchmark Comparables: Alberta Total Total & Low Cost; Alta 5 Year Low TPC Groups

Enterprise Type: Weaned-Calf

Economic Performance Indicators:

	\$ / Lb. Weaned		
	Al	Alberta Total	
	Total	Low TPC	Low TPC
Production Stock Sales	0.989	0.960	1.034
Value of Production	0.963	0.919	0.988
Winter Feed Costs	0.353	0.252	0.270
Bedding Costs	0.019	0.008	0.009
Pasture Costs	0.451	0.405	0.365
Labour Costs	0.090	0.084	0.094
Other Variable Costs	0.136	0.112	0.133
Depreciation & Capital Lease Payments	0.064	0.038	0.048
Other Fixed Costs	0.020	0.010	0.017
Total Cash Costs	1.004	0.809	0.820
Total Production Costs	1.132	0.909	0.936
Contribution Margin	(0.085)	0.057	0.117
Gross Margin	(0.041)	0.109	0.168
Return to Investment	(0.160)	0.011	0.057
Return to Equity & Management	(0.169)	0.010	0.052
Total Investment (\$ / cow wintered)	1,580	1,345	1,436

Physical Performance Indicators:

	Al	berta Total	'04-'08		Al	berta Total	'04-'08
	Total	Low TPC	Low TPC		Total	Low TPC	Low TPC
Conception Rate (%)	88.0	89.5	90.3	Cows Wintered	227.1	280.3	269.8
Calving Rate (%)	97.9	98.8	98.9	Cows per Bull	22.4	22.2	23.1
Weaning Rate (%)	97.5	96.2	96.6	Labour Hours per Cow	4.2	4.2	4.7
Calf Crop (%)	83.9	85.0	86.1	AUM's/Cow Wintered	11.7	11.5	10.8
% Calved - 1st 2 Cycles	84.2	89.8	87.6	Feeding Season Days	136.0	114.5	135.3
Lbs. Weaned/Cow Exposed	465.6	504.4	500.6	Tonnes Fed per Cow			
Lbs. Weaned/Cow Wintered	525.0	559.2	549.4	- as-fed	3.6	2.8	3.1
Wean Wt as a % of Cow Wt.	43.2	45.4	45.1	- dry matter			
Weight per Day of Age (lbs.)	2.47	2.73	2.64				

	A 1	'04-'08	
	Total	Low TPC	Low TPC
G rowth (weaning weight)	557.5	593.7	581.6
O pen Cows (%)	11.1	10.2	9.0
L ength of Calving Period	103.3	85.4	104.5
D eath Loss of Calves (%)	3.5	3.4	2.9

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2008 Cow/Calf Enterprise Overview

Economic & Financial Performance Comparisons

Benchmark Comparables: Alberta Total Total & Low Cost; Alta 5 Year Low TPC Groups

Enterprise Type: Weaned-Calf

Economic Performance Indicators:

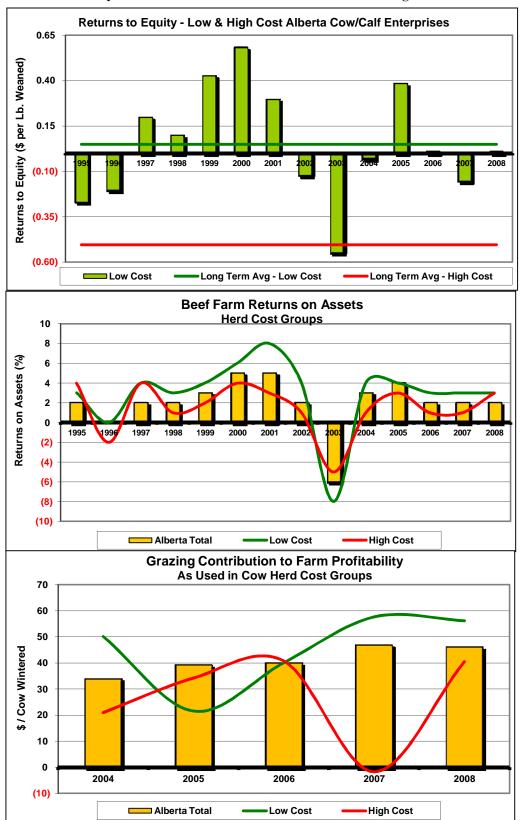
	\$ / Cow Wintered		
	A	lberta Total	'04-'08
	Total	Low TPC	Low TPC
Production Stock Sales	519.10	536.87	568.11
Value of Production	505.70	513.80	542.83
Winter Feed Costs	185.18	141.21	148.48
Bedding Costs	9.81	4.21	4.82
Pasture Costs	237.02	226.72	200.70
Labour Costs	47.14	47.02	51.50
Other Variable Costs	71.16	62.70	73.11
Depreciation & Capital Lease Payments	33.51	21.06	26.53
Other Fixed Costs	10.58	5.46	9.33
Total Cash Costs	527.16	452.69	450.38
Total Production Costs	594.40	508.37	514.46
Contribution Margin	(44.61)	31.95	64.23
Gross Margin	(21.47)	61.11	92.45
Return to Investment	(83.74)	5.89	31.22
Return to Equity & Management	(88.70)	5.43	28.37

Financial Performance Indicators:

ROAD to Profitability	A	Alberta Total	'04-'08	
	Total	Low TPC	Low TPC	
Risk (Debt to Asset Ratio)	0.11	0.05	0.08	= Total Liabilites / Total Assets
Operating Expense Ratio	0.63	0.55	0.54	= Operating Expenses / Value of Production
A sset Return	0.02	0.03	0.03	= Return on Assets / Total Farm Assets
D ebt Payout	5.90	1.59	2.09	= Total Liabilities / Net Farm Income
to P rofitability	63,986.77	102,031.86	126,303.65	= Net Farm Income
The "3-C's"				
Current Ratio	3.23	12.25	5.01	= Current Assets / Current Liabilities
Calif. Working Cap. Ratio	0.88	1.84	1.52	= Working Capital / Total Expenses
Capital Turnover Rato	0.10	0.10	0.12	= Value of Production / Total Farm Assets
Farm Size (Acres)	5,027	8,833	8,852	= Total Acres in crops, forages & grazing (includes all acres owned, rented & leased)

Long Term Cow/Calf Operation Overview

Benchmark Comparables: Alberta Total Low Cost & Alberta Total High Cost Herds



Definitions & Explanations to Accompany the Cow/Calf Enterprise Overview

<u>Production Stock Sales</u> – revenues associated with the sale of weaned calves & other **non-breeding stock** related sales.

<u>Value of Production (VOP)</u> – the value of what was produced by the cow/calf enterprise over the course of the production year. Includes cash & non-cash values of:

- cull & breeding stock sales,
- revenues from miscellaneous sources (eg. Program payments, patronage refunds, etc) as allocated to the cow/calf enterprise,
- inventory adjustments relating changes in the number & value of stock included in the enterprise,
- an adjustment for livestock purchases (value is added only from the point of purchase forward)

<u>Winter Feed Costs</u> – the cost of all feeds used by the cow/calf enterprise, purchased or homegrown, based on the market value of these feeds (**not** the cost of raising the feeds).

<u>Pasture Costs</u> – the value of grazing used by the cow/calf enterprise (exclusive of any other retained ownership/backgrounding uses). Pasture is valued into the cow/calf enterprise at market value (**not** cost) & is treated as a "cash" cost.

<u>Labour Costs</u> – a sum of paid & contributed labour, as allocated to the cow/calf enterprise. Paid labour is valued at cost, while unpaid labour is valued at a standard or base cost.

<u>Depreciation & capital Lease Payments</u> – sum of depreciation & mach./equip't/bldg. lease payments on assets allocated to the cow/calf enterprise.

Other Fixed Costs – total cash overheads, as allocated to the cow/calf enterprise (share/lease cattle payments, property taxes, insurances, licenses & term loan interest).

<u>Total Cash Costs</u> – sum of enterprise cash costs, considering home grown feeds, bedding & pasture as cash costs.

<u>Total Production Costs</u> – sum of all variable& fixed production costs.

Contribution Margin - VOP less Variable Costs

<u>Gross Margin</u> – VOP less Total Cash Costs

<u>Return to Investment</u> – VOP less Total Production Costs Plus Term (Capital) Interest Paid

<u>Return to Investment</u> – VOP less Total Production Costs Plus Term (Capital) Interest Paid

<u>Return to Equity & Management</u> – VOP less Total Production Costs.

<u>Investment</u> – sum of assets allocated to the enterprise. Includes: breeding stock, machinery, equipment, buildings/facilities & building site (only)

Breeding Performance Rates

(adjusted for sales & purchases of bred cattle)

Conception rate (%) - # Bred / # Exposed

Calving Rate (%) - # Livebirths / # Bred Females

Weaning Rate (%) - # Weaned / # Exposed

<u>Calved in 1st 2 Cycles (%)</u> - # Calved Cycle 1 & 2

Total Calved

<u>Lbs, Weaned/Cow Exposed</u> - <u>Total Lbs. Weaned</u>

Females Exposed

<u>Lbs. Weaned/Cow Wintered</u> - <u>Total Lbs. Weaned</u>

Bred Females Exposed

Weaned Wt. As % of Cow Wt. - (adjusting bred heifer wts.)

Avg. Lbs. Weaned Avg. Mature Cow Wt.

Weight per day of Age (lbs.) – Avg. Lbs. Weaned Wtd Avg Wean Age

Cows Wintered – Open Inventory of Bred Cows & Heifers

Cows / Bulls - # Cows & Heifers Exposed / # Bulls Used

Labour Hours / Cow - Total Labour Hrs / Cows Wintered

AUM's / Cow Wintered – Total Enterprise AUM's
Cows Wintered

Feeding Season Days - Days Fed (in yard)

Tonnes fed per Cow -

As fed Tonnes Total Feed (As-Fed)

Cows Wintered

Dry Matter Tonnes Total Feed (Dry Matter)

Cows Wintered

GOLD Indicators

Growth (Wean wt.) - <u>Total Lbs.Weaned</u>

Calves Weaned

Open Cows (%) - # Open Cows & Heifers

Exposed

Length of Calving Period – Days from 1st to last calf

Death Loss of Calves (%) - # Calves Died

Live Births