



Partial Budget for Beef Cattle Management

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Changes in the original ranch management plan can occur daily and the partial budget can be very useful in determining if the changes will contribute to profits. Only those items that are subject to change are considered in partial budget analysis. For example, a change in the market price of feeder cattle could be analyzed using a partial budget to consider changing the marketing strategy for weaner calves. A price increase for feeder cattle may signal the opportunity to hold cattle and sell them as feeders. A price decrease for feeder calves may be large enough to suggest that the sale of the weaner calves is the best option.

“Will added return cover added cost?” is one of the most fundamental principles of economics used to select the most profitable alternative. The partial budget presents a framework to determine whether added return is greater than added cost.

The partial budget is divided into three sections: added returns (added returns and reduced costs); added costs (reduced returns and added costs); and the analysis sections which include net change in return, net rate of return and a breakeven analysis. The three types of data required for partial budgeting are production or yield expectation, commodity price expectation and cost of production.

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Sample Partial Budget				
Description of change planned: Hold weaner steers and contract graze them on wheat for 120 days. Weaning weight of steers is 450 pounds and the feeder weight is 650 pounds net. Expect to see \$6 per cwt. rollback price.				
A. Added Returns	1. Added returns	Value	2. Reduced costs	Value
	a. 200 lb @ \$0.58/lb	\$116.00	a.	\$0.00
	b.	0.00	b.	0.00
	Total	\$116.00	Total	0.00
Total added returns (added returns + reduced costs)				\$116.00
B. Added Costs	1. Reduced returns	Value	2. Added Costs	Value
	a. 450 @ \$0.06/lb	\$27.00	a. Interest	\$11.34
	b.	0.00	b. Miscellaneous cost	10.00
	c.	0.00	c. Grazing 120 days	0.00
	d.	0.00	d. @ \$.35 per lb gain	45.50
	Total	\$27.00	Total	\$66.84
Total added costs (reduced returns + added costs)				\$93.84
C. Net Change in Returns (A - B)				\$22.16
Net Rate of Return*				23.61%
D. Breakeven Analysis				
Price of product per unit sold				\$0.58
Number of units of product required to pay added costs (B / D)				161.79
E. Comments: Looks favorable if gains can be achieved and rollback held to \$6 per cwt.				

*Total net change in returns divided by total added costs times 100.

The partial budget is a good tool to evaluate short-term resource allocation opportunities. The breakeven analysis is important to account for uncertainty, particularly for commodity prices and production response.

The example illustrates a situation where holding weaner steers and grazing them at a low cost of gain is a profitable opportunity. The reduced returns associat-

ed with the rollback (decrease in price) are shown in the added cost section. Calculating the breakeven production level can be informative. In the example, anticipated production is about 20 percent more than the necessary breakeven production level.

The partial budget form can be used to evaluate a variety of production and marketing alternatives or changes that occur daily.

Partial Budget

Description of change planned:

A. Added Returns

1. Added returns	Value	2. Reduced costs	Value
a.	_____	a.	_____
b.	_____	b.	_____
c.	_____	c.	_____
d.	_____	d.	_____
e.	_____	e.	_____
Total	_____	Total	_____

Total added returns (added returns + reduced costs)

B. Added Costs

1. Reduced returns	Value	2. Added costs	Value
a.	_____	a.	_____
b.	_____	b.	_____
c.	_____	c.	_____
d.	_____	d.	_____
e.	_____	e.	_____
Total	_____	Total	_____

Total added costs (reduced returns + added costs)

C. Net Change in Return (A - B)	_____
Net Rate of Return*	_____

D. Breakeven Analysis

Price of product per unit sold _____

Number of units of product required to pay added costs (B / D) _____

E. Comments:

*Total net change in returns divided by total added costs

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