AgriProfit$ Business Analysis & Research Program For Alberta Beef Producers

AgriProfit$
Information Bulletin

Alberta Agriculture & Rural Development (ARD) regularly publishes a variety of economic and financial benchmarks, tools and applied research materials for agriculture industry clients. These materials are generated directly and indirectly through the *AgriProfit$* program.

What is *AgriProfit$*?

AgriProfit$ is a business analysis and research program operated by ARD's Economics & Competitiveness Division. The primary roles of the program are to (1) deliver sound business management benchmarks and information, and (2) create applied analysis information, assisting producers in:

- evaluating their own business' performance
- assessing production, management and technology options, and
- charting their business' course, in an economically sustainable fashion.

Ultimately, the goal is to provide "better business management information, to knowledgeable business managers, to make better business management decisions".

Where does this information come from?

Each year, the *AgriProfit$* service is offered to Alberta beef producers. Through this service, participating producers gain, directly, valuable management information. Their farm data is then grouped with others in benchmarking and applied analysis activities. The strength of the program is two-fold. *AgriProfit$*:

- employs accepted, consistent analysis standards. Individual and "group" results are reliable and broadly comparable
- covers a breadth of operations, regionally and by business type. Benchmarks and applied analyses address many information and management needs.

AgriProfit$* strength is also in its base of producer participants. Information comes from cattle producers throughout the province adding a degree of realism and practicality to the production, economic and financial analyses results. The same services, information and expertise are available to crop producers under the *AgriProfit$ umbrella.

What's in it for producers?

While participation in the *AgriProfit$* program is free-of-charge, it does require an investment in time from producers. As it is essential for *AgriProfit$* participants to see direct value in return for their time, each receive:

- a detailed economic analysis of farm enterprises of their choosing, driving at unit production costs and returns for their commodities,
- a financial analysis of their "whole farm" business, revealing financial performance, strengths and weaknesses,
- benchmark comparables to assess the productive and economic performance of each of their enterprises, and the financial performance of their farm over time. These are also comparable to "peers" (by region, size of operation, type of operation, management practices, etc.).
- newsletters, bulletins and analysis tools, based on standardized *AgriProfit$* information.

Participants are in the position to measure performance, and take active management control of their business. *AgriProfit$* provides better information and tools to make better business management decisions.

How can *AgriProfit$* help producers?

The link between *AgriProfit$* and farm business success can be summed up by two phrases:

1."You Can't Manage What You Don't Measure!"

To reduce unit costs and improve profitability, the first logical step is to measure the "current position". A basic business analysis, including key enterprises and a roll-up to the farm financial position, is a starting point. Each added year of analysis adds another dimension in measurement, showing progress, opportunity for change, and/or potential areas of strength and weakness.

These same enterprise cost profiles and farm financial analyses form the basis of financial projections, and operational or investment-based budgets. An individual's business analysis becomes useful in identifying and managing profit centers within the farm, plus farm capital investment activities.

2. *"Who's in Control of this Business, Anyhow?"*

For all intents-and-purposes, without a business analysis a farm directs itself. Knowledge of unit production costs and financial performance helps producers focus, strategically, on necessary short and long term choices and changes. It provides a basis to measure success, and how each choice improves farm profits, with acceptable risks. The manager is now in control.

How is my information used?

The confidentiality of individual producer information is paramount. In addition to business analyses for participants, producer information is also used in benchmarking and applied analysis. Every precaution is taken to maintain the privacy and confidentiality of individuals' information.

AgriProfit$ Benchmarks

A number of *AgriProfit$* enterprise benchmark reports are available through ARD's "Ropin' the Web" site[1]. They deliver unit cost and returns profiles along with productive and financial performance by region, farm type and management group. Regional reports also include forage and grazing cost and returns profiles for typical land use supporting the beef enterprise.

It's important to note that these reports do not suggest that all producers in a region have the same "average costs of production". In fact, significant farm to farm variation is normal, so application of averages to an individual situation requires caution. However, these benchmarks can be very valuable in assessing the competitiveness of a farm, and in identifying a farm's operational strengths and weaknesses.

Applied Analysis & Tools

The *AgriProfit$* database is used to create "knowledge nuggets" for producers. It supports applied research and analysis into topical production economics and finance issues, ranging from assessments of specific production practices (eg. swath grazing, summer calving, grazing alternatives, feeding alternatives) to business structure issues (eg. optimal herd size, yardage).

These are delivered to the beef industry in the form of newsletters[2] and bulletins.

Producer tools, budgets and decisions aids have been (or are being) developed, keying in on using unit costs derived from their *AgriProfit$* analysis. Examples include *CropChoice$* Budgetor and the Bred Heifer calculator.

Doesn't my accountant do this?

Although you may get similar farm level information from your accountant:

- statements prepared for tax purposes may mask some of the things you could be doing to manage for profit within your operation.
- accounting statements don't "burrow down" to the enterprise, or profit center level examining the pieces that create overall farm profits. They do not deliver unit costs of production.
- accounting statements are not typically prepared in a format directly comparable to industry economic benchmarks and analysis information.

These differences may seem small but can make a big difference in how effective you can be in using your own "on-farm facts".

Does *AgriProfit$* have local partners?

AgriProfit$ staff work closely with local forage and applied research associations to bring the economics and business management message home. Activities range from applying costing to demo's and trials to providing a forum to discuss production options and evaluation techniques.

Home Stretch

An *AgriProfit$* business analysis provides key management information, helping guide producers to sustainable business success. It's designed to *measure* so producers can *manage*. The focus is to deliver information and critical thinking so farm mangers can control their business future.

Questions about the *AgriProfit$* program? Please don't hesitate to contact us by phone toll free by dialing 310-0000 followed by 780-427-5390 (Anatoliy Oginskyy), or 780-415-2153 (Pauline Van Biert).

Economics & Competitiveness Division
Alberta Agriculture & Forestry

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1. *AgriProfit$* **Benchmarks for Alberta Cattlemen**
   http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/econ8479?opendocument

2. *AgriProfit$* **Newsletter for Alberta Cattlemen**
   http://www1.agric.gov.ab.ca/$department/newslett.nsf/homemain/agrp?opendocument