

PUBLICATIONS

1992

FIELD DAY REPORT - 1992

**Texas A&M University Agricultural Research and
Extension Center
at Overton**

**Texas Agricultural Experiment Station
Texas Agricultural Extension Service**

Overton, Texas

April 30, 1992

Research Center Technical Report 92-1

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NCA-IRM STANDARDIZED PERFORMANCE ANALYSIS- FINANCIAL

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Background. Beef industry leaders continue to challenge cattlemen to be lower cost producers, to be more competitive, and to increase market share and profits. In order to meet this challenge, ranchers must determine current costs of production and making comparisons with alternative production systems which might be more efficient.

Effective management depends on summaries of records tracking production and financial relationships over a specified period of time. Standardization of these summaries facilitates comparisons between operating years, ranches, and production areas.

Consequently, the National Cattlemen's Association Integrated Resource Management (NCA-IRM) committee and Extension specialists from several states developed standardized guidelines for evaluating production and financial performance of cow-calf enterprises. These standardized performance analysis (SPA) guidelines specify efficiency measures dealing for reproduction, production, grazing and raised feed land use and finances. Computation, interpretation, and limitations are provided for each measure.

Current Information. Extension specialists have worked directly with ranchers to implement IRM-SPA programs for evaluating financial performance of individual herds. This work has been facilitated by computer software developed by agricultural economists at Texas A&M and made available at cost to ranchers. Results are being aggregated and summarized for comparative analysis.

IRM-SPA measures of financial performance demonstrate considerable variability in efficiency between herds of cattle and ranching operations, table 1. Average values are weighted by herd size to provide a more realistic industry perspective. Results suggest that there are very profitable as well as very unprofitable cow-calf operations, each with their unique ability to survive during the next cattle cycle. To a certain extent, profitability results from the performance of both managers and cows.

Recommendation. To be competitive with other meat industries and to remain profitable, the cow-calf sector needs information on which to base management decisions aimed at improving performance. IRM-SPA provides a standardized procedure for evaluating financial performance and identifying opportunities for improving management efficiency. Similar programs also are being developed for other beef cattle enterprises.

Table 1. Summary of Select SPA Financial Performance Measures, 1990-1991 Data¹

Performance Measure	Weighted Average	Minimum	Maximum
Total investment per breeding cow-cash basis	\$1,366	\$296	\$6,951
Return on enterprise assets at cost	6.59%	-9.21%	39.40%
Total investment per breeding cow-market basis	\$4,159	\$775	\$11,016
Return on enterprise assets at market value	3.07%	-9.96%	29.55%
Total financial raised/purchased feed cost per breeding cow	\$67.31	\$20.32	\$292.63
Total financial grazing cost per breeding cow	\$65.49	\$0.00	\$389.36
Net financial pre-tax income (after withdrawals) per breeding cow	\$118.76	\$-286.60	\$303.25
Total economic raised/purchased feed cost per breeding cow	\$71.29	\$9.32	\$383.13
Total economic grazing cost per breeding cow	\$118.04	\$15.48	\$518.44
Net economic pre-tax income (after withdrawals) per breeding cow	\$7.58	\$-522.21	\$192.15
Weaned calf economic pre-tax income (non-calf adjusted revenue) \$/cwt ²	\$89.10	\$49.49	\$194.61

¹Values are summarized for 55 herds with over 59,000 exposed females in 12 states. Herd size ranges from 15 to 6,000 cows with small, medium, and large herds represented nearly equally. Cow-calf income as a percent of gross income ranged from six to 100 percent for the herds. The financial enterprise analysis is taken directly from the accrual adjusted income statement while the economic analysis accounts for the opportunity cost of resources used in production.

²Adjusted for gain or loss on cull sales, base value increase for replacements and inventory changes.