

Cow-Calf Enterprise Standardized Performance Analysis

Overview

- Cattlemen are challenged to reduce production costs, be more competitive, and increase market share and profits.
- The first step to lowering the cost of production is to clearly determine the current unit cost of production and make comparisons to alternative production systems.
- In 1992, the National Cattlemen's Beef Association adopted the Standardized Performance Analysis (SPA) system developed through efforts of NCBA producers, the National Integrated Resource Management Coordinating Committee and Extension specialists.
- The SPA developers also endorsed the use of the Farm Financial Standards Guidelines developed by a national task force to facilitate preparation of total farm or ranch financial statements.

Purpose of SPA

- SPA is an analysis tool, not an accounting or production record system.
- The first objective of SPA is to determine the production and financial performance of the individual cow-calf enterprise
- SPA helps identify potential areas for change and measures progress in meeting business objectives.
- The standardized analysis facilitates comparisons between production years, producers, production regions, and production systems.

Information Requirements

- To implement SPA certain minimal data are required: 1) the fiscal year financial statements (the beginning and ending balance sheets and an income or profit and loss statement allocated to the cow-calf enterprise); 2) the farm or ranch depreciation schedule; and 3) the fiscal year IRS tax schedules.
- For production performance measures, the producer must have additional data for the fiscal or tax year in which calves are weaned: 1) IRS tax and depreciation schedule; 2) loan payment schedules; 3) financial statements prepared for the business analysis and lenders; 4) cattle inventories and feed use; and 5) production records.

Production Data

- General ranch and land use descriptive data
- The cow herd management/production season data – breeding, calving, weaning
- Weaned calf production, value, and cull or breeding cattle sales
- Land use, both owned and leased
- Feed use and end-of-year inventory
- Breeding cattle inventories
- Number of breeding females exposed

Specific Cattle Inventories

- The breeding cattle inventory:
 - At the end or beginning of the fiscal year
 - At the beginning of the breeding season
 - When cows are pregnancy tested, record bred, and open

Financial Data

- IRS tax schedules, especially Schedule F
- Depreciation schedule
- Loan payment schedules
- Financial statements that have been prepared for the fiscal year business analysis or the lender. Statements would include:
 - Beginning and ending fiscal year balance sheet (ending is next year's beginning)
 - Income statement (accrual adjustments will be made for the analysis)

Sources for SPA Financial Data

- IRS tax schedules for fiscal or tax year or analysis
 - Schedule F – Profit or Loss from Farming
 - Form 4562 – Depreciation and Amortization
 - Form 4797 – Sales of Business Property
- Depreciation schedule for operation
- Loan payment schedules, available from each lender
- Beginning and ending balance sheet showing all business assets and liabilities (the depreciation schedule has information for depreciable assets)

Good to Have Data

- End-of-year inventories for cattle and feed.
- Enterprise revenue and expenses if the business accounting system generates enterprise values.

Reproduction Data – Performance Measures

- Based on exposed females
 - Pregnancy percentage
 - Pregnancy loss percentage
 - Calving percentage
 - Calf death loss
 - Calf crop or weaning percentage
 - Female replacement rate
- Calf death loss based on calves born
- Calving distribution
- Cumulative distribution
 - Calves during first 21 days
 - Calves during first 42 days
 - Calves during first 63 days
 - Calves after first 63 days

Production Data

- Based on exposed females
 - Average calf weaned age (months)
 - Actual weaning weight (pounds per head)
 - Steers/bulls
 - Heifers
 - Pounds weaned per exposed female

Grazing and raised feed land measures

- Acres per exposed female
 - Grazing acres per exposed female
 - Raised feed acres per exposed female
 - Crop aftermath acres per exposed female
- Pounds weaned per acres used by the cow-calf enterprise
- Dominant grazing method – exposed females
- Pounds of raised/purchased feed fed per breeding cow

Marketing Information

- Marketing method
- Pricing method
- Dominant breed
- Pay weight cattle prices (\$/cwt)
 - Calves
 - Culls
 - Steers/bulls, cows
 - Heifers, bulls
 - Weighted average

Financial Position

- Investment per breeding cow (value of assets)
 - Current assets
 - Livestock
 - Machinery and equipment
 - Other non-current assets
 - Real estate – land and improvements
 - Total investment
- Debt per breeding cow (enterprise liabilities)
- Equity to assets or percent equity

Financial and Economic Performance per Breeding Cow and Per Cwt of Calf Weaned

- Total raised/purchased feed cost
- Total grazing cost
- Gross cow-calf enterprise accrual revenue
- Total cow-calf enterprise operating cost
- Total financing cost and economic return
- Total cost before non-calf revenue adjustment
- Net income
- Percent return on enterprise assets (ROA)
- Unit cost of production (economic breakeven price)
 - Total non-calf revenue
 - Total calf cost (non-calf revenue adjusted)
- Rate of economic return on the owned real estate investment