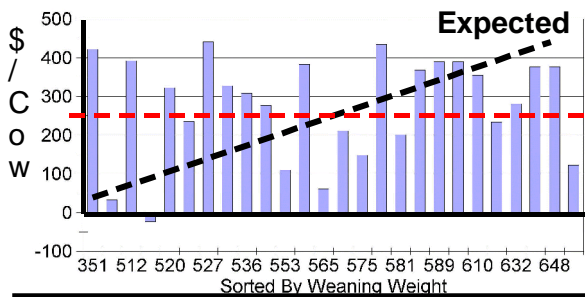


## Economic Profits Relationship To Weaning Weight

### Econ Profit Manitoba IRM Herds



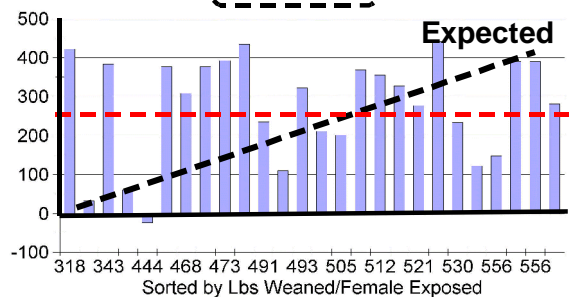
Profit is not correlated with weaning weight!

## Lbs Weaned/Female Exposed



## Economic Profits Relationship To Lbs Weaned/Female Exposed

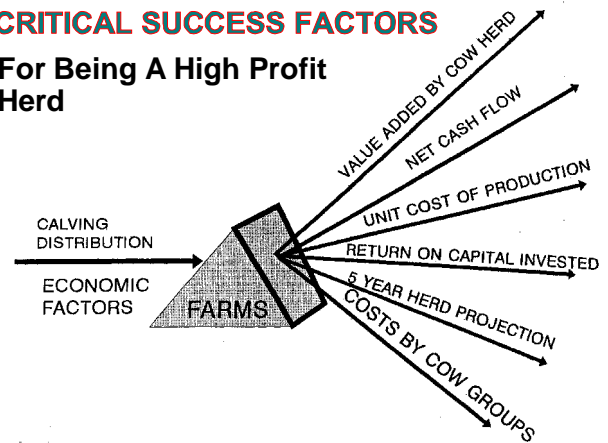
### Econ Profit(Manitoba)IRM Herds



Profits Not correlated with Lbs Weaned/female

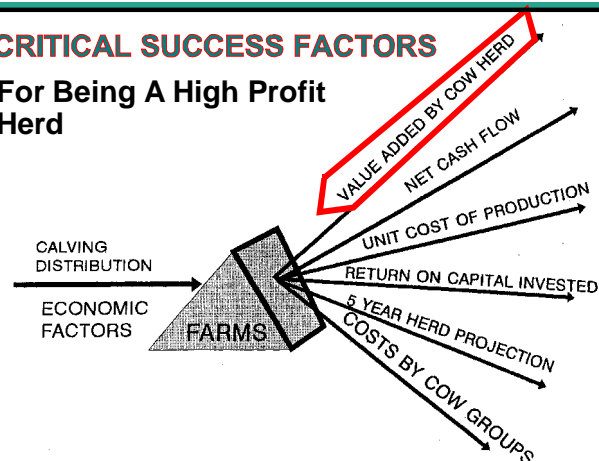
## CRITICAL SUCCESS FACTORS

For Being A High Profit Herd



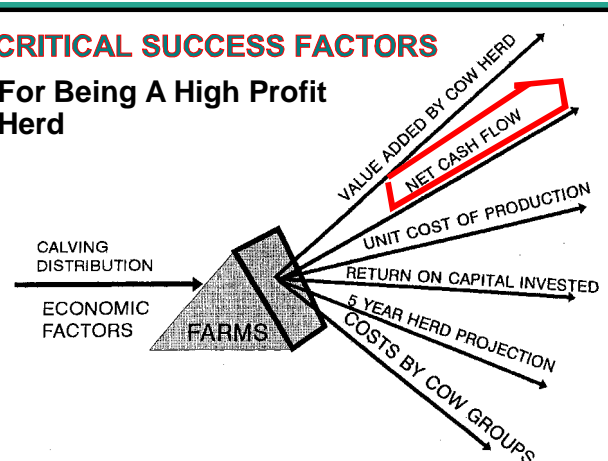
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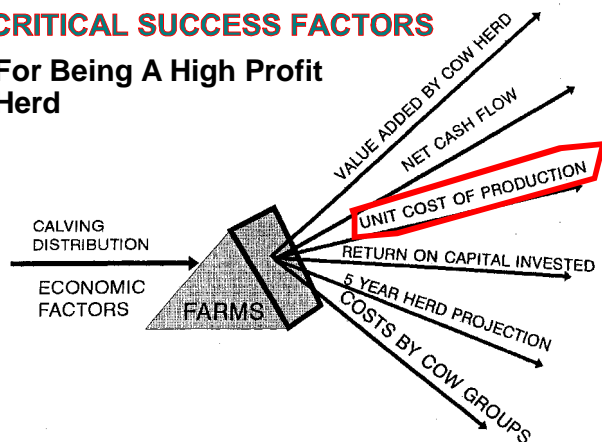
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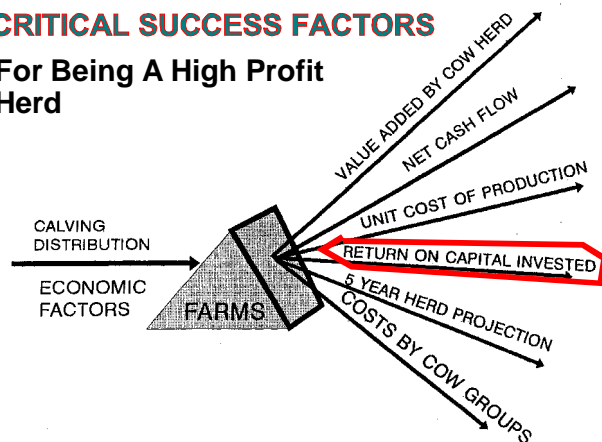
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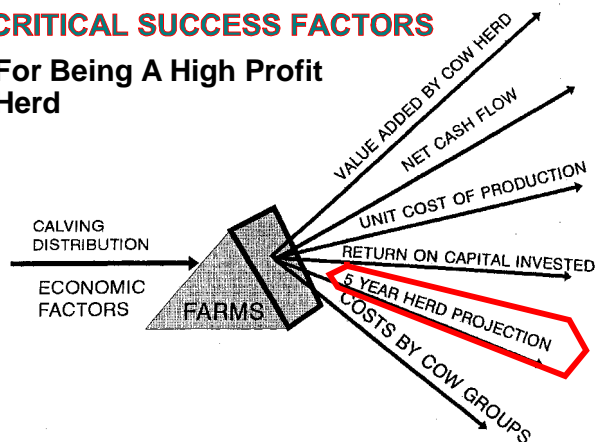
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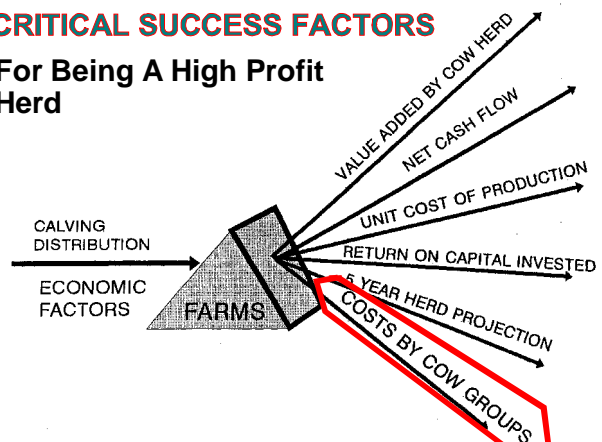
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For Being A High Profit Herd

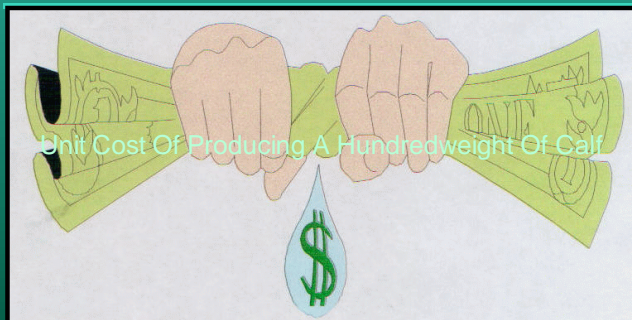


## CRITICAL SUCCESS FACTORS

For Being A High Profit Herd



The Most Important Ratio That Cattlemen Can Calculate is:



Unit Cost Of Producing A CWT Of Calf Produced

# What Is Unit Cost Of Production?



$$UCOP = \frac{\text{Herd's Total Cost}}{\text{Total Lbs Produced}}$$

Anything You Want To Talk About Is In Either The Numerator Or Denominator Or Both!

## Why Unit Cost Of Production?

- Always express costs of production in the units that you sell
- Always compare production costs to market Price
  - Cost per Cwt. of Calf Sold
    - Not cost per cow



## Intensive Management Tool #4

Management Intensity Increases Profits!!!



### IRM HERD ANALYZER



WINTER 2001  
S.E. Manitoba IRM Herds  
Winter 2002

#### IRM Herd Analyzer<sup>1</sup>

##### S.E. Manitoba IRM Herds

I. Herd Description	
January 1 Cows In Inventory	111 Hd
Calves Weaned	97 Hd
Females Exposed (actual)	n/a Hd
Females Exposed (adjusted)	116 Hd
Percent Calf Crop	87 %
Date Start Calving	n/a
Weaning Date	n/a 207 Days
Average Weaning Weight	559 Lbs
Weight/Day Of Age	2.72 Lbs
Pounds Weaned/Female Exposed	469 Lbs
Summer Grazing Period	n/a Days
Capital Investment	\$ 2,307 Cow
Debts	\$ 328 /Cow

IRM Summary Page\_Mkt.wpd

4-1

#### IRM Herd Analyzer<sup>1</sup>

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IRM Summary Page\_Mkt.wpd

4-1

#### III. Economic Summary

	Per Cow	Per Cwt
Accrual Adjusted Gross Revenue	\$ 685	\$ 135
Costs Of Production (UCOP)	\$ 431	\$85

#### Earned Net Returns To Family Resources:

1. Unpaid family & operator labor	
2. Management	
3. Equity Capital	\$ 254
Per herd	\$ 28,194

### III. Economic Summary

	Per Cow	Per Cwt
Accrual Adjusted Gross Revenue	\$ <b>685</b>	\$ <b>135</b>
Costs Of Production (UCOP)	\$ <b>431</b>	\$ <b>50</b>

#### Earned Net Returns To Family Resources:

1. Unpaid family & operator labor		
2. Management		
3. Equity Capital	\$ <b>254</b>	\$ <b>50</b>
Per herd	\$ <b>28,194</b>	

### II. Unit Costs Of Production (UCOP)

	Per Cow	Per Cwt Of Calf
Summer Grazing	\$ <b>51</b>	$\frac{685}{135} = 5.07$
Winter Stored Feed	\$ <b>170</b>	
Total Feed Costs	\$ <b>223</b>	\$ <b>43.95</b>
Livestock Costs (Less Breeding)	\$ <b>100</b>	\$ <b>19.72</b>
Bull Depreciation & Insurance	\$ <b>17</b>	\$
Interest On Operating Income	\$ <b>6</b>	\$
Fixed Expenses	\$ <b>85</b>	\$ <b>17</b>
Total Costs	\$ <b>431</b>	\$ <b>85</b>
Steer Market Price		\$ <b>135</b>
Net Per Hundredweight Of Calf Produced		\$ <b>50</b>

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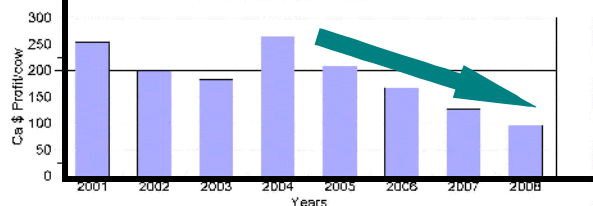
**These Producers  
Weaned \$0.85  
Calves!**

**So...what did your  
2002 calves cost?**

## Long-Run Profit Projections With Constant Ca \$

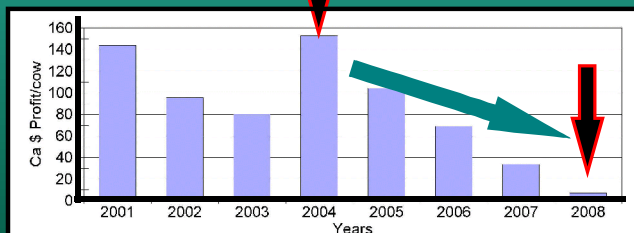
Manitoba IRM Herds

### Economic Profit Projections Manitoba IRM Herds



## Long-Run Net Cash Flow Projections (With Constant Ca \$)

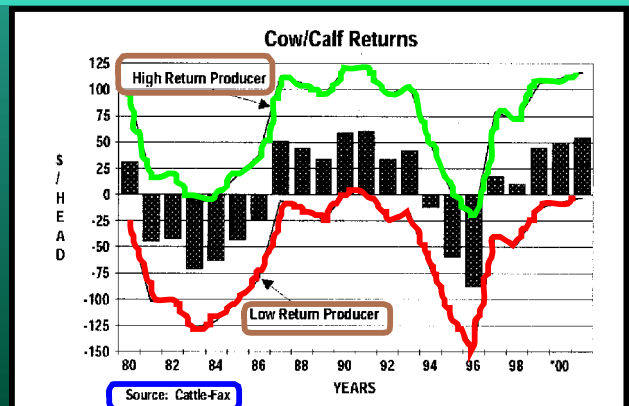
Manitoba IRM Herds



# So...What Sorts Out The High Profit Herds?

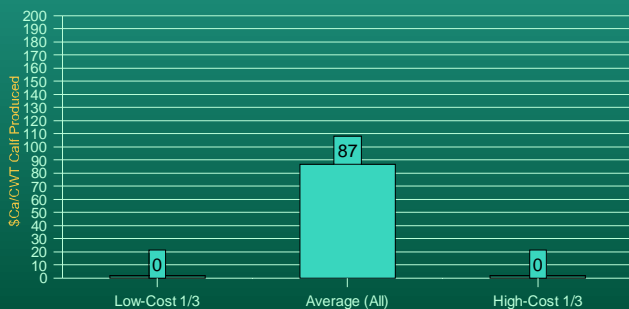
$$\text{Profit} = (\text{Price} - \text{UCOP}) \times \text{Cwt Of Calf Produced}$$

## So... What Sorts Out The High Profit Herds?



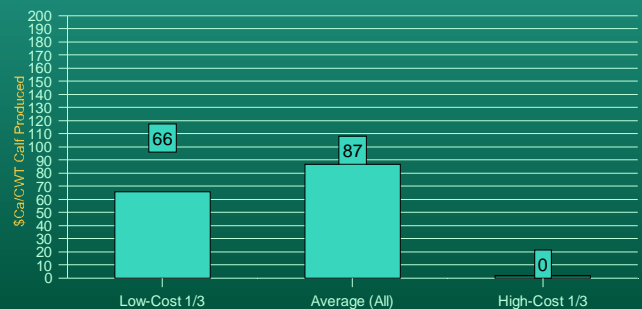
## High-Cost Vs Low-Cost Herds (\$Ca)

S.E. Manitoba IRM Herds



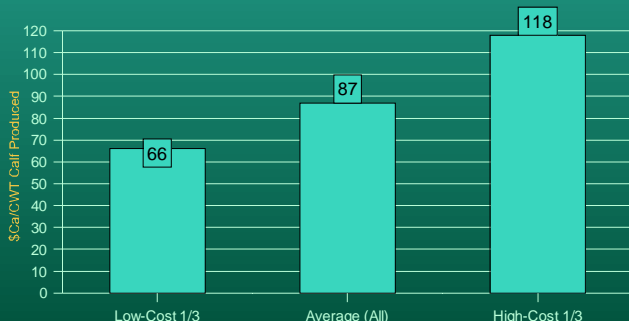
## High-Cost Vs Low-Cost Herds (\$Ca)

S.E. Manitoba IRM Herds



## High-Cost Vs Low-Cost Herds (\$Ca)

S.E. Manitoba IRM Herds



## Where Is The Big Potential For Making A Difference With A Beef Cow Herd?

High-Cost Group = \$118/Cwt

Low-Cost Group = \$66/Cwt

Difference = \$ 52 Per Cwt

S.E. Manitoba IRM Herds

## How Do You Become A Low-Cost Producer?

Suggested Cost Categories To Measure

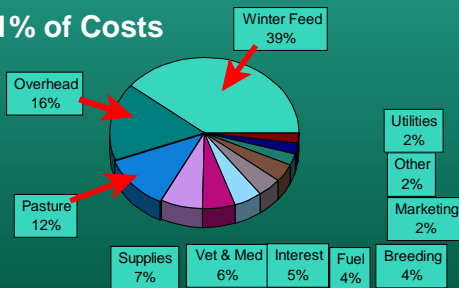
1. Winter Feed
2. Overhead
3. Pasture
4. Supplies
5. Vet & Med
6. Interest payments
7. Fuel
8. Breeding
9. Marketing
10. Utilities

## To Reduce Cost, Focus on...

1. Items that are big
2. Items that are manageable

## S.E. Manitoba IRM Herds Per Cwt. Calf produced (Ave Group)

Feed = 51% of Costs



Feed + Overhead = 67%

## But Harlan...

"I have my costs as low as I can get them!"

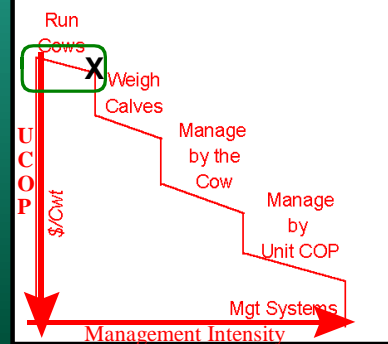
## What I Think They Are Saying Is:

"Given My Management System...

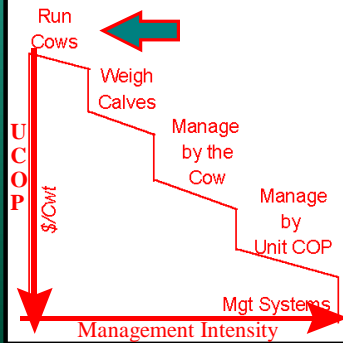
I have my costs as low as I can get them!"

0

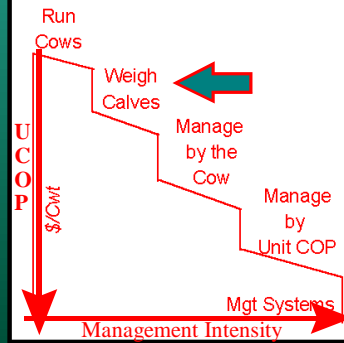
## Management Systems & Associated Cost of Production Plateaus



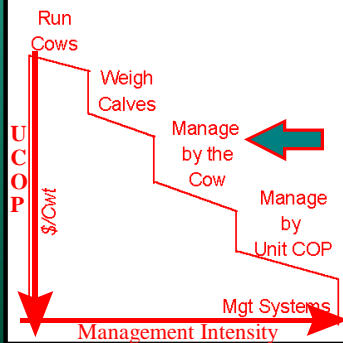
### Management Systems & Associated Cost of Production Plateaus



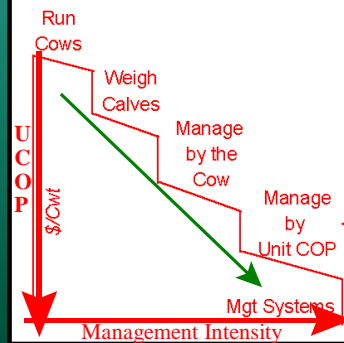
### Management Systems & Associated Cost of Production Plateaus



### Management Systems & Associated Cost of Production Plateaus



### Management Systems & Associated Cost of Production Plateaus



## Summary

### Skills Needed To Operate A High-Prifit Beef Cow Herd

(Integrated Resource Management)

**Production Skills**

PER COW  
NET INCOME  
\$ \_\_\_\_ / COW

\$ \_\_\_\_ / HERD

**Science Skills**

**Business Management Skills**



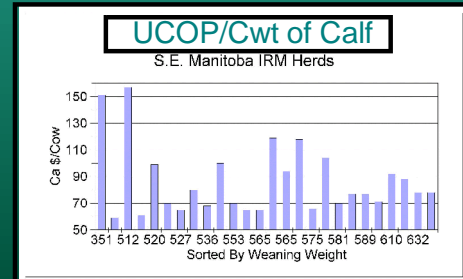
## Four Key Components Of A 3rd Generation Management System

1. Management Signals Have To Be Integrated



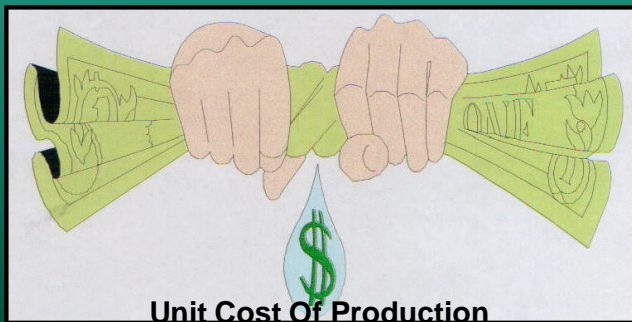
## Four Key Components Of A 3rd Generation Management System

2. Focus On Weaning Weights Is No Longer Adequate!



## Four Key Components Of A 3rd Generation Management System

3. Ranchers Must Calculate UCOP



## Four Key Components Of A 3rd Generation Management System

4. Benchmark Your Herd Against A Set Of Benchmark Herds

# Yes, Management Intensity DOES Increase Profits!!



# The End



## Harlan's Email Address

Harlan.hughes@gte.net

## Master Section Of Presentation

- B - Beginning Slide
- C - CHAPS Mgt #1 slide 14
- D - Calving Distribution Table slide 17
- P - Planning Prices Mgt # 2 slide 31
- U - UCOP section Mg #3 slide 37
- F - IRM-FARMS Mgt #4 slide 66
- S - Summary Slide 93
- E - End Slide 100
- H - Hgh email address slide 101

## Cost & Return Analysis Available

### Individual Beef Cow Herd Cost & Return Analysis \$199 Cdn.

#### Questions That will be Answered:

- \* Are your cows generating a positive or negative cash flow?
- \* What does it cost you to produce a hundredweight of calf?
- \* Are you a low-cost or high-cost producer?
- \* What is your major bottleneck to beef cow profits?
- \* What does it cost you to grow your farm-raised feeds?

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