Standardized Performance Analysis (SPA) for Decision Making

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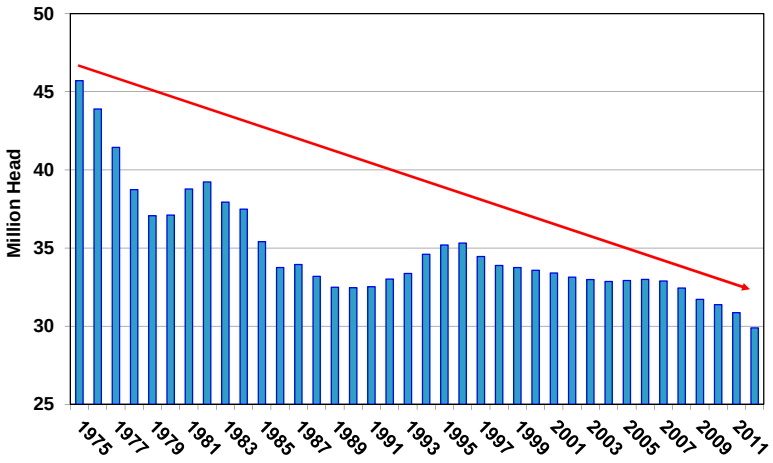
The Beef/Cattle Industry

- Beef competes with other proteins
  - Will always be one of the most expensive
- Unique because of the phases within the industry
  - Cow-calf
    - Asset Intensive
    - Labor Intensive
  - Stocker
    - Margin Business
  - Feedlots
    - Margin Business
  - Packer
    - Margin Business
  - Retail
- The Beef Industry players compete within their phases.

U.S. Beef Cow Inventory

January 1 Inventories



"It's all a big wheel and one broken spoke breaks the wagon down."

Minnie Lou Bradley
Bradley 3 Ranch
Memphis, Texas

The best tool we have to establish baselines and then analyze cow-calf operations is the IRM Beef Cow-calf Standardized Performance Analysis (SPA)

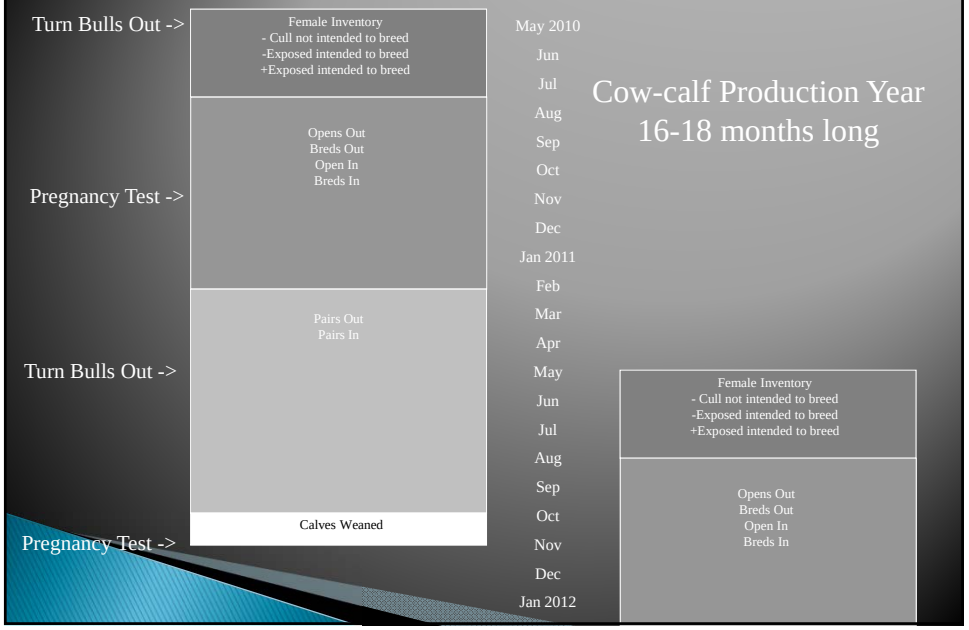
IRM-SPA Program

- National Program endorsed by the NCBA in 1991
- Objectives
  - Identify areas of an operation needing change in order to fulfill owner's objectives.
  - Determine annual COP and ROA for an operation.
  - Develop Regional Databases to establish production and financial benchmarks.

Beef Cattle SPA Program

- Facilitates the comparison of an operation's performance between years, groups of producers, production regions and production systems.
- Texas and the Texas Rolling Plains has led this endeavor.
- Completed on an individual basis.
- Annual workshops are held to assist ranchers with the analysis.

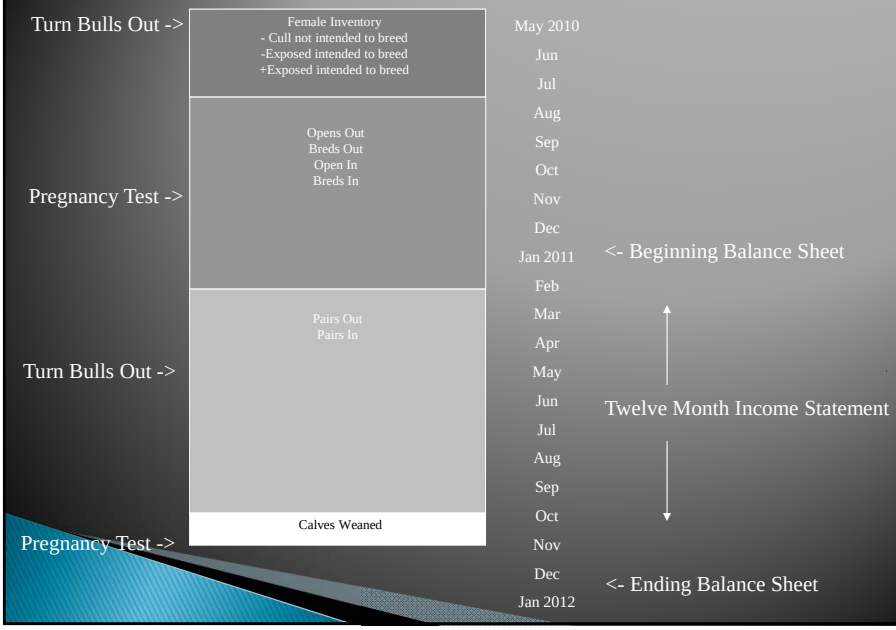
How the SPA Production Side Works – Spring Calving Herd



SPA Production Results

- Rainfall Data
- Acres/Female
- Breeding Season Length
- Pounds Feed Fed
- Average Prices Rec'd
  - All Calves
  - Steers
  - Heifers
  - Culls
- Pounds per Acre
- Pregnancy Percentage
- Pregnancy Loss
- Calving Percentage
- Calving Death Loss
- Weaning Percentage
- Calving Distribution
- Age at Weaning
- Pounds produced per Female
- Weaning Weights

How the SPA Financial Side Works – Spring Calving Herd



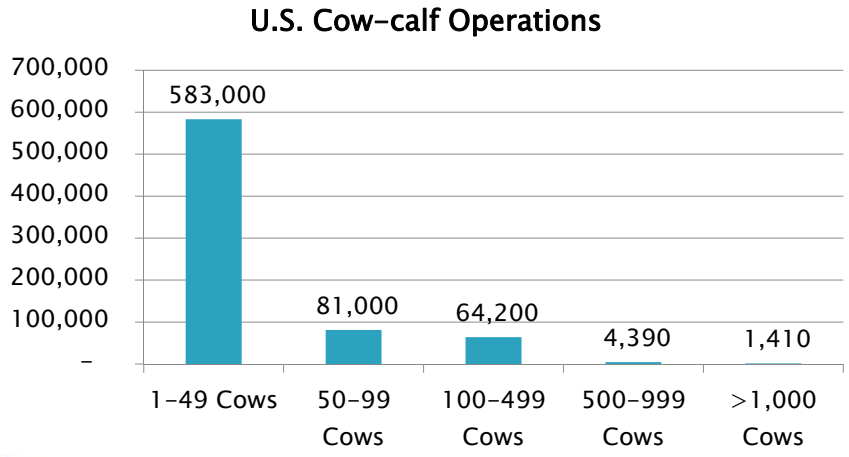
SPA Financial Results

- Investment per Female
  - Cost Basis
  - Market Basis
- Debt per Female
- Feed Costs per Female & Cwt.
- Grazing Costs per Female & Cwt.
- Finance Costs per Female & Cwt.
- Total Costs per Female & Cwt.
- Breakeven Price per pound of weaned calf
- Rate of Return on Assets
  - Cost Basis
  - Market Basis
- Percentage Breakdown of each cost item.

Beef Cattle SPA Program Results

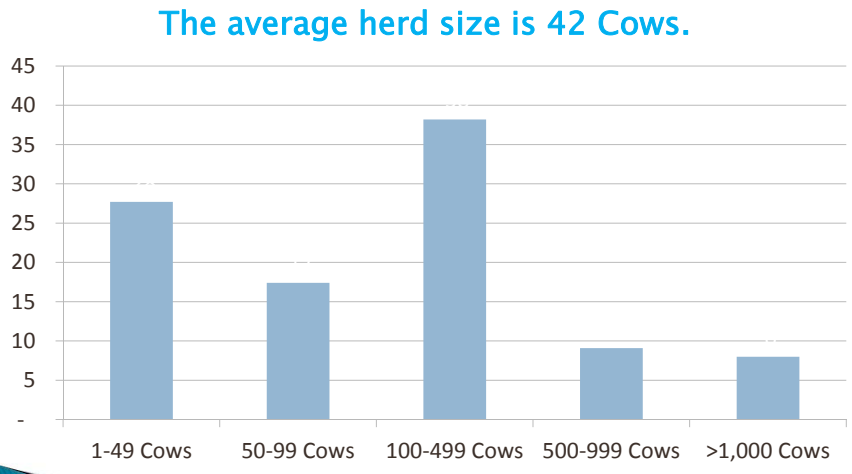
- Two Primary Comparisons
  - Comparison with a regional database average
    - What is the ranch's strengths and weakness compared to the regional average.
  - Track the same operation over time.
    - Where is the ranch going?
    - Is it getting there?

Number of US Beef Cow-calf Operations - 2011



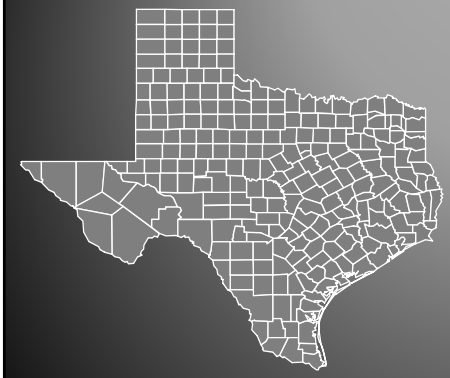
Source: USDA-NASS, "Farms, Land in Farms, and Livestock Operations: 2011 Summary", February 2012.

U.S. Beef Cow Inventory by Size of Herd

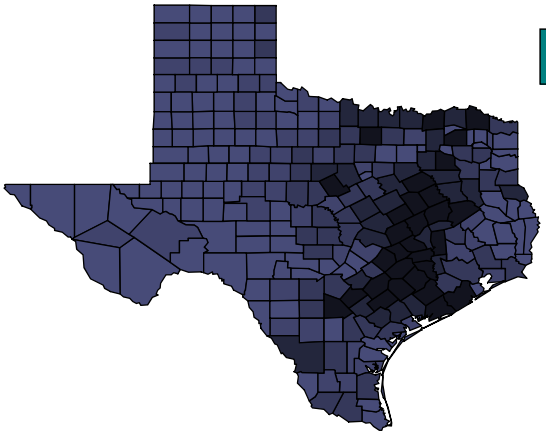


Source: USDA-NASS, "Farms, Land in Farms, and Livestock Operations: 2011 Summary", February 2012.

Focusing on Texas Cow-calf Industry



Where are the Cows in Texas



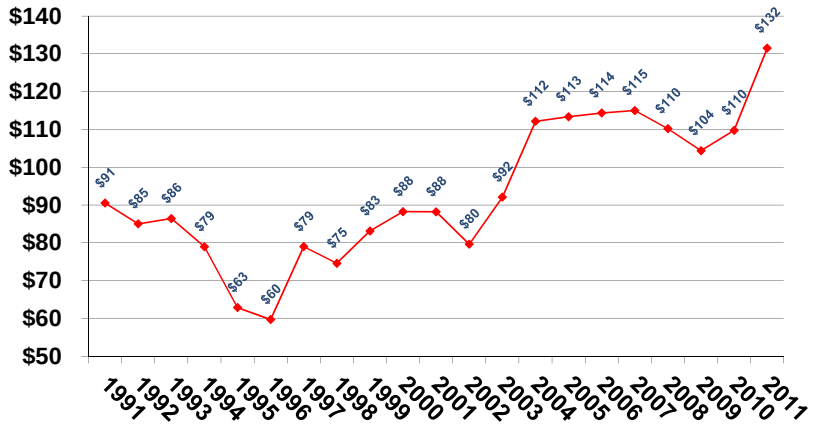
Texas Beef Cow Inventory, by County, January 1, 2009

- 0 to 10,000
- 10,001 to 20,000
- 20,001 to 30,000
- 30,001 to 40,000
- Greater than 40,000

Annual Calf Prices

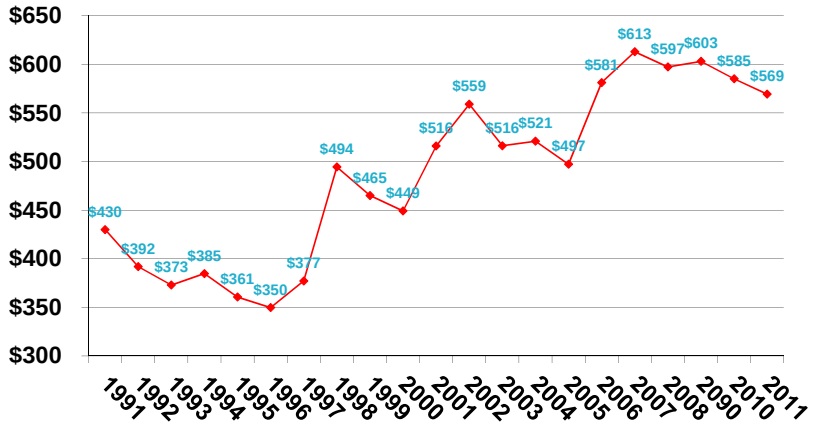
Texas SPA Database – 1991 to 2011

Texas SPA database contains results from 441 herds totaling 318,389 females.



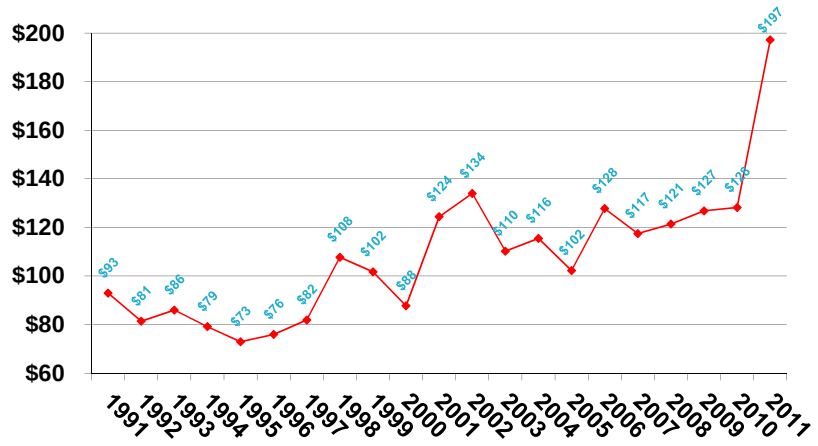
Costs per Female

Texas SPA Database – 1991 to 2011



Breakeven Price per Cwt. Weaned

Texas SPA Database – 1991 to 2011

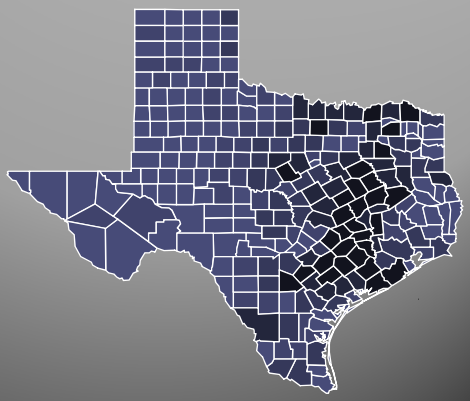


What is Cow-calf Owners goals?

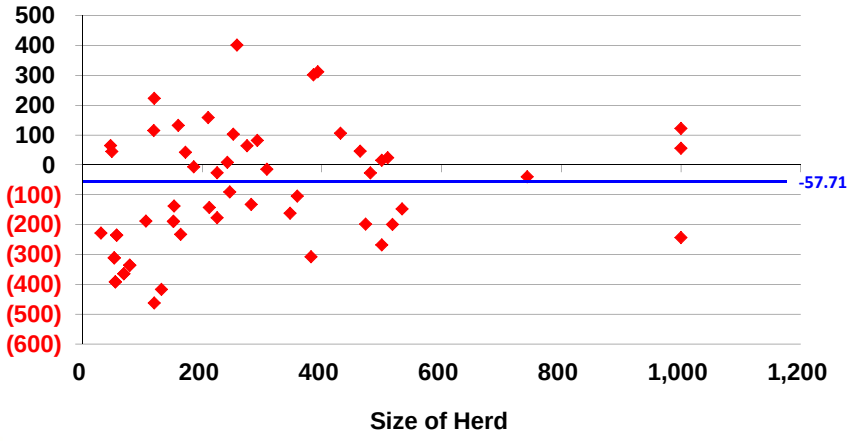
1. Pay property taxes (I just like cows)
2. Breakeven (I just like cows, but I don't necessarily need the money)
3. Be Profitable (If I don't make money, I have to find something else to do)
4. Genetic progression (I plan to have the "best performing" cattle)

Texas SPA Results

- 2007 to 2011
- 45 herds
- 47 to 2,972
- 17,291 females
- Herds by Size:
  - 1 – 49: 2
  - 50 – 99: 5
  - 100 – 199: 12
  - 200 – 299: 10
  - 300 – 499: 9
  - 500 – 999: 4
  - => 1,000: 3

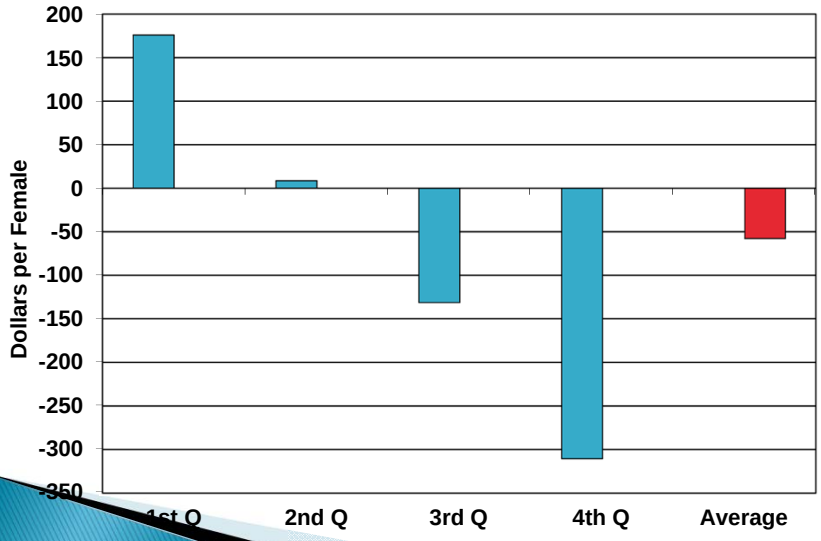


Net Income per Female by Size

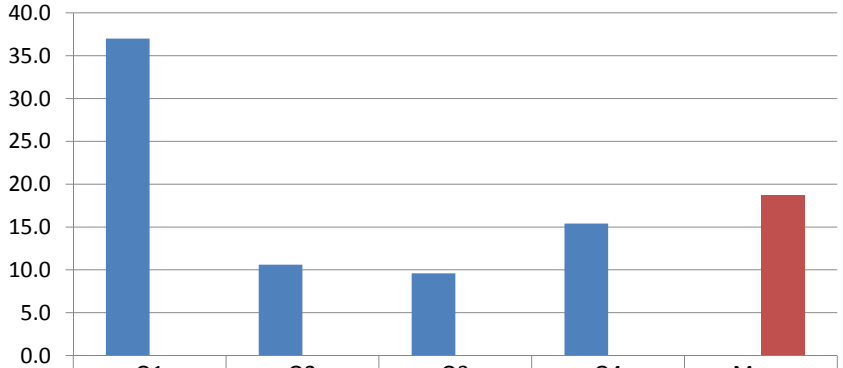


Financial Net Income Per Female

Database Average = -$57.71



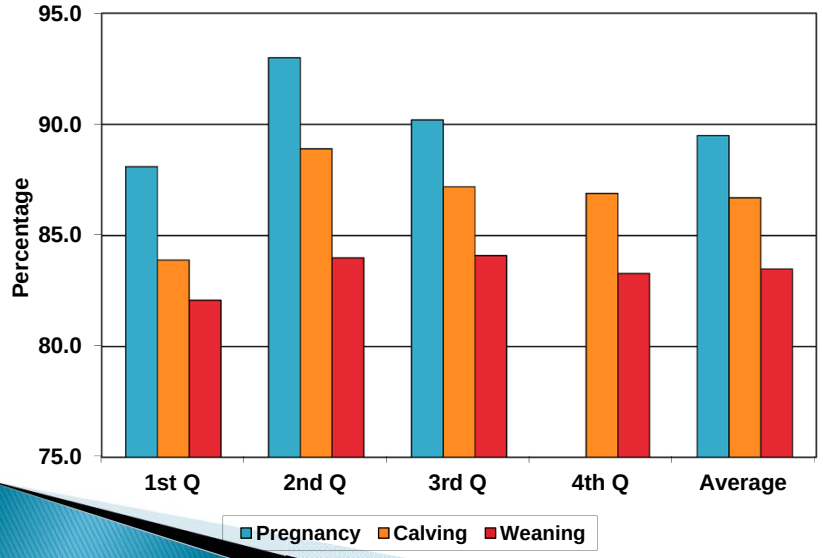
Acres per Female



	Q1	Q2	Q3	Q4	Mean
Acres	37.0	10.6	9.6	15.4	
Mean					18.7

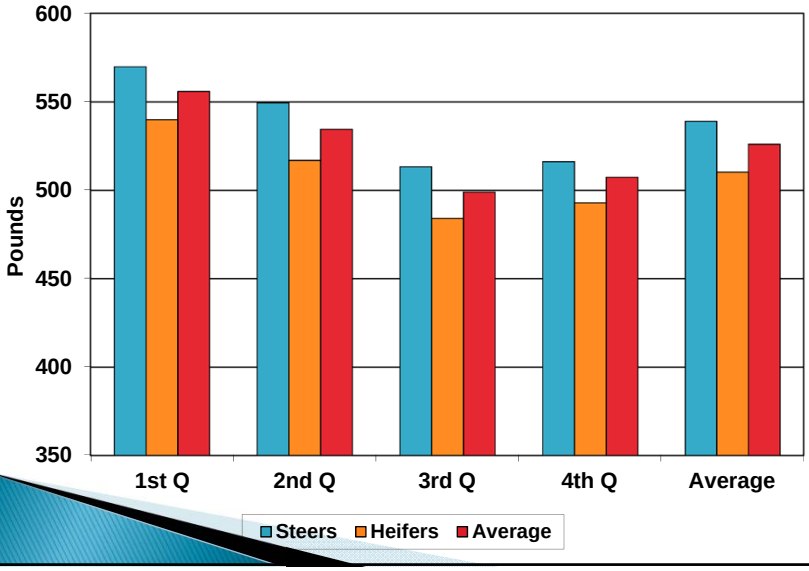
Production Performances

Database Average = 83.5%

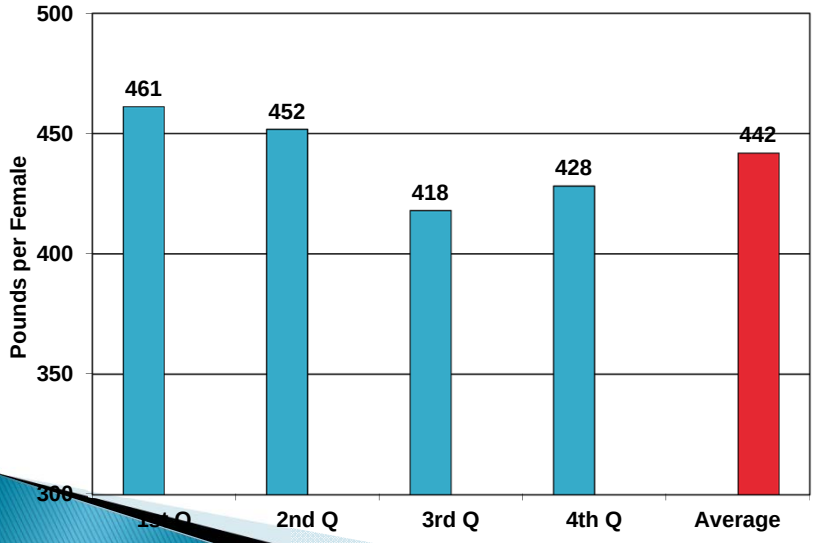


Weaning Weights

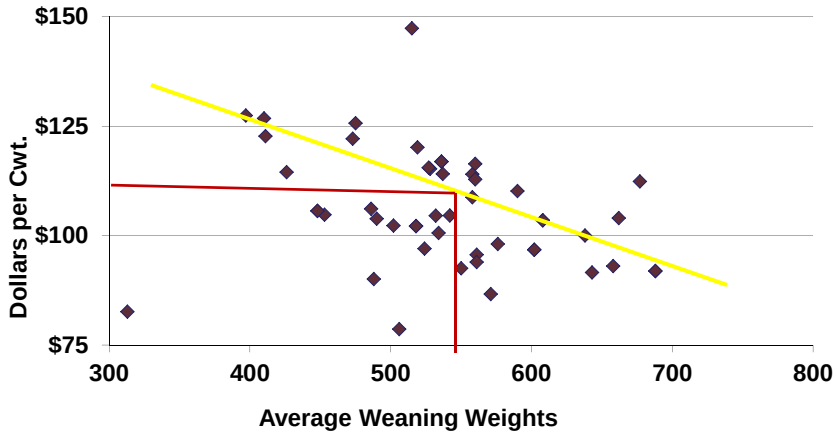
Database Average = 526.0 lbs.



Pounds Weaned per Exposed Female
Database Average = 441.9 lbs.

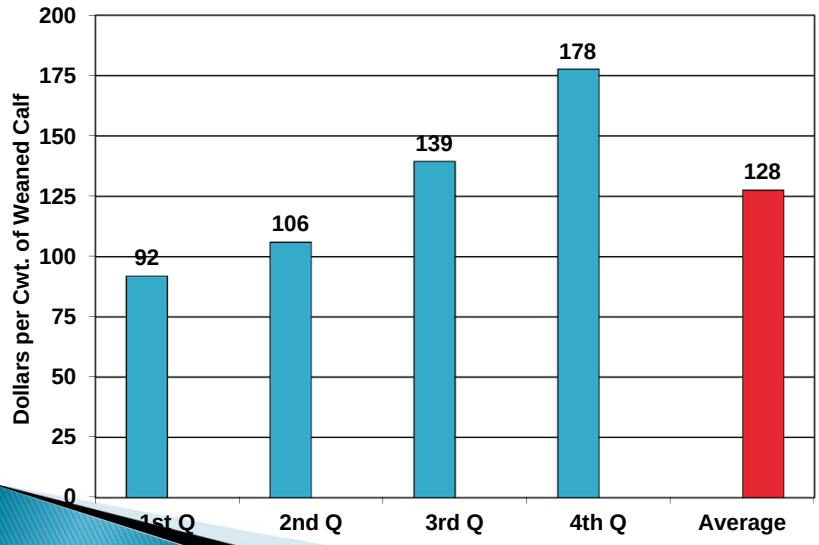


Average Price Received
(or Assigned)

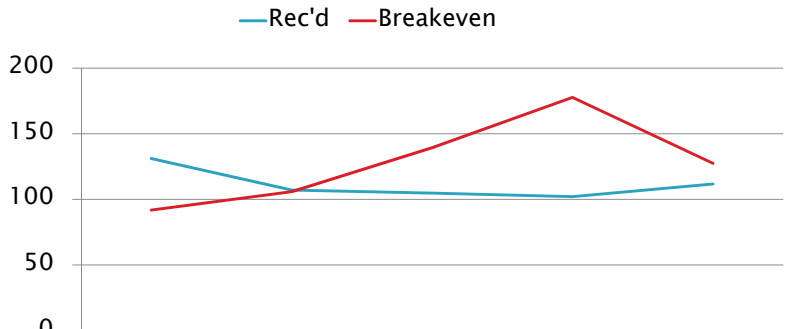


Cost of Production

Database Average = $127.53



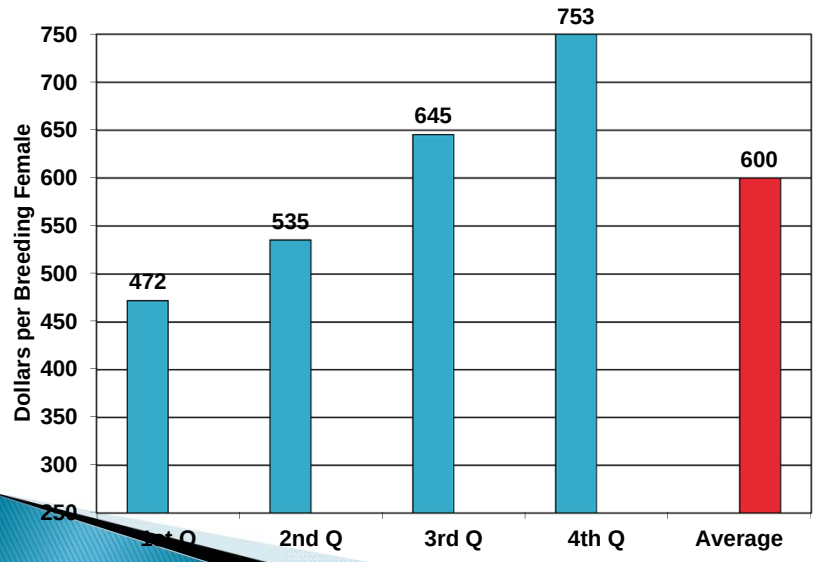
Price Rec'd versus Breakeven



	Q1	Q2	Q3	Q4	Mean
Rec'd	131.11	107.17	104.84	102.14	111.74
Breakeven	91.87	105.95	139.40	177.66	127.53

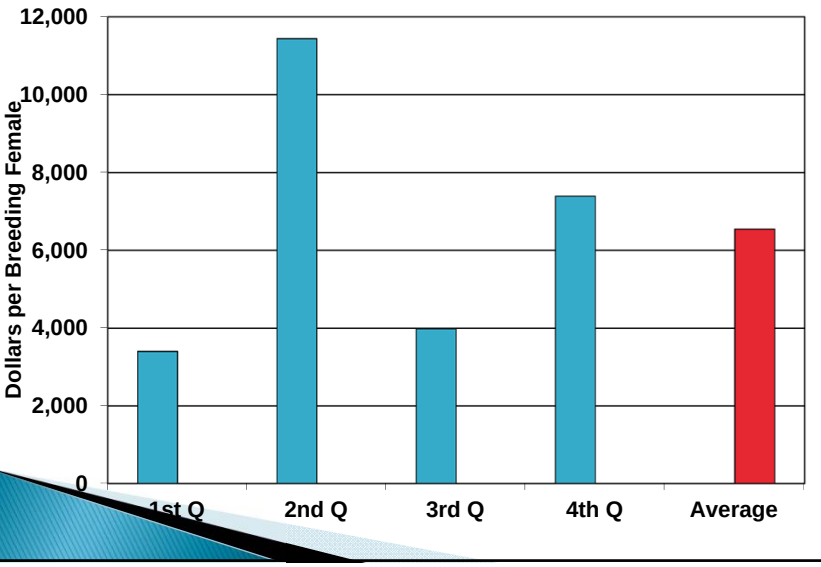
Total Cost of Production

Database Average = $600.21



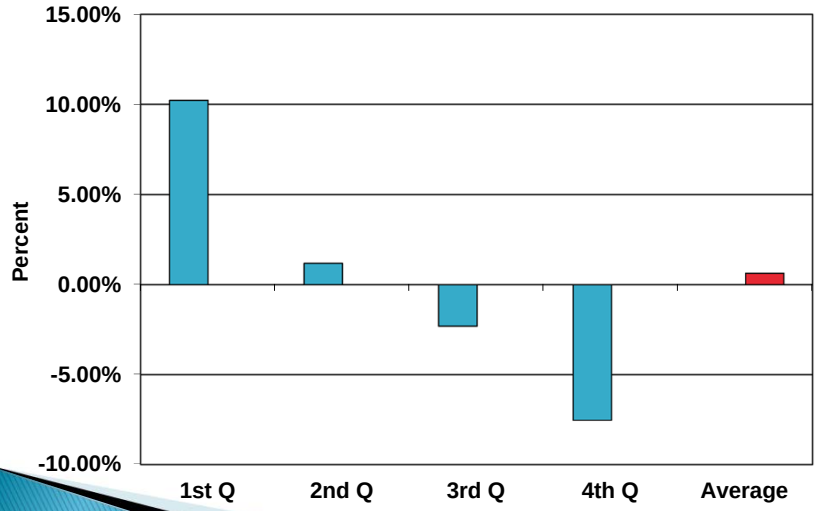
Total Investment Value at Market

Database Average = $6,546



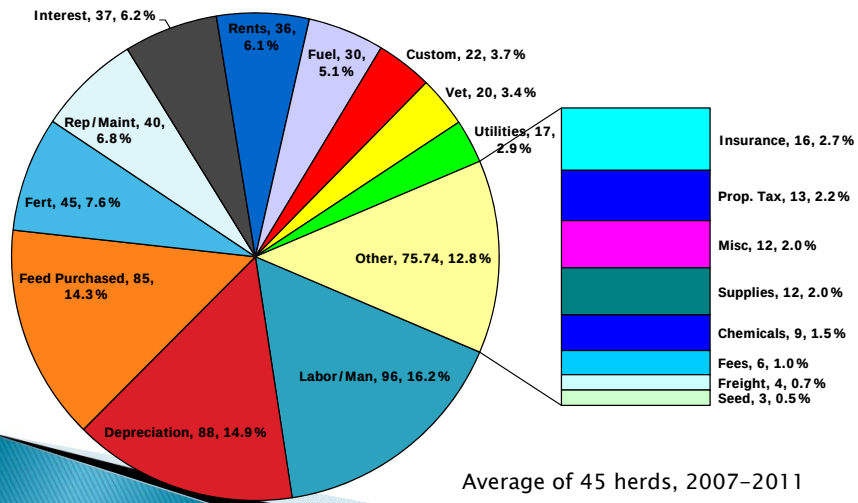
Rate of Return on Assets at Market

Database Average = 0.63%



Texas SPA
Expense Breakdown per Female

Average Total Cost per Female = $600.21



Average of 45 herds, 2007-2011

Reproduction Goals for Texas

- Pregnancy Rate: Greater than 91.0%
  - This includes all females
    - Including
      - 1st calf heifers
      - 2nd calf heifers
- Calving Rate: Greater than 88.0%
- Weaning Percentage: Greater than 84.0%

- Your management determines these.

- Any less than these, you need to figure out why. Where is the loss occurring?

- Any more than these may cost too much.

Production Goals for Texas

- Average Weaning Weights of all calves: 530 pounds.
- While your management determines this to a degree (ie. Genetics, etc.), mother nature can always trump you (ie. Rainfall after calving).

- Combine this will an 84% weaning percentage, then pounds per female will be 445 pounds.

Production Efficiencies

- Are you stocked right for you land resources?
  - Affects reproduction, weaning weights, feed costs, etc.
    - Remember, if she doesn't get bred, everything else that follows is an expense with no income to offset it.
- Are my females "sized" right?
- Are your females weaning an appropriate weighted calf annually for your resources?

Financial Goals for the Texas

- Total Costs should be $500 to $575.
- Top three expenses (Depreciation, Labor & Management, and Feed Purchased) should account for at least 45% of your total expense ($225 to $260 per female).
- That gives you $$275 to $315 for everything else.
- Ask yourself: Is this _____ that I am considering purchasing going to improve my reproduction and/or production efficiency?
  - Feed
  - Labor (save one more calf)
  - New pickup

Other Comments

- This drought will end sometime, then calf prices should be very good.
- Expansion will come, but it will be very slow, probably won't begin until 2015.
- In the meantime, this industry (above the cow-calf sector) has some downsizing to do.

Questions and/or Comments

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