

# Key Performance Indicator Targets for Beef Cow-calf Operations

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# Key Performance Indicators (KPI)

- **Performance Measures of Key Activities happening as a result of your management.**
- **Is management fulfilling the goals of the ownership.**
- **Tracked over time.**



# Key Performance Indicators

- **Production KPI follows Beef Cow-calf SPA**
- **Financial KPI's follow Farm Financial Standards Council approach for accrual financial statements.**
- **It is important to calculate them correctly.**



# Key Performance Indicators

- **Need to balance the use of KPIs.**
- **To focus on one, at the expense of another, will not improve the overall performance of the ranch.**



# KPI Targets



- Some are specifically for Cow-calf enterprises, while others cover the entire ranching operation
- Many ranches are involved in multiple enterprises.
  - KPI for all activities
- Targets have been identified through analysis of individual ranches (Cow-calf SPA, Managerial Ranch Accounting, etc.), experience, and research.



# 13 KPI Targets



- 1 Production KPI
- 8 Financial KPIs
- 4 Integrated KPIs
- There are an unlimited number of “other” KPIs. Each ranch should determine those activities that are critical to your ranch’s success and determine the best method to calculate a performance.
- Others are not any less important



Production KPI

# Pounds Weaned per Exposed Female



- **460 pounds per Exposed Female**
  - Should be a KPI for any ranch that owns breeding cows with the intent of weaning calves.
  - Product of weaning percentage and weaning weights
  - Total pounds weaned divided by all females that were exposed and intended to be bred.



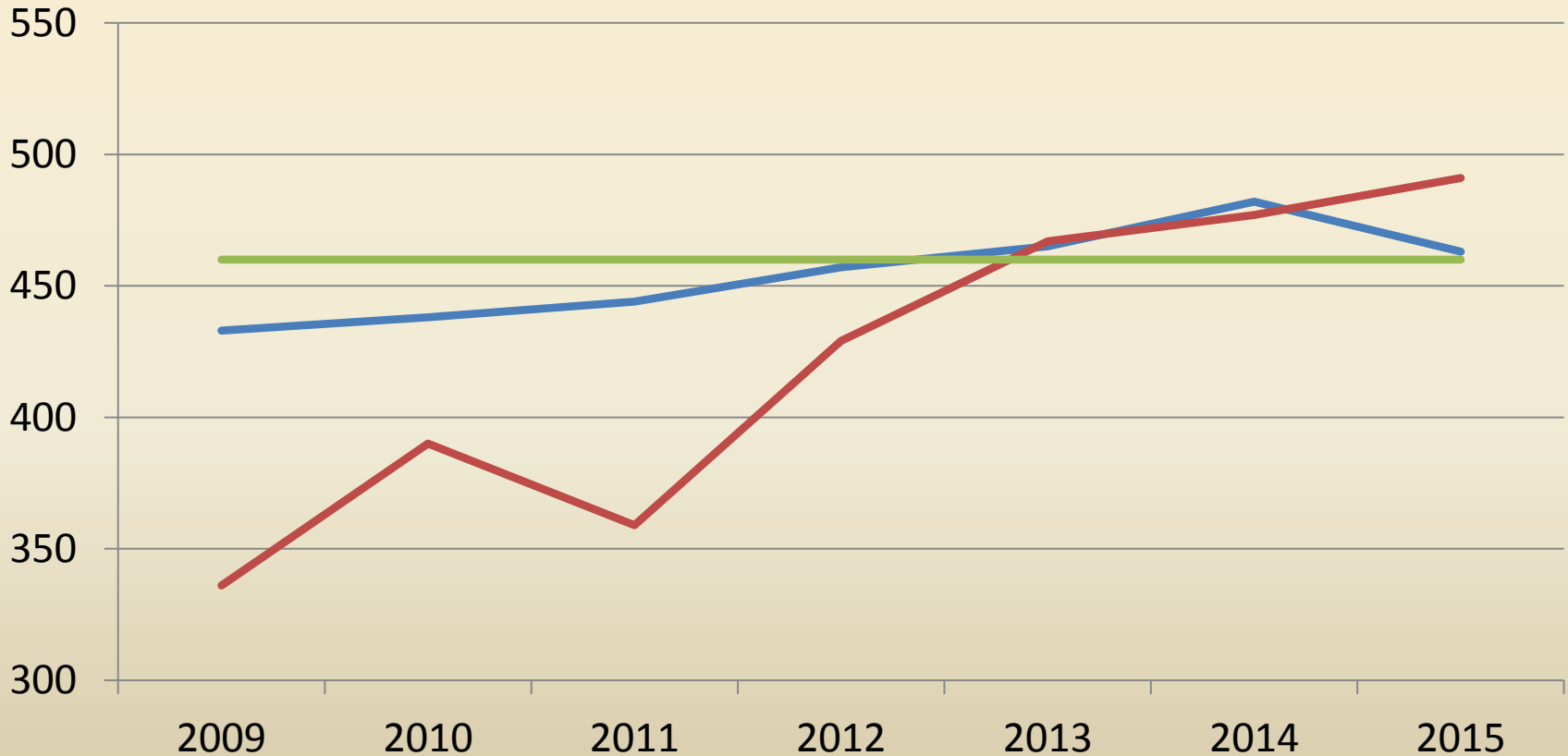
# Production KPI

## Pounds Weaned per Exposed Female

**460 pounds per Exposed Female**



— Ranch 1 — Ranch 2 — Target

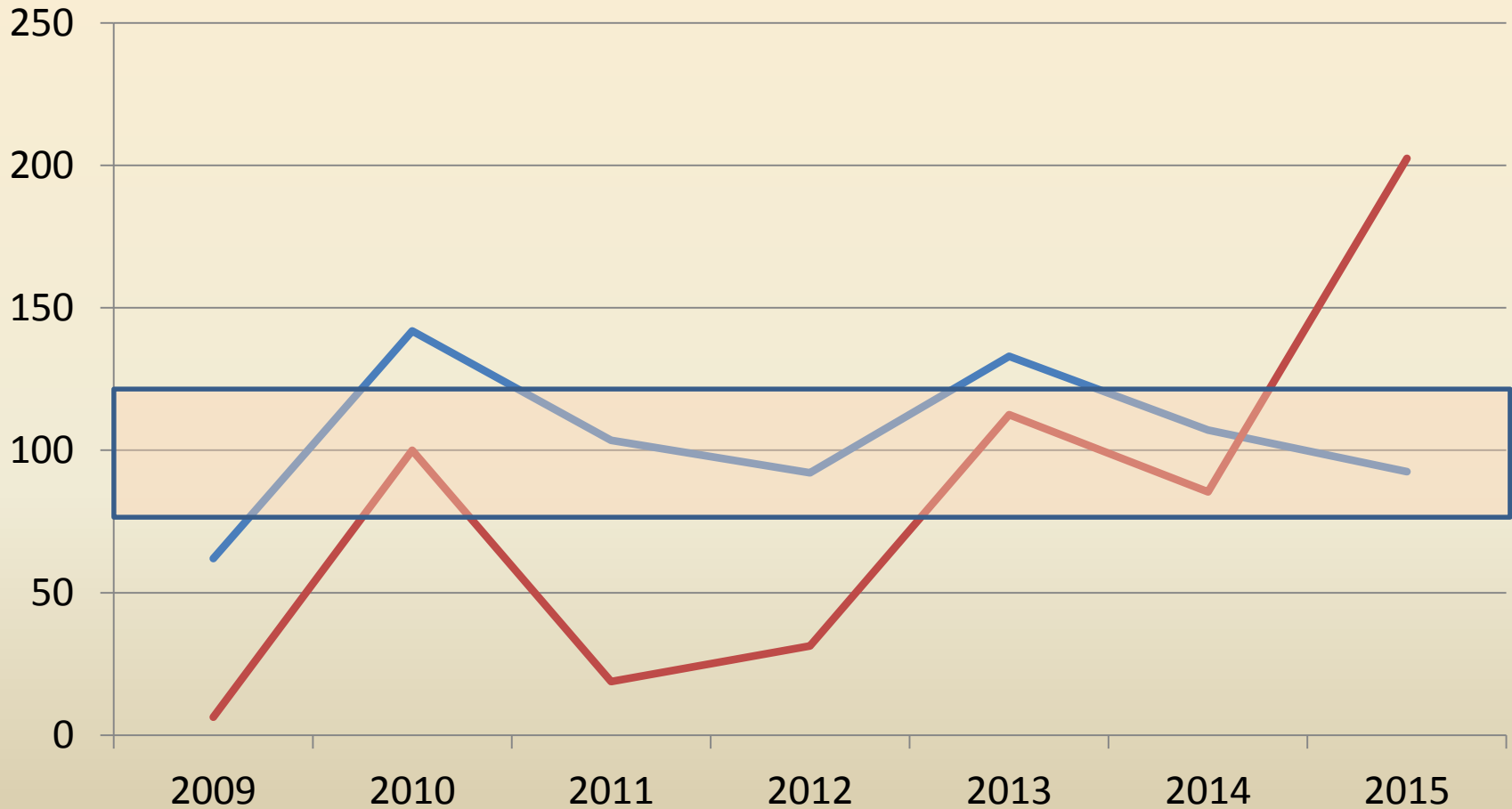




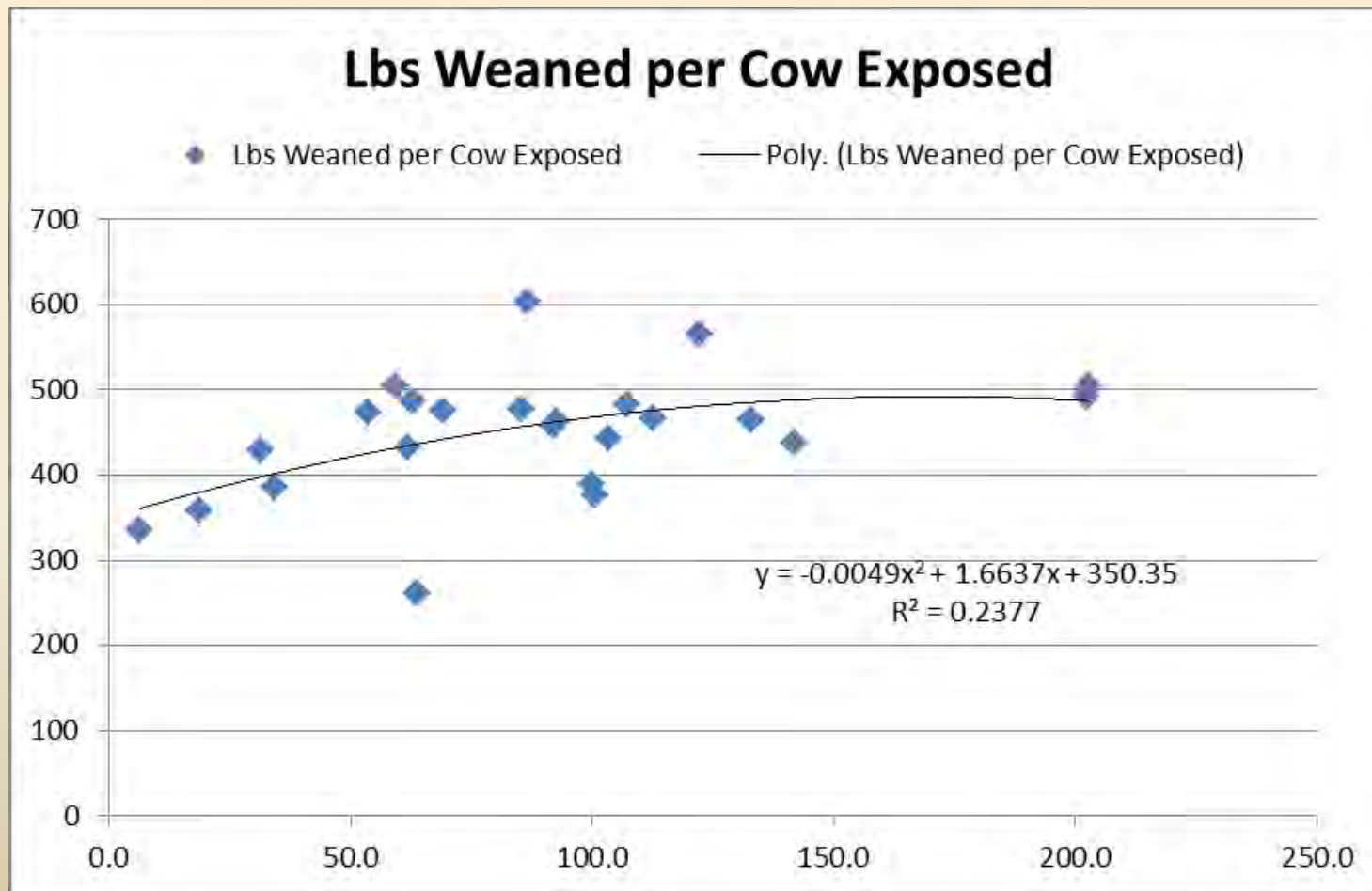
# Percent Normal Rainfall



Ranch 1 Ranch 2



# Percent Normal Rainfall Effect on Pounds Weaned per Cow Exposed



## Integrated KPI

# Cost per Cwt. of Weaned Calf

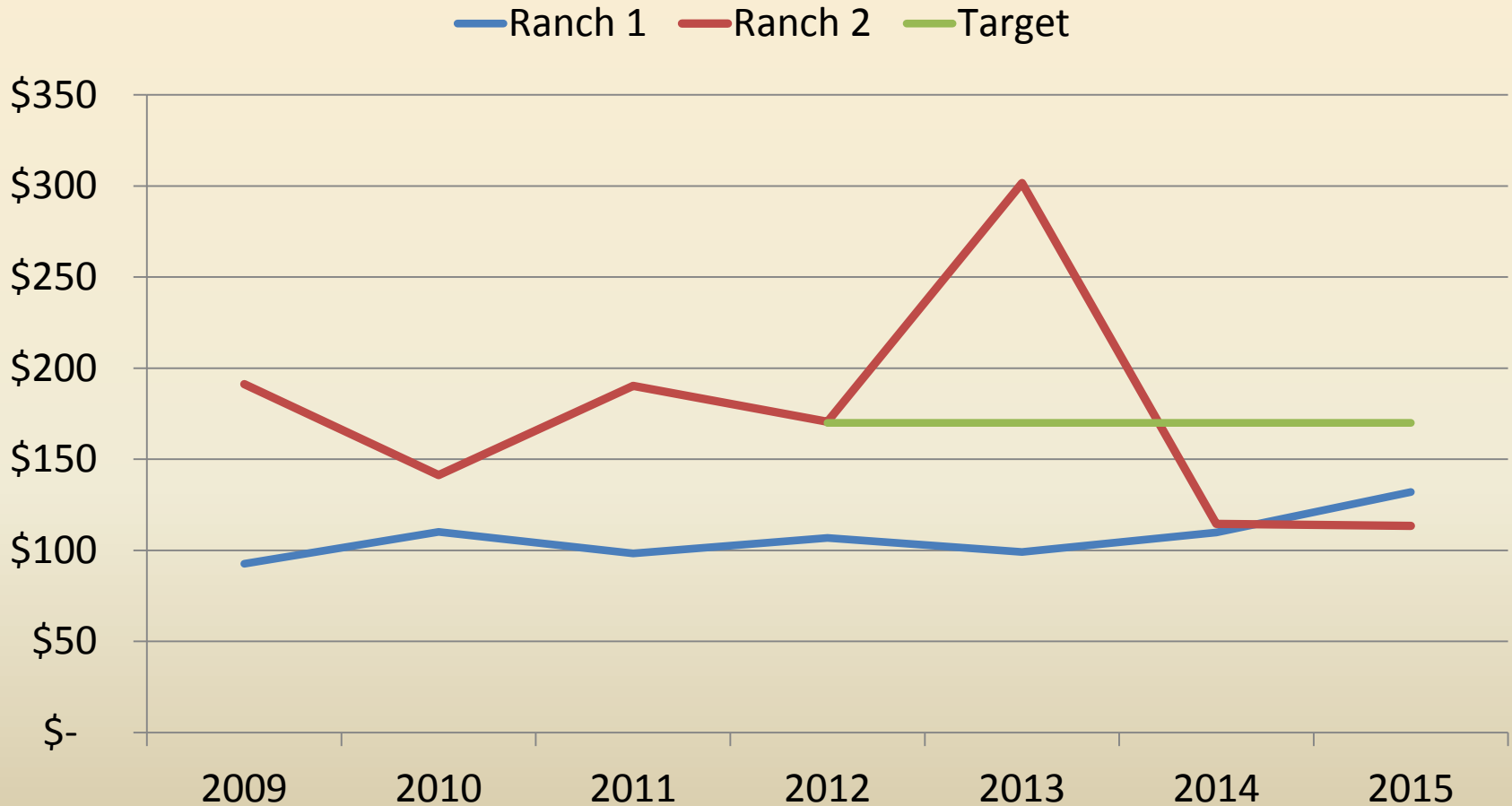


- **Less than \$170 per Cwt.**
  - IMO: The most important number for ranch management
  - Incorporates:
    - Productivity
    - Total expenses it took to get that production
  - Every ranch has different resources; this KPI shows how efficiently those resources are being used to create productivity.
  - Total expenses (less “other revenue”) divided by total pounds weaned.

## Integrated KPI

# Cost per Cwt. of Weaned Calf

**Less than \$170 per Cwt.**



Financial KPI

## Rate of Return on Assets (Cost Basis)



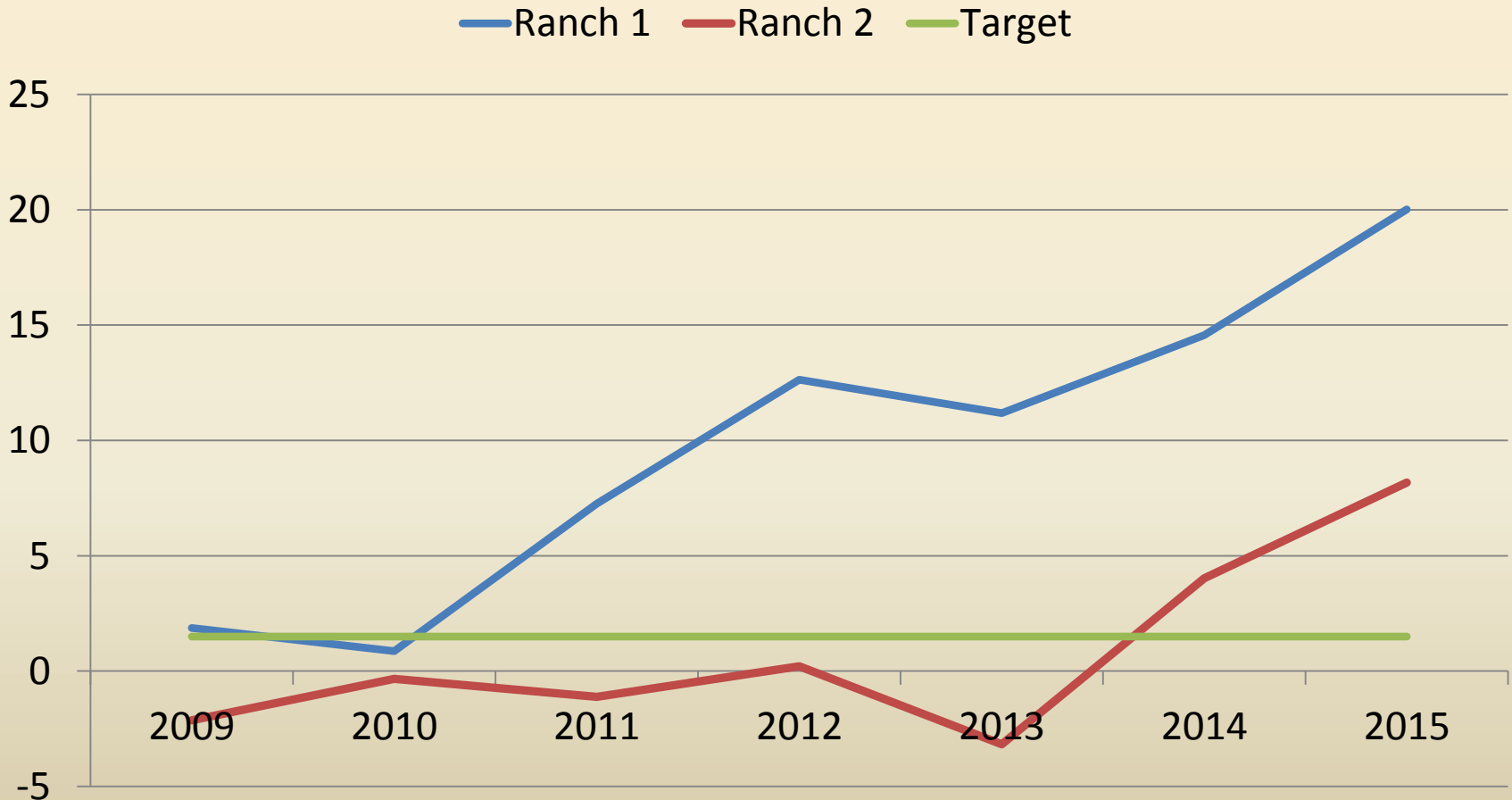
- **Greater than 1.5 percent**
  - Bottom line for ranch owners
  - This KPI should be measured over time.
  - Net income (plus interest paid) divided by total assets
  - This is the driving force behind the long-term decline in breeding cow numbers.



# Financial KPI

## Rate of Return on Assets (Cost Basis)

**Greater than 1.5 percent**



Integrated KPI

## Revenue per Breeding Female



- **Greater than \$950 per Breeding Female**

- Not just the value of sold weaned calves
- Total revenue from weaned calf sales, retained calf values, gains/losses on the sales of breeding stock, and the accrual adjustments on inventories.
- To compare, it should not include sales from other ranch enterprises
  - Hay sales
- This target can and will move.



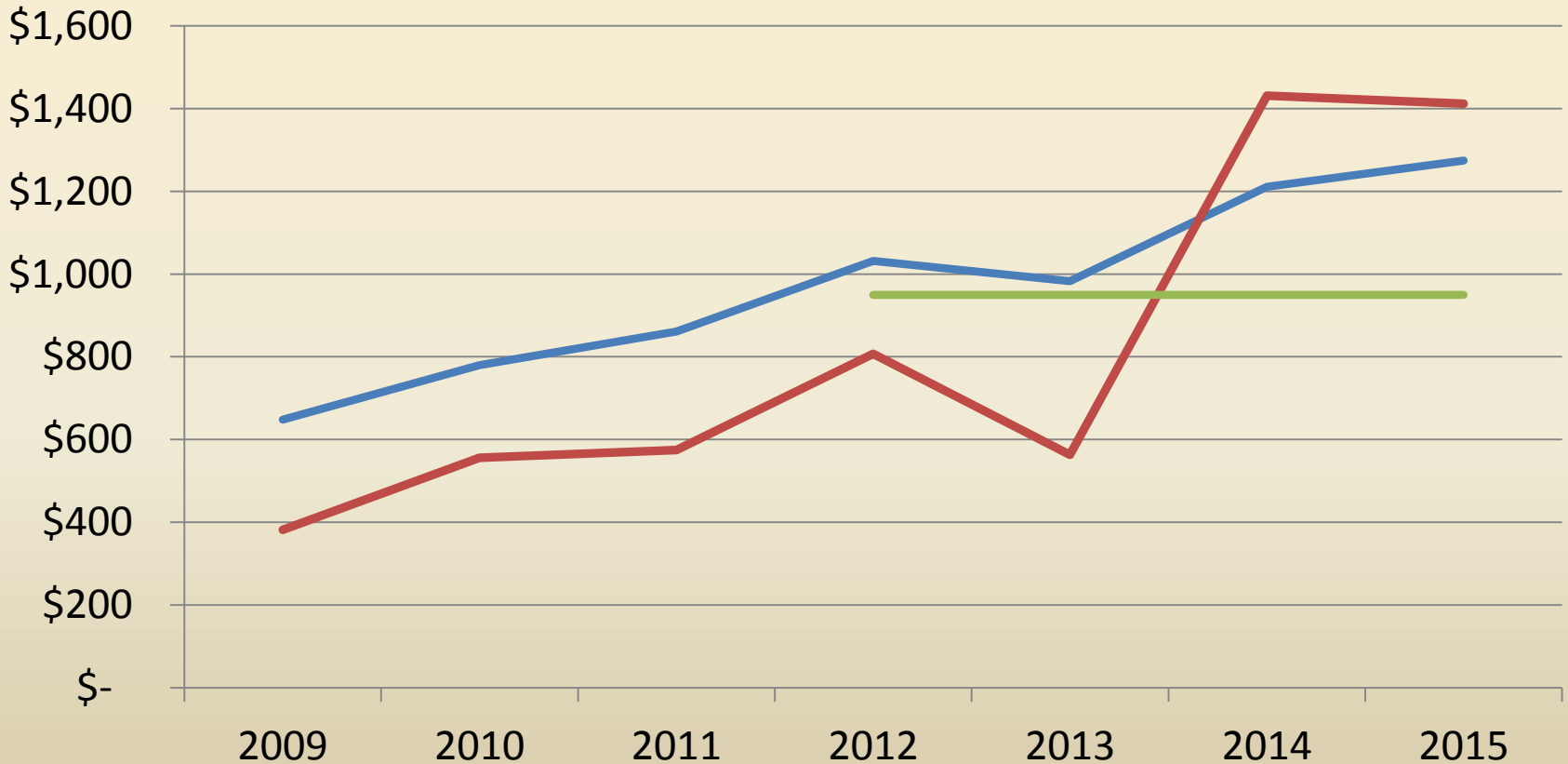
# Integrated KPI

## Revenue per Breeding Female

Greater than \$950 per Breeding Female



— Ranch 1 — Ranch 2 — Target





# Operating Expense as a Percent of Total Revenue



- **Less than 75 percent of Total Revenue**
  - Controlling expenses can be one of the most important exercises for ranch management.
  - Operating expenses = All expenses except interest and depreciation.
  - Given 75 % target, the ranch has 25% of the ranch revenue to
    1. Pay interest
    2. Escrow depreciation expenses
    3. Retain as net income



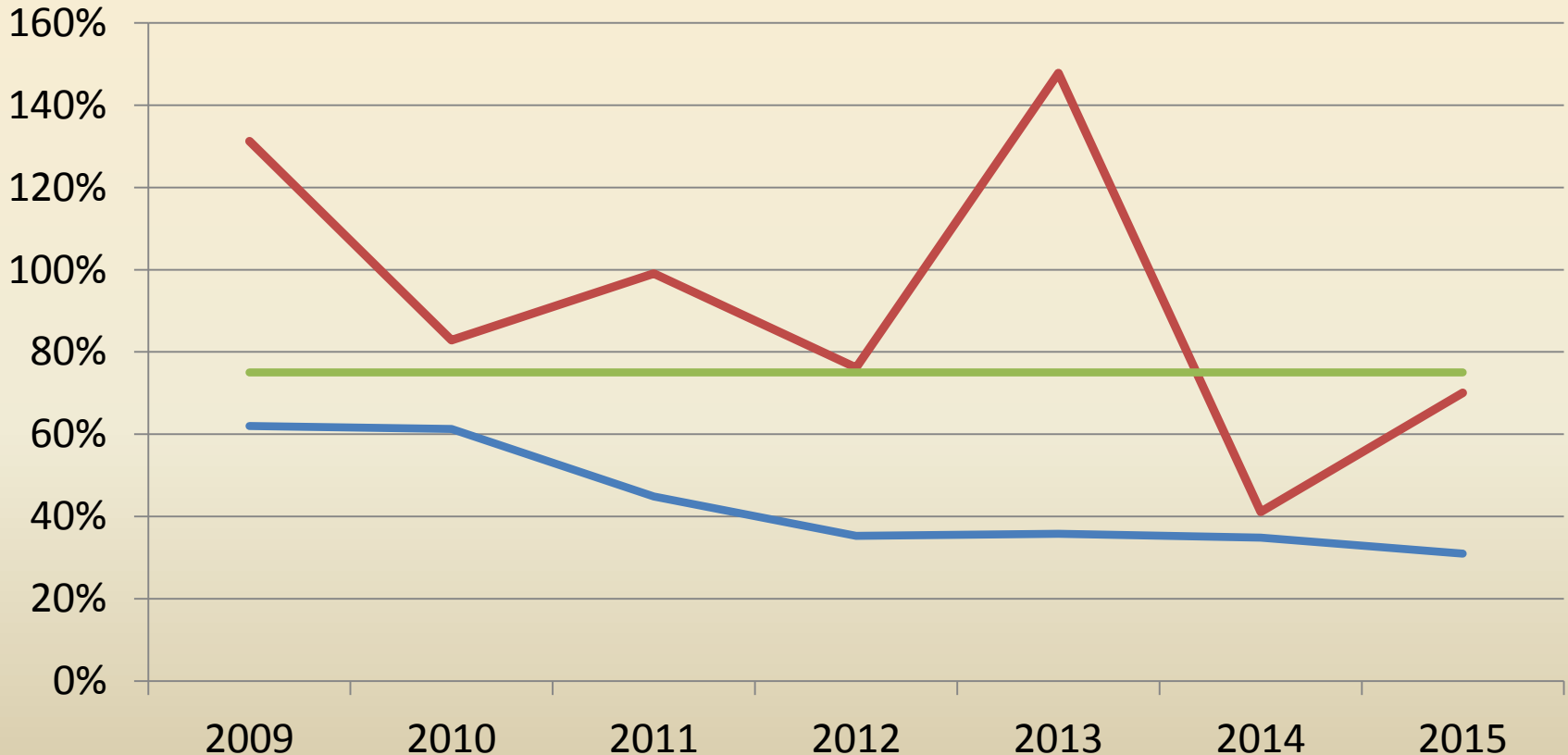
Financial KPI

# Operating Expense as a Percent of Total Revenue

Less than 75 percent of Total Revenue



— Ranch 1 — Ranch 2 — Target



## Financial KPI

# Net Income as a Percent of Total Revenue



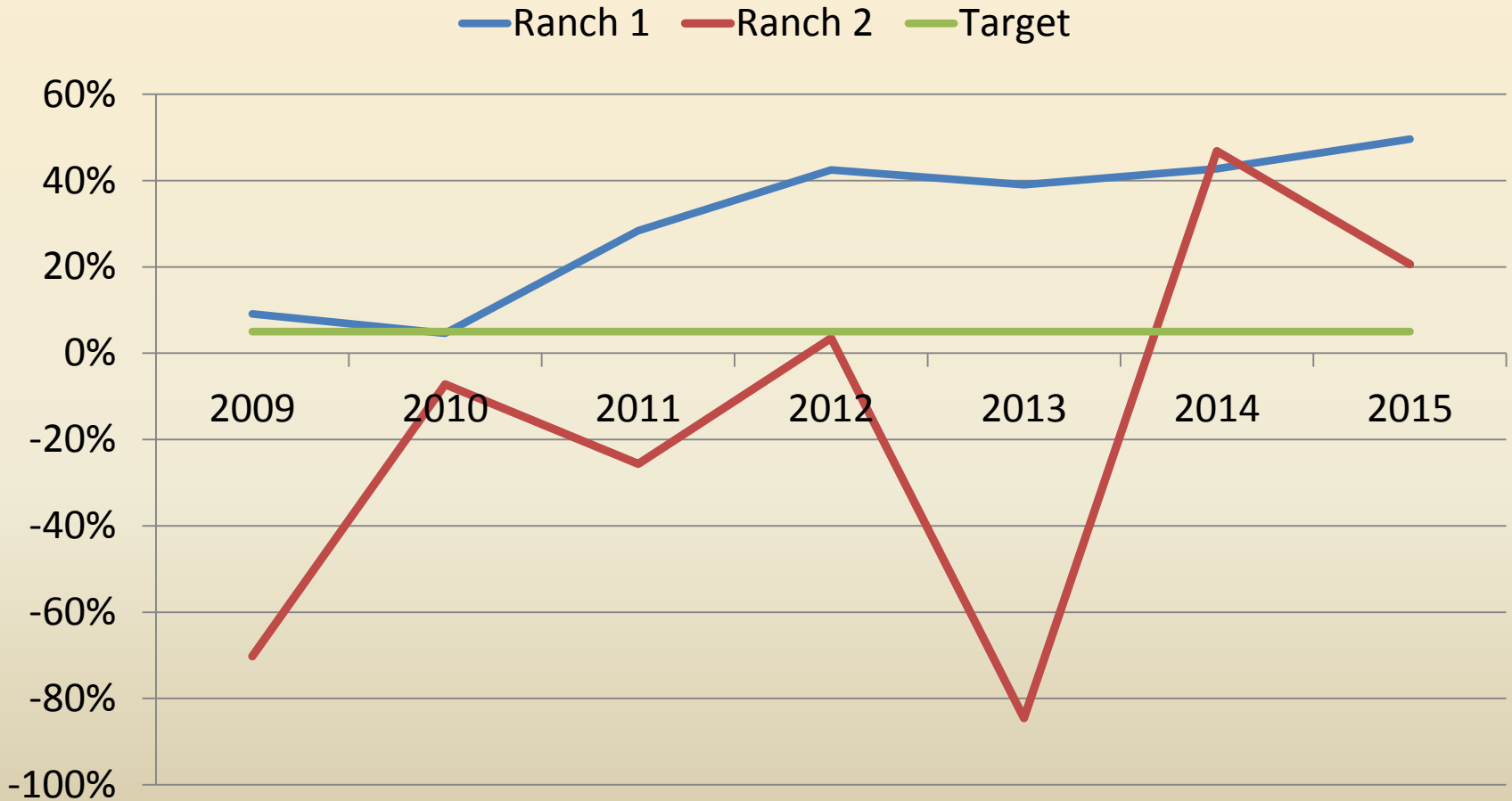
- **Greater than 5 percent of Total Revenue**
  - That portion of total revenue that is being retained as net income.
  - Four things that a ranch can do with revenue:
    1. Pay operating expenses
    2. Pay interest expense
    3. Escrow depreciation expenses
    4. Retain as net income
  - Corresponds with previous KPI



Financial KPI

# Net Income as a Percent of Total Revenue

## Greater than 5 percent of Total Revenue



## Financial KPI

# Labor and Management Expense as a Percent of Total Revenue



- **Less than 15 percent of Total Revenue**
  - One of the most variable expenses
  - Hired Management versus Owned Labor
  - Include salaries, wages, taxes, benefits, and chuck.
  - For every dollar of ranch revenue, the ranch is spending \$0.15 of that dollar to pay L&M.
  - Total L&M divided by Total Revenue generated on the ranch



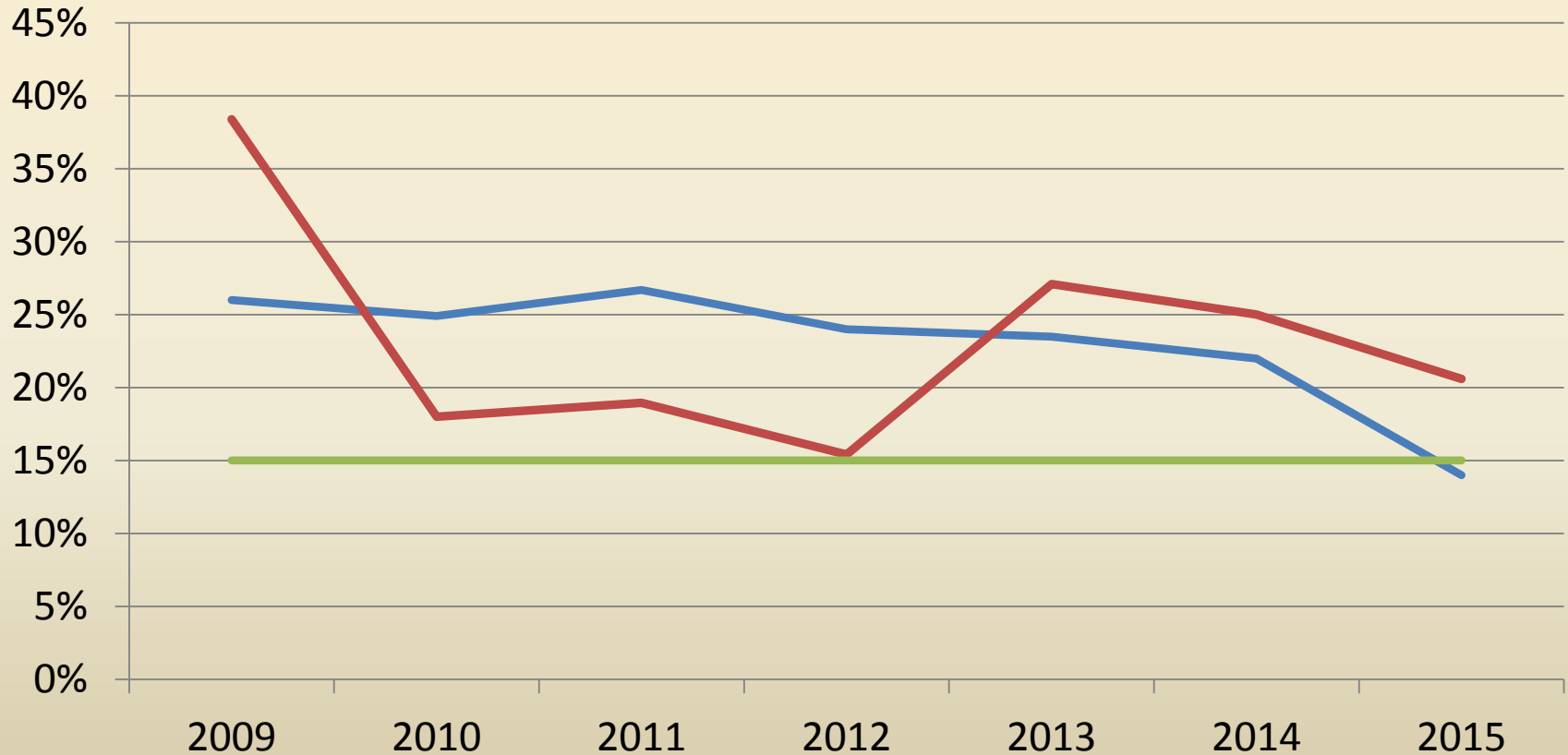
Financial KPI

# Labor and Management Expense as a Percent of Total Revenue

**Less than 15 percent of Total Revenue**



— Ranch 1 — Ranch 2 — Target



# Nutrition Base Expense as a Percent of Total Expenses



- **Between 30 and 45 percent of Total Expense**

- Reproduction is the most important factor in ranch productivity, thus, herd nutrition is imperative.
- No two ranches have the same resources.
- Identify three types
  - Expenditures for purchased nutrition
  - Expenses associated with raising nutrition
  - Costs associated with grazing
- These three divided by Total Expense



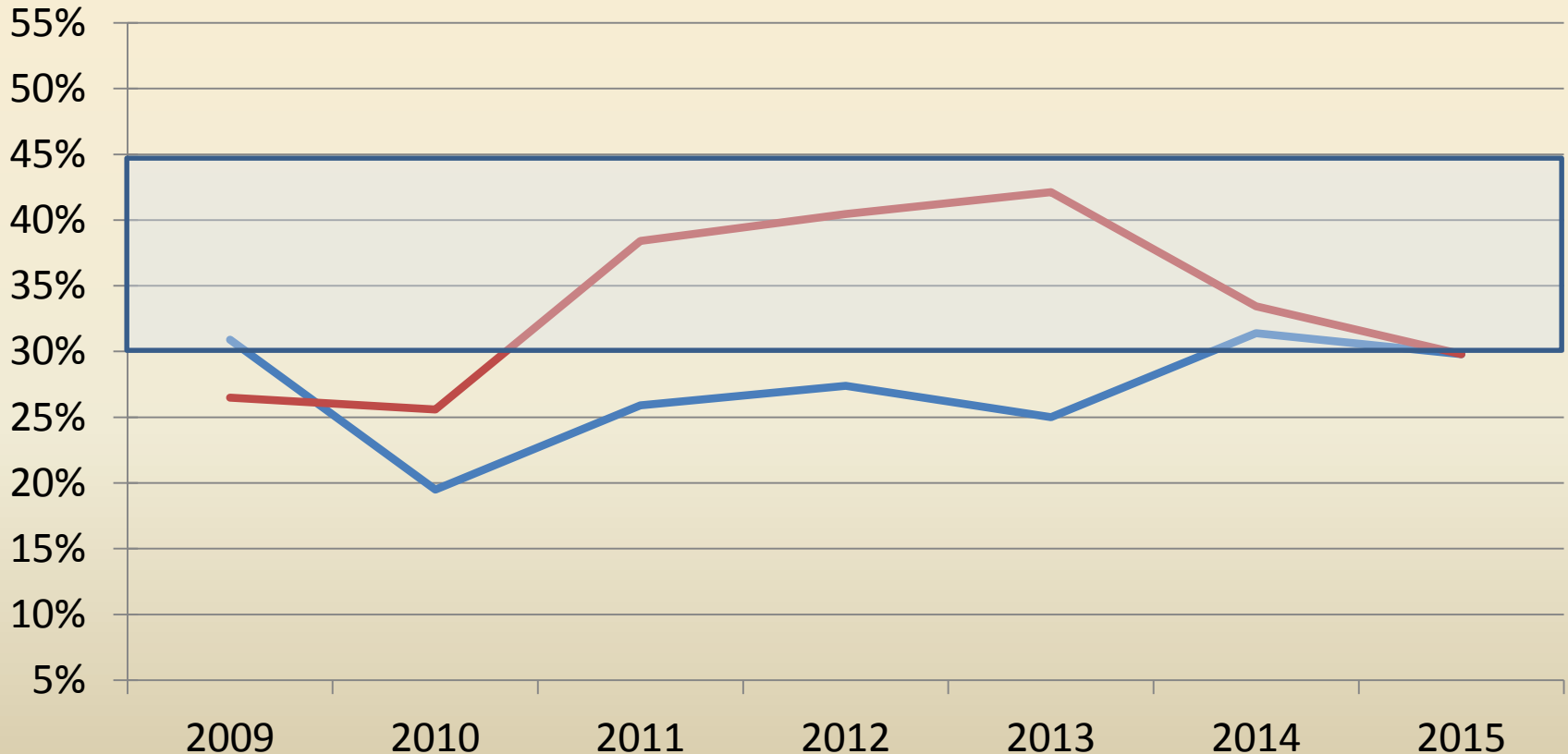
Financial KPI

# Nutrition Base Expense as a Percent of Total Expense

Between 30 and 45 percent of Total Expense



— Ranch 1 — Ranch 2





Integrated KPI

# Total Investment (Market Basis) per Breeding Female



- **Between \$7,500 and \$12,500**
  - Focus on the Ranch Owner
  - Land is the greatest influencer.
  - Total Assets divided by total number of breeding females as of January 1.
  - Assumes some land is already controlled
  - Demonstrates the real difficulty for beginning ranchers
  - Potential heirs looking at this figure and wondering..



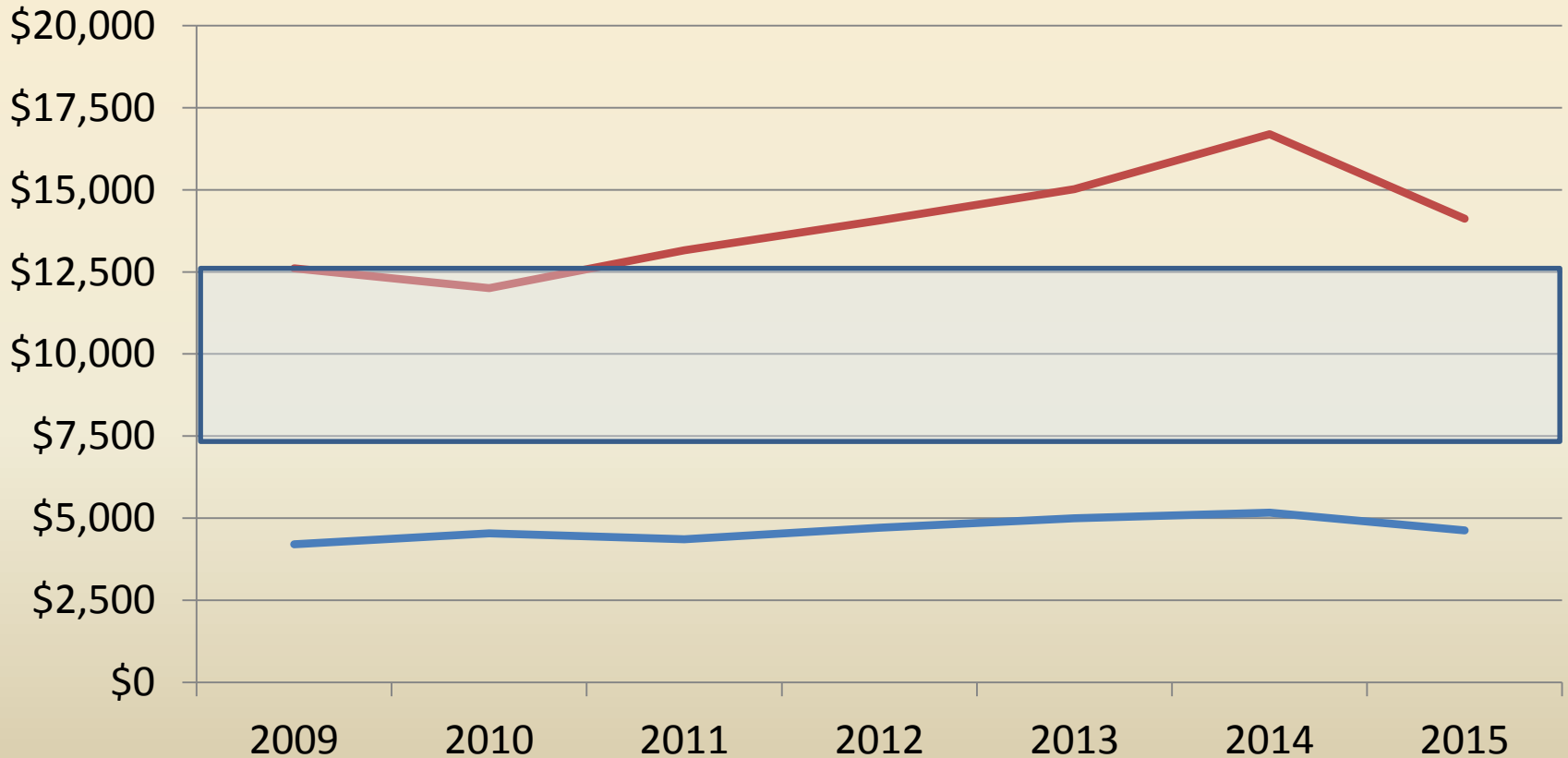
Integrated KPI

# Total Investment (Market Basis) per Breeding Female

**Between \$7,500 and \$12,500**



— Ranch 1 — Ranch 2



## Financial KPI

# Asset Turnover Ratio (Cost Basis)

- **Greater than 15 percent**
  - Given the highly capitalized nature of ranching, it is vital for the manager to generate the greatest possible net income.
  - This KPI details how many revenue dollars each dollar of asset is creating.
  - Target: Every dollar of asset is generating \$0.15 of revenue.
  - Seems low, but that demonstrates the nature of ranching



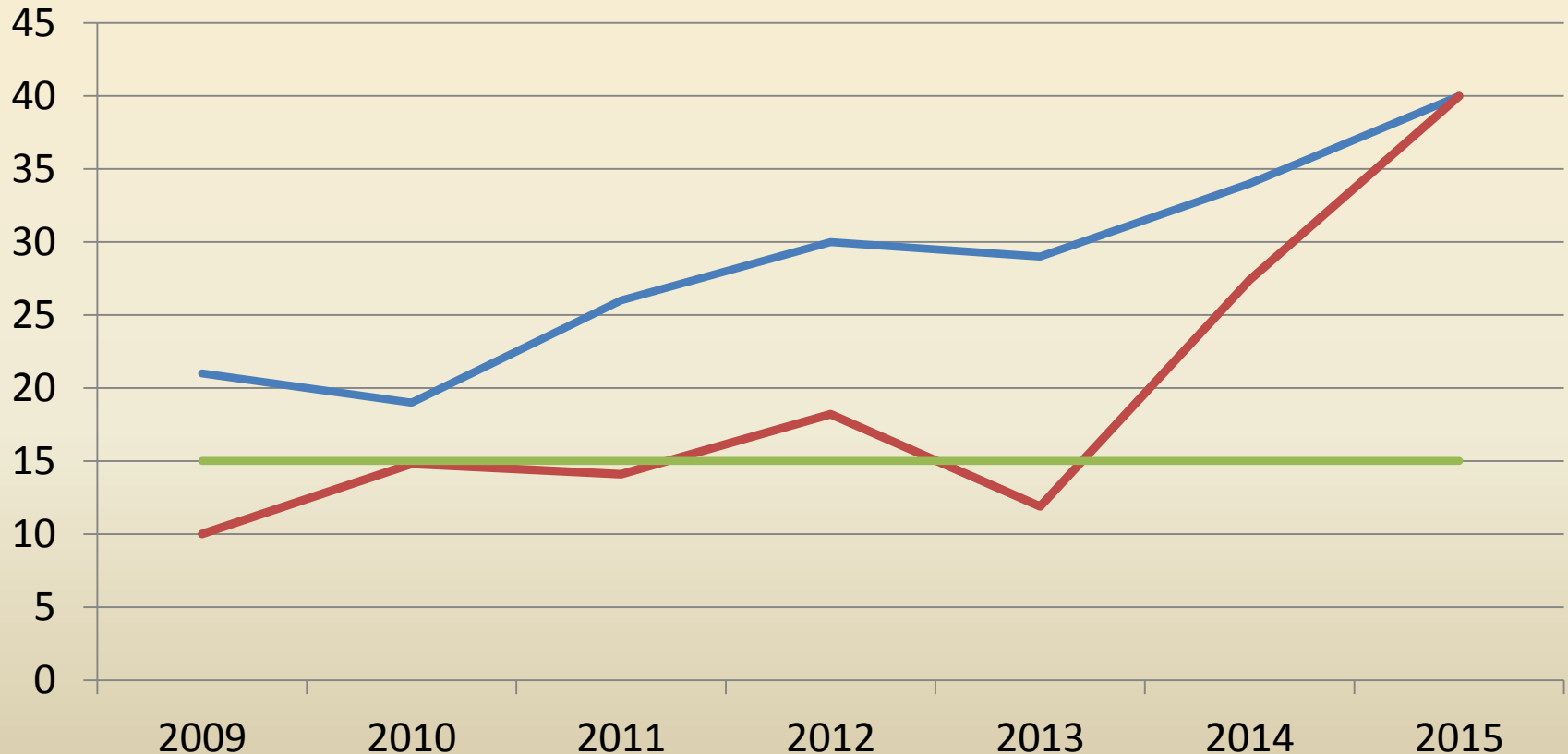
## Financial KPI

# Asset Turnover Ratio (Cost Basis)

Greater than 15 percent



— Ranch 1 — Ranch 2 — Target



# KPI targets I didn't show you

- **Current Ratio**
  - Greater than 2.0
- **Debt per Breeding Female**
  - Less than \$500 per female
- **Equity to Asset Ratio**
  - Greater than 50%



# KPI targets Not Common to All Ranches

- **Hay Production Cost per Ton**
  - Less Than \$150/ton
- **Cost of Gain on Small Annual Pasture**
- **Others?**



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