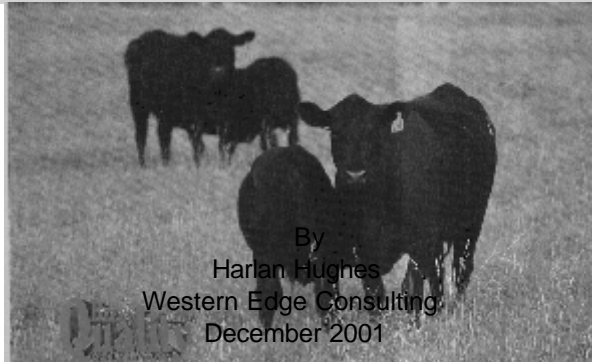


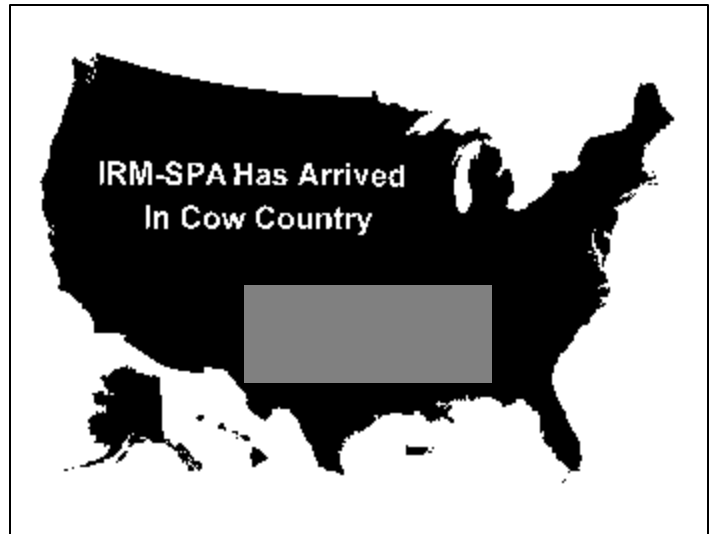
Benchmarking

To Increase Beef Cow Profits



1

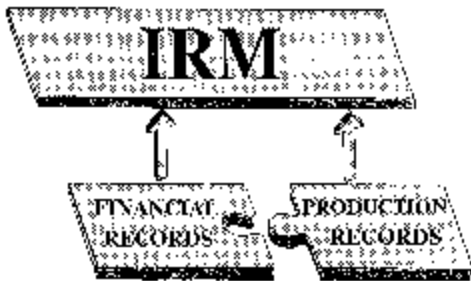
IRM-SPA Has Arrived
In Cow Country



2

What Is IRM-SPA?

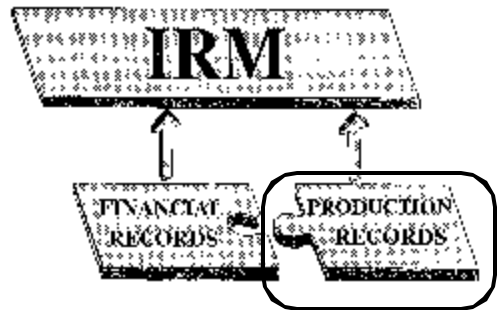
Integrated Resource Management
Standardized Performance Analysis



3

What Is IRM-SPA?

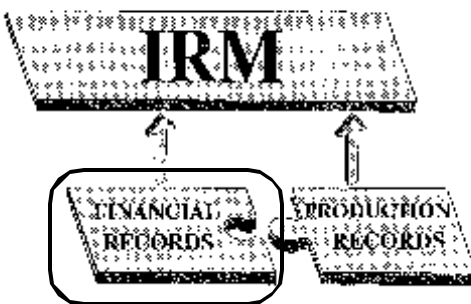
Integrated Resource Management
Standardized Performance Analysis



4

What Is IRM-SPA?

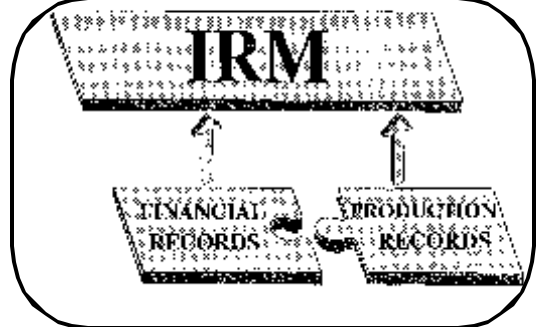
Integrated Resource Management
Standardized Performance Analysis



5

What Is IRM-SPA?

Integrated Resource Management
Standardized Performance Analysis

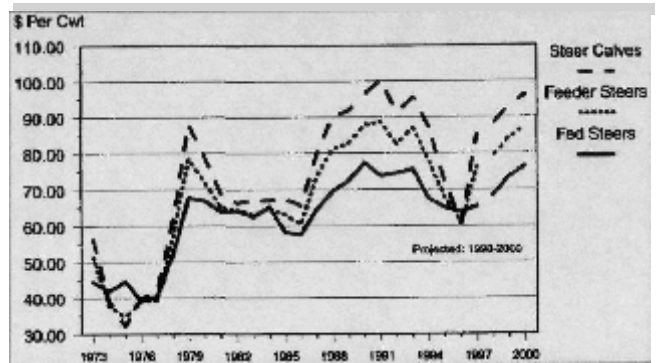


6

Why IRM-SPA?

7

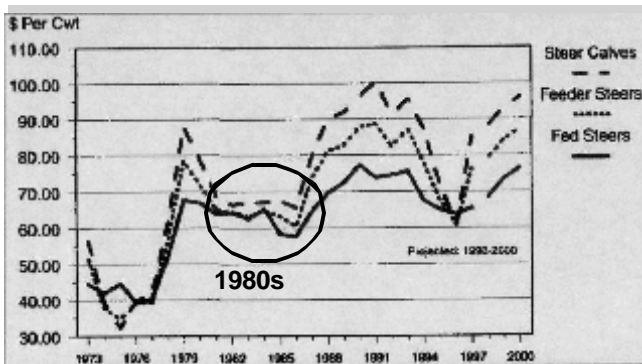
Beef Price Cycles



Source: Livestock Market Information Project

8

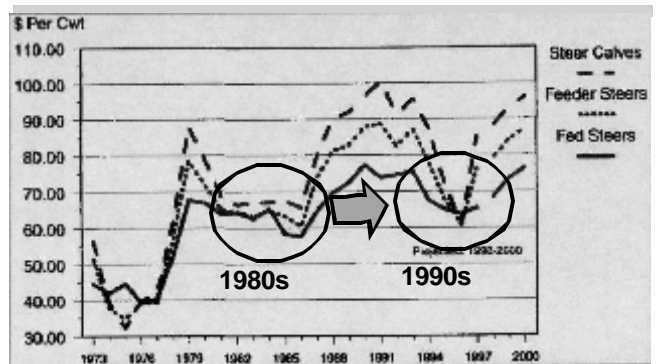
Beef Price Cycles



Source: Livestock Market Information Project

9

Beef Price Cycles

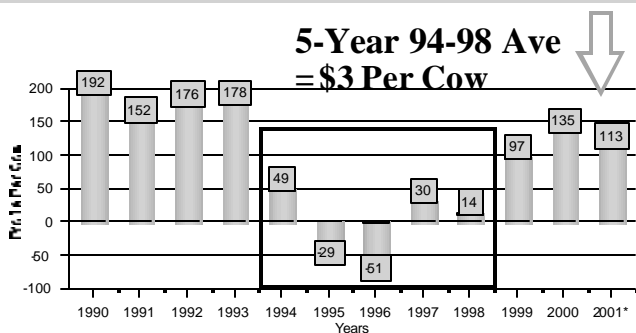


Source: Livestock Market Information Project

10

Beef Cow Profits In The 1990s

(North Dakota Farm Business Management Herds)



11

Critical Aspects Of ND IRM Program

PNorth Dakota's IRM Program Integrates Beef Cow Production, Range Management, Animal Health, And Financial Management .

PA Progressive Seven-Step Educational Program Is Available To Help Cattlemen Analyze Their Herd's Unique "On-Farm Facts "

PSoftware Is Now Available To Measure The Production And Economic Performance Of Your Beef Cow Herd.

PBottlenecks To Profitability Can Be Identified And Removed.

12

How Do You Find Your Bottlenecks To Profitability?

Benchmarking!

13

So...What Is Benchmarking?

Benchmarking is the act of comparing your beef cow herd's production and economic facts to the average facts from a set of benchmark herds.

14

The Benchmarking Process

Measures where your numbers beat the benchmark herds' averages identify your herd's strengths

Measures where the benchmark averages beat your numbers identify your herd's potential weaknesses

15

Benchmarking

Requires keeping and using records

Requires sharing information
< Can be pooled to protect Confidentiality

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Production Benchmarking

17

Production Benchmarking

Item	Unit
1. Risk Adjusted Feed Intake	173
2. Pregnancy Rate	84%
3. Calfing Rate	95%
4. Pasture Carrying Capacity	50%
5. Percent Calf Crop	100%
6. Average Weaning Weight	500
7. Feed Cost Per Pound of Gain	75¢

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Production Benchmarking

Item	Your Value	Benchmark Value	% Off Benchmark
1. BSA Adjusted Live Weights	173	77	119%
2. Pounds of P.M.	87%	87%	100%
3. Calving Rate	92%	92%	100%
4. Number Calf Deaths	52%	52%	100%
5. Percent Off-Cow	10%	11%	82%
6. Average Weaning Weight	285	292	102%
7. Percent of Weaned Calves and Weaning Expenses	75%	70%	107%

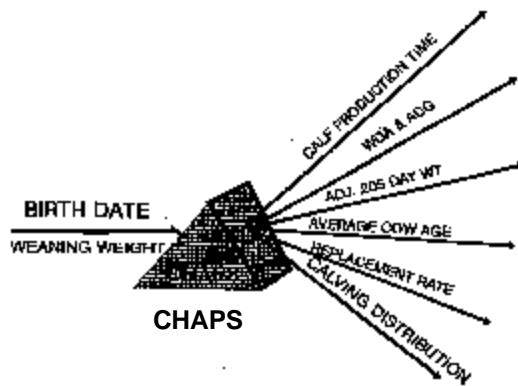
19

CHAPS 2000 Benchmarks

Item	Value
1. BSA Adjusted Live Weights	173
2. Pounds of P.M.	87%
3. Calving Rate	92%
4. Number Calf Deaths	52%
5. Percent Off-Cow	10%
6. Average Weaning Weight	285
7. Percent of Weaned Calves and Weaning Expenses	75%
8. Calf Production Time	144
9. Wean & Add	144
10. Adj. Bds Day Wt	144
11. Average Cow Age	144
12. Replacement Rate	144
13. Calving Distribution	144
14. Winter feed costs per cow	144
15. Total feed cost per cow	144
16. Vet & Medicine cost per cow	144
17. Total cost of producing a hundred weight of calf	144

20

Critical Production Benchmarks



21

Economic Benchmarking

22

Economic Benchmarking

ECONOMIC ITEM	Your Value	Benchmark Value	% Off Benchmark
1. Number of head cows in the beginning inventory			
2. Total capital invested per beef cow			
3. Debt per cow			
4. Debt service per cow			
5. Accrued adjusted income per cow			
6. Summer grazing costs			
7. Winter feed costs per cow			
8. Total feed cost per cow			
9. Vet & Medicine cost per cow			
10. Total livestock care and new horse payments			
11. Overhead costs			
12. Interest Payment on borrowed capital			
13. Total cost of production per cow			
14. Total cost of producing a hundred weight of calf			

23

Economic Benchmarking

ECONOMIC ITEM	Your Value	Benchmark Value	% Off Benchmark
1. Number of head cows in the beginning inventory	100		
2. Total capital invested per beef cow	\$2,000		
3. Debt per cow	\$500		
4. Debt service per cow	\$50		
5. Accrued adjusted income per cow	\$400		
6. Summer grazing costs	\$20		
7. Winter feed costs per cow	\$100		
8. Total feed cost per cow	\$120		
9. Vet & Medicine cost per cow	\$50		
10. Total livestock care and new horse payments	\$50		
11. Overhead costs	\$1		
12. Interest Payment on borrowed capital	\$1		
13. Total cost of production per cow	\$500		
14. Total cost of producing a hundred weight of calf	\$20		

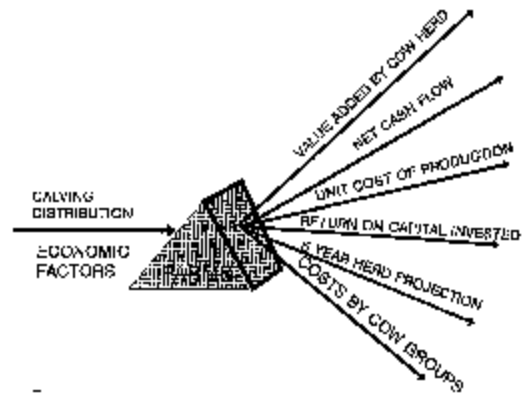
24

Economic Benchmarking

ECONOMIC ITEM	Your Value	Benchmark Value	% Of Benchmark
1. Number of head cows in the beginning inventory	195	175	114%
2. Total capital invested per beef cow	\$2,027	\$2,112	96%
3. Debt per cow	\$275	\$225	124%
4. Debt service per cow	\$57	\$67	85%
5. Average adjusted income per cow	\$425	\$375	112%
6. Summer grazing costs	\$72	\$52	139%
7. Winter feed costs per cow	\$ 75	\$ 72	104%
8. Total feed cost per cow	\$147	\$124	118%
9. Vet & Medicine cost per cow	\$6	\$ 4	150%
10. Total livestock taxes and new lease payments	\$0	\$0	0%
11. Overhead rates	\$1	\$ 2	50%
12. Interest Payment on borrowed capital	\$1	\$2	50%
13. Total cost of production per cow	\$376	\$372	101%
14. Unit cost of producing a hundred weight of sale	\$72	\$84	86%

25

Critical Benchmarks



26

NorthernPlains1999Benchmarks

Cow on Hand Jan 1, 1999:	151
Females Exposed:	160
Total Investment Per Cow:	\$ 2018
Total Debt Per Cow:	\$ 276
Average Steer Price (#/CWT):	\$ 85
Average Weaning Weight:	562

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NorthernPlains1999Benchmarks

Gross Income Per Cow:	\$ 451
Feed Costs:	
Summer	\$ 73
Aftermath	\$ 0
Winter	\$ 123
Total Feed Costs:	\$ 198

28

NorthernPlains1999Benchmarks

Livestock Expenses:	
Vet. & Medicine	\$ 17
Trucking	\$ 1
Miscellaneous	\$ 0
Fuel	\$ 9
Utilities & Gen Farm Exp	\$ 7
AI Expense	\$ 3
L.S. Supp & Lease Print	\$ 15
Marketing	\$ 5
Breeding	\$ 6
Hired Labor & Mgt	\$ 6
Total Livestock Expense:	\$ 68
Interest on Feed & L.S. Expenses:	\$ 10

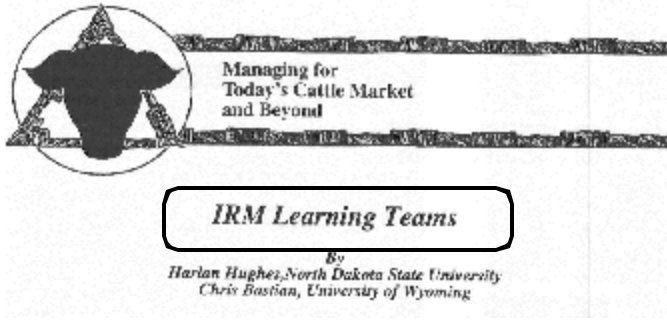
29

NorthernPlains1999Benchmarks

Fixed Expenses:	
BLD, FAC, Cows & Heifers	\$ 40
Debt Interest	\$ 6
Debt Principal	XXXX
Total Costs:	\$ 322
Value Added Per Cow (P&L)	\$ 129
Unit Cost of Prod (\$/CWT)(Mode)	\$ 62

30

North Dakota's Learning Teams



Publication Available On The Web

31

Kitchen Table Dynamics



32

Learning Teams Look For Bottlenecks To Profitability



33

Delivery Options

PA = Go to Summary

PB = Go to Ranch X Benchmark Example

34

Ranch X

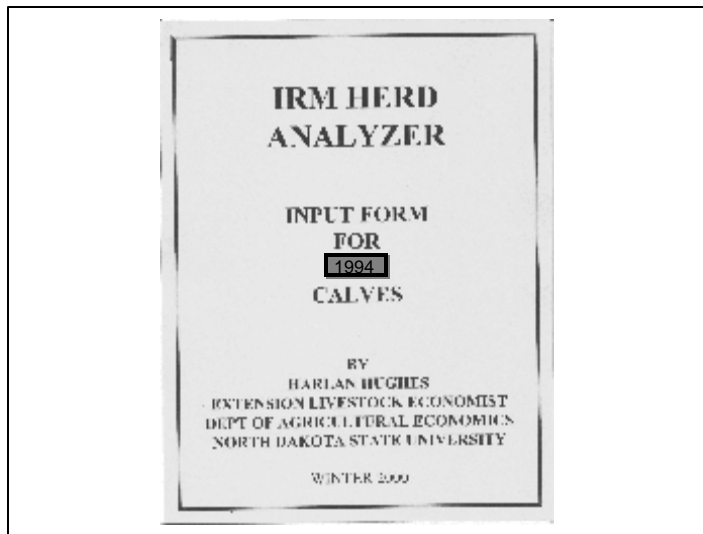
Two Profit Enhancing Questions That Ranchers Need To Answer To Enhance Profits

1. What does it cost me to produce a hundredweight of calf?
2. Am I a low cost or high cost producer?



35

36



37

Question 1:

What did it cost Rancher X to produce a hundredweight of calf?

38

RanchXCHAPS Benchmarks

	RanchX	1994	1995	1996	1997
1994 Adjusted females exposed	36	35	34	33	32
1994 Total Cost	1906	1800	1700	1600	1500
1994 Average Steer Price (\$/CWT)	78	78	78	78	78
1994 Average Weaning Weight	488	488	488	488	488
1994 Total Feed Cost	275	275	275	275	275

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Let's Look At the IRM-FARMS Analysis Of Ranch X

40

What Did It Cost Ranch X To Produce A Hundredweight Of Calf?

Step 1 – Inventory Herd Assets

Cow on Hand Jan 1, 1994:	35
Females Exposed:	36
Total Investment Per Cow:	\$ 1,906
Total Debt Per Cow:	\$ 0
Average Steer Price (\$/CWT):	\$ 78
Average Weaning Weight:	488

41

What Did It Cost Rancher X To Produce A Hundredweight Of Calf?

Step 2 – Compile Gross Income & Feed Costs

Gross Income Per Cow:	\$ 329
Feed Costs:	
Summer	\$ 14
Aftermath	\$ 0
Winter	\$ 261
Total Feed Costs:	\$ 275

42

What Did It Cost Rancher X To Produce A Hundredweight Of Calf?

Step 3—Calculate Livestock Expenses

Livestock Expenses:		
Vet & Medicine	\$	8
Trucking	\$	0
Miscellaneous	\$	12
Fuel	\$	4
Utilities & Gen Equip Exp	\$	6
AI Expense	\$	4
L.S. Supp & Lease Fin	\$	59
Marketing	\$	0
Breeding	\$	1
Hired Labor & Mgt.	\$	0
Total Livestock Expense	\$	94

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What Did It Cost Rancher X To Produce A Hundredweight Of Calf?

Step 4—Calculate Overhead Costs & Total Costs

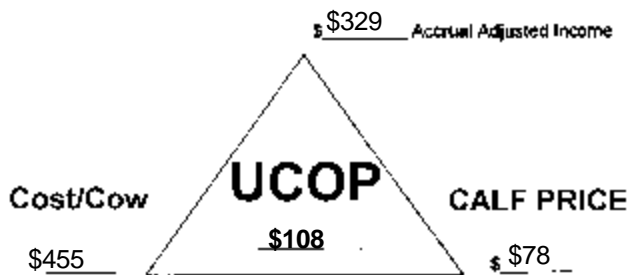
Fixed Expenses:

BLD, FAC, Cows & Heifers	\$	74
Debt Interest	\$	0
Debt Principal		XXXX

Total Costs:	\$	455
Value Added Per Cow (P&L)	\$	-126
Unit Cost of Prod (\$/CWT)(Mode)	\$	108

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Unit Cost Of Producing A Cwt Of Calf (Ranch X)



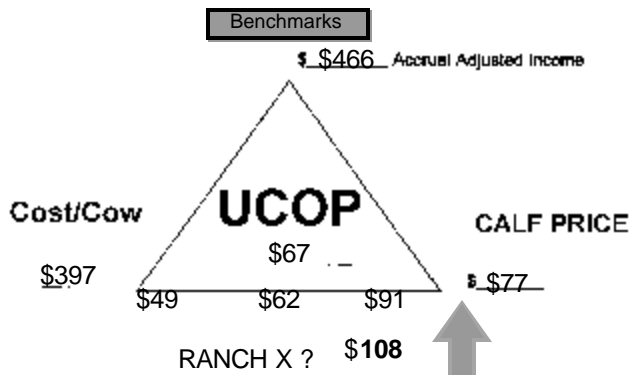
45

Question 2:

Is Rancher X A Low-Cost Or High-Cost Producer?

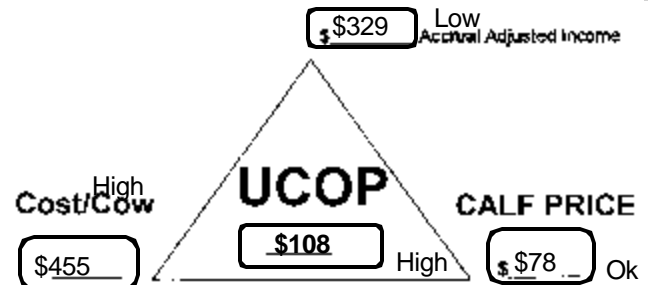
46

Northern Plains Benchmark (1994)



47

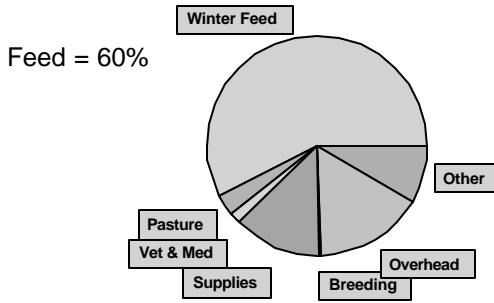
Unit Cost Of Producing A Cwt Of Calf (Ranch X)



48

Ranch X Costs Of Production

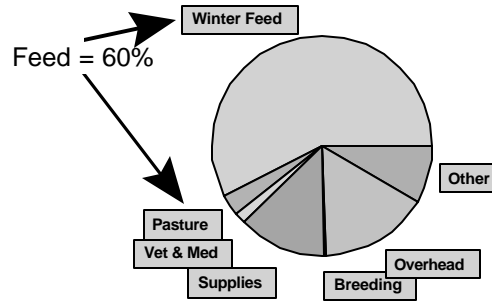
PerCow 1994 Data



49

Ranch X Costs Of Production

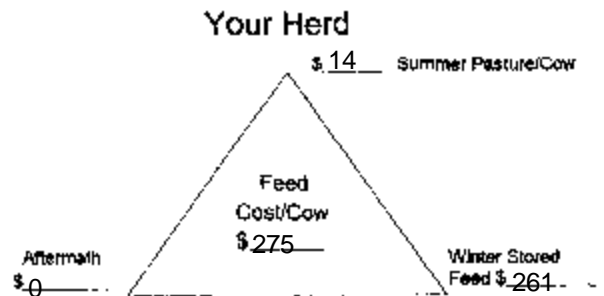
PerCow 1994 Data



50

Let's Benchmark Rancher X's Feed Costs

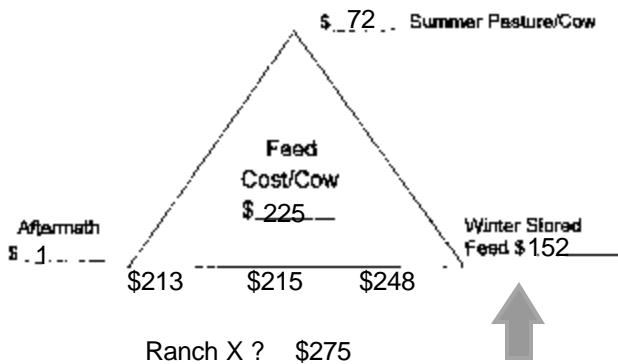
Feed Costs Per Cow (Ranch X)



51

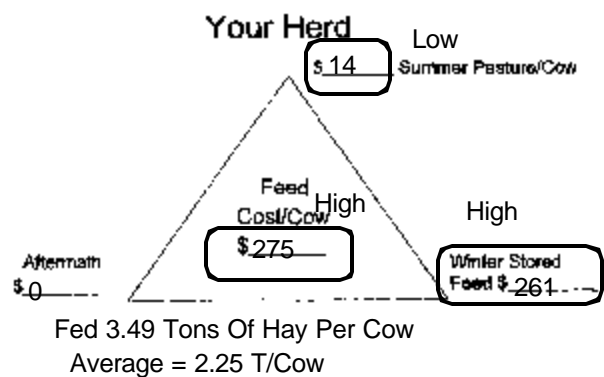
52

NorthernPlains1994Benchmark



53

Feed Costs Per Cow (Ranch X)



54

What Benchmarking Is Telling Us About Ranch X

P Absolute UCOP at \$108 per Cwt of calf

P Is a high cost producer

< Feed Costs High

– Pasture costs very low

– Stored Feed Costs high

< Bottleneck To Profits is Winter Feeding Program

– Fed 3.49 Tons of Hay Per Cow!

Fed 34 lbs Dry Matter/Cow/Day

55

Summary

56

Benchmarking

P Benchmarking is a competitive tool – the key tool – for producers to use in decreasing their costs and increasing their production's value.

Rob Adams, General Manager, Circle Four Farms, Milford, Utah

57

Benchmarking

P Benchmarking gives one the capability to remove bottlenecks to profitability

P Profit goes up as bottlenecks are removed

P I encourage removing one bottleneck per year

58

Benchmarking

P Benchmarking is the single most powerful ranch management practice that a rancher can implement!

P It is a key to the survival of the "Family Ranch" over the next cattle cycle.

P Benchmarking employs knowledge to focus your limited management time on removing bottleneck to profitability

< When bottlenecks are removed, profits go up!

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Benchmarking

Benchmarking creates knowledge.

And producers need:

"to be organized around Knowledge, rather than tasks."

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Final Point

RANCH MANAGEMENT PROGRESSION

- P The decade of the 1970s and 1980s was devoted to Herd Performance Records.
- P The decade of the 1990s was devoted to IRM-SPA Cost & Return Financial Analyses.
- P The decade of 2000 is being devoted to:
 - < Value-Based Marketing on marketing side.
 - < Benchmarking on the production side.
- P Private Industry is now moving into Both.

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Harlan's Business Card

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Market Advisor: www.Beef-Mag.com
and www.beefeconomics.blogspot.com

Address: 30 Ramble A Road
Laramie, WY 82070

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The End

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