#24-3 July 2025

Whole-Farm Financial Benchmarks: *Setting Goals to make change for a better tomorrow*

No one starts farming or ranching with the goal of losing money. And regardless of how big or small the operation is, financial performance is a key driver determining if a farm will continue operating. During the start-up phase cash flow is king, but as an operation matures, protecting equity becomes a greater focus. Particularly, when the price cycle is low.

A 2020 survey of 131 cow-calf producers across Canada found that 79% of respondents established production goals, but only 64% set financial goals.[1] However, a higher percentage (91%) reflected on past financial performance as compared to past production performance (87%) to identify areas for improvement. This suggests that although production records are more commonly used day-to-day, financial data plays a greater role in strategic evaluation.

Evaluating past financial performance can be hard, particularly if you are not where you want to be. The good news is that you don't have to stay there. Ask yourself: Are you willing to learn? Are you willing to change? What we focus on expands. Taking dramatic or incremental steps towards a different cost structure or enterprise mix can be both challenging and rewarding. Don't be discouraged by setbacks, find mentors and peers who you can talk to and who will encourage you.

What is the COP Network?

The Canadian Cow-calf Cost of Production Network (COP Network) uses standardized data collection which allows for comparison both within and between provinces, and internationally. Since launching in 2021, the COP Network has collected data from over 235 producers contributing to 64 cow-calf benchmark farms that represent various production systems. Each benchmark is based on data from 3-7 producers. Data collection occurs every 5 years with annual indexing of input and output prices, as well as crop and forage yields, in subsequent years. Individual benchmark farm summaries can be found at: https://canfax.ca/resources/cost-of-production/cop-results.html

[1] Lazurko, M. M., Erickson, N. E., Campbell, J. R., Larson, K., & Waldner, C. L. (2024). Technology adoption and management practices used in Canadian cow-calf herds. *Canadian Journal of Animal Science*, 104(4): 524-539. https://doi.org/10.1139/cjas-2023-0080

Whole-Farm

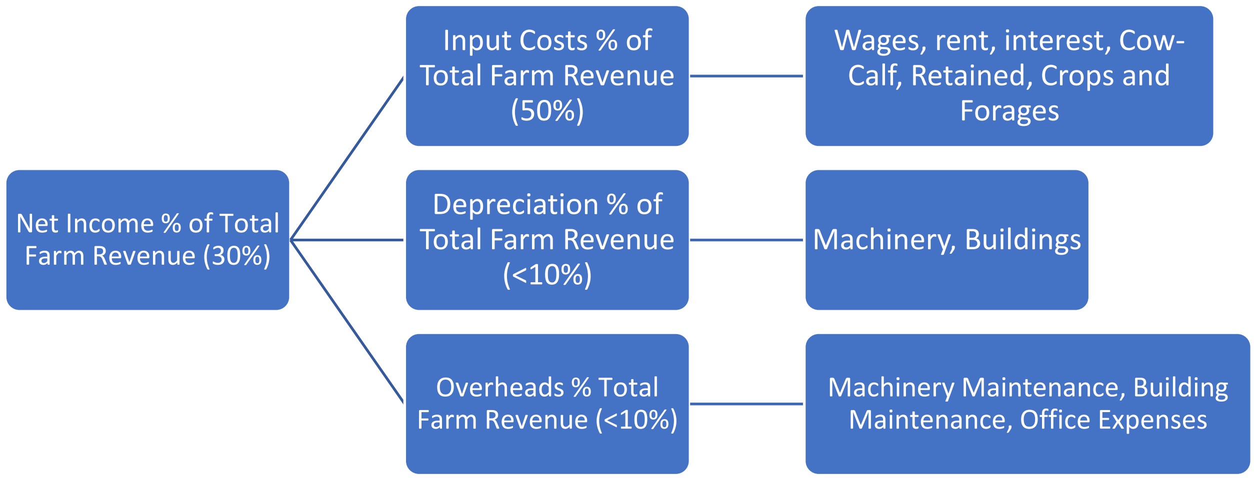
There is substantial diversity within the COP Network in terms of herd size, mix of enterprises (with diversified income sources being a risk management tool used by many), and reliance on off-farm income. To create financial benchmarks, whole-farm financials were used to take a holistic approach.

> "More than anything else, I believe it's our decisions, not the conditions of our lives that determine our destiny."
> ~ *Tony Robbins*

Financial Benchmarks

Whole-farm profitability reflects the ability to earn revenue relative to operating costs and asset base. This is necessary for both long-term survival and potential growth or expansion. ***Working backwards from a financial goal of Net Income at 30% of total farm revenue, this leaves 50% for input costs, 10% for depreciation and 10% for overheads.*** Inputs include the direct or variable costs associated with each commodity, they go up or down depending on the size of that enterprise. Depreciation is the cost of replacing assets (e.g., machinery, buildings) at the end of their lifespan. Overheads are the ongoing business expenses that are not directly tied to producing a specific product, but are necessary to keep the operation running (e.g., land taxes, improvements, machinery maintenance, fuel, electricity, etc.)

Why target Net Income at 30% of total farm revenue? The whole-farm profitability must provide a return to assets, including land, labour and internal capital. These opportunity costs (as reported in the COP Network) are accounted for at the enterprise level, but not the whole-farm level (which reports cash and depreciation costs). This requires a profit target at the whole farm level to account for the return to assets.



Remember that benchmarks are **NOT** based on who is the **most productive**. Benchmarks **ARE** based on who is the **most profitable**. Therefore, financial benchmarks come from the **Top 3rd** performing farms (using medium-term profits) not the average.

Net Income as a percentage of total farm revenue for the bottom two-third performing farms in the COP Network was 17%, indicating that on average these farms made money in 2024. However, several of the bottom performing farms were still struggling with profitability as depreciation and overheads were double that seen in the top-third farms. This showcases that there are opportunities to reduce overheads and depreciation. The higher percentage of input costs for the top-third farms was driven by the crop and retained ownership enterprises, reflecting the greater diversity of on-farm income sources.

Financial Benchmarks	Total AVG	Bottom 2/3	Top 1/3	Difference
Input Costs % of Total Farm Revenue	53%	51%	58%	14.4%
Depreciation % of Total Farm Revenue	13%	15%	8%	-48.6%
Overheads % of Total Farm Revenue	15%	18%	9%	-49.6%
Net Income % of Total Farm Revenue	21%	17%	29%	69.7%

Applying Financial Benchmarks

Every farm will be different, with a specific amount and mix of resources that the operator is looking to utilize effectively. Benchmarks are not designed to put producers in a box, but to inspire them to think about their operations from a different perspective, to see opportunities to be competitive and resilient, while providing the desired financial returns.

When evaluating your whole farm financials, there are some questions you can ask:

1. Are you happy with the Net Income % of Total Farm Revenue? If yes, congratulations!
2. If not, where are there deviations from the benchmarks in cost structure that present opportunities for change?
    a. If your depreciation and overheads are substantially above the 10% benchmark, ask: Does your farm structure justify this? Or are these nice to haves that your current farm income cannot sustain in the long run?
    b. If your input costs are substantially above the 50% benchmark, ask: Does your farm structure justify this? Or are these inputs masking deeper issues or supporting productivity at levels above optimal (see *Moving a cowherd towards optimum productivity: 2024 Productivity Benchmarks* fact sheet for more information on this).
3. If you are happy with your cost structure, is there a lack of income that could be supported by marketing? (see *Build, Brand and Market your Calf Crop: A Path to Reputation Cattle* fact sheet for more information)

Setting Financial Goals

There is no one approach that works for all operations. When setting financial goals, producers should ask themselves:

1. How much ($$) do I need to meet my financial goals?
2. What am I producing? Calves, yearlings, breeding stock, etc.? And at what price?
3. How many head do I need to meet those financial goals?
4. Is this realistic for my operation? Do I have a plan to get there?

"Your income right now is a result of your standards, it is not the industry, it is not the economy."
~ *Tony Robbins*

Break down the plan into manageable steps, so that it does not overwhelm you. Identify high-return changes to make first, as that will provide both cash and energy to continue. Be patient, but be confident that change can happen.

Check out the Beef Cattle Research Council's, Financial Record Keeping modules to learn more.

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