

NC STATE UNIVERSITY

BEEF PRECONDITIONING: Estimated revenue, operating expenses, pro-rated fixed costs and returns to land, overhead and management for preconditioning calves prior to sale Budget 21-9
Jul-08

Category	Description	Unit	Price	Quantity	Value	Your Farm
OPERATING INPUTS						
Weaned calves, steers	80 head, 550 lb.	Cwt.	\$103.00	440	\$45,320	_____
Weaned calves, heifers			\$0.00	0	\$0	_____
Pasture ^a		Acre	\$0.00	0	\$0	_____
Hay		Ton	\$90.00	10.4	\$932	_____
Concentrate/supplement 1		Cwt.	\$16.00	75.6	\$1,210	_____
Concentrate/supplement 2		Cwt.	\$13.75	201.6	\$2,772	_____
Minerals		Head/day	\$0.03	3,600	\$108	_____
Implant, deworm, fly control		Hd.	\$10.00	80	\$800	_____
Fence Repair	% of initial investment	%	8.0%	3,200	\$256	_____
Facility Repair	% of initial investment	%	1.0%	6,750	\$68	_____
Equipment operating	Fuel, repairs, maint.	Days	\$0.00	45	\$0	_____
Change in marketing cost, +/-	No change	Hd.	\$0.00	80	\$0	_____
Annual operating capital ^b	Interest rate, APR	%	7.50%	48,392	\$447	_____
TOTAL OPERATING COSTS					\$51,912	_____
PRORATED FIXED COSTS^c						
Fencing, facilities, etc. from Table 2.					\$125	_____
Other equipment not listed Deprec., int., tax, ins.					\$0	_____
Pasture establishment, From Table 2 ^a					\$0	_____
TOTAL OWNERSHIP COSTS					\$125	_____
LABOR COSTS						
Livestock labor		\$/hr.	\$9.40	33.75	\$317	_____
Other labor	Help working cattle	\$/hr.	\$9.00	2	\$18	_____
TOTAL LABOR COST					\$335	_____
TOTAL COST					\$52,372	_____
GROSS REVENUE						
Preconditioned steers	80 head ^d .	Cwt.	\$105.00	501.8	\$52,685	_____
Preconditioned heifers		Cwt.	\$0.00	0.0	\$0	_____
TOTAL REVENUE					\$52,685	_____
RETURNS OVER OPERATING EXPENSES					\$772.74	_____
RETURNS TO LAND, OVERHEAD, LABOR, AND MANAGEMENT					\$647.70	_____
RETURNS TO LAND, OVERHEAD AND MANAGEMENT					\$312.45	_____
COST SUMMARY						
Average sales price required to recover operating expenses, \$/cwt. of pay weight					\$103.46	_____
Average sales price required to recover total cost, \$/cwt. of pay weight					\$104.38	_____
Average cost per pound of gain based on pay weight, \$/cwt					\$1.14	_____

^a Include a pro-rated share of pasture operating costs based on NCSU forage budgets, as appropriate.

^b Interest calculated on full calf cost and 1/2 of other costs, except sales expense, for the feeding period.

^c Assumes a pro-rated share of the annual cost of the facilities is charged to this enterprise.

^d Includes death loss and shrink.

Table 2. Investment in specialized facilities & equipment and pro-rated annual ownership expenses

Category	Life	Initial Cost	Salvage Value	Depreciation ^a	Interest ^b	Tax & Ins. ^c	Total	Share to Enterprise	Share to Enterprise
	Years	\$	\$	\$	\$	\$	\$	%	\$
Interest & Tax Rates ==>					7.5%	1.40%			
Perimeter Fence	20	3,000	0	150	107	42	299	10.0%	29.89
Internal Fence	3	200	0	67	5	3	74	10.0%	7.45
Corral & Chute	20	6,000	0	300	214	84	598	10.0%	59.78
Feed Bunks ^d	3	750	0	250	19	11	279	10.0%	27.93
Other	5	0	0	0	0	0	0	0.0%	0.00
Pasture Establishment ^e	7	0	0	0	0	0	0	0.0%	0.00
TOTALS		9,950	0	767	344	139	1,250	--	125.03

^a Depreciation = (Initial cost - Salvage value) / years of life

^b Interest on investment = ((Initial cost + Salvage value) / 2) X 0.065

^c Property taxes on facilities and equipment as a percent age of the initial investment, plus Insurance premiums as a percentage of the initial cost of investment

^d 5 bunks @ \$150.00 each

^e Include pasture establishment costs based on NCSU forage budgets, as appropriate.

SENSITIVITY ANALYSIS

This table shows the returns to land, overhead and management (a measure of profit) under various assumptions about costs and returns. Specifically, the cost and returns shown in the enterprise budget on the first page are believed to be fairly representative of conditions in North Carolina. However, there is a wide variation in farm performance from one farm to another and costs and cattle prices can change rapidly from year to year. The table shows the effects of returns that are 10 percent higher and lower than for the basic budget. Similarly, the table also shows the effects of total costs that are 10 percent higher and lower.

RETURNS TO LAND, OVERHEAD AND MANAGEMENT:

		REVENUE		
		-10% Lower	Base Budget	10% Higher
	-10%	\$281	\$5,550	\$10,818
COST	Base	-\$4,956	\$312	\$5,581
	+ 10%	-\$10,193	-\$4,925	\$344