



*AgriProfit\$*

## Business Analysis & Research Program For Alberta Crop Producers

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**Information Bulletin**

Economics and Competitiveness, a division of Alberta Agriculture and Rural Development (ARD), operates the *AgriProfit\$* program.

### What is *AgriProfit\$*?

The *AgriProfit\$* Business Analysis and Research Program provides applied economic analysis and farm financial management information to: program participants, Alberta crop producers, and businesses and governments working with our cropping industry.

#### *AgriProfit\$* provides:

- **participants with a detailed analysis of their farming operations.** Participants are then able to chart the course of their business in an economically sustainable fashion by assessing their business' production, management and technology options.
- **benchmarks and farm financial management information that is based on real farms.** An annual account of production costs and returns gives a realistic reflection of the Alberta cropping industry's profitability and allows producers to assess their competitiveness.
- **ongoing monitoring of the economic and financial performance of Alberta's crop industry.** This helps ARD respond to industry issues.

The ultimate goal of the program is to "provide good business management information to knowledgeable business managers, so they can make better business management decisions".

#### Program Strengths:

- Accepted, consistent analysis standards – reliable and broadly comparable individual and "group" results.
- Not one size fits all – operations range by region and business type.
- Producers add realism to the group results.

### Is there a cost to participate?

No! Other than your valuable time, this program is free-of-charge.

### What's in it for producers?

*AgriProfit\$* puts producers in a better position to take control of their business make better business management decisions. Good information is the first and most important step in managing for profitability. If "all good things take time", then good management information is well worth the time producers invest.

#### Participants receive:

- a detailed economic analysis by enterprise with their production costs and returns calculated on a per unit basis (i.e. per bushel, per pound)
- a financial analysis of their "whole farm" business, revealing financial performance, strengths and weaknesses
- a benchmark report to 1) assess performance of their enterprise and farm over time 2) compare their performance to their "peers" by region, size of operation, type of operation, management practices, etc.
- ongoing newsletters, bulletins and analysis tools

The following two phrases link *AgriProfit\$* and farm business success:

#### 1. *You Can't Manage What You Don't Measure!*

##### Measure your "current" business position

Do a basic business analysis of key enterprises and roll it up to a "whole farm" financial position.

##### Measure your business position annually

Every year of analysis adds another dimension that shows progress, opportunity for change, and strengths and weaknesses.

##### Use analysis to Manage for profit

Cost profiles and farm financial analyses form the basis of managing profit centers, financial projections, budgeting and capital investments.

#### 2. *Who's in Control of this Business, Anyhow?*

##### Without a business analysis a farm directs itself.

When producers use an *AgriProfit\$* analysis to make short and long-term strategic decision that improve profitability, then the manager is now in control.

### **Don't accountants do this?**

Although producers may get similar farm level information from their accountant:

- Statements prepared for tax purposes are not designed to highlight changes that could be made to manage for profitability.
- Accounting statements do not deliver unit costs of production or examine pieces within enterprises that create overall farm profits.
- Accounting statements are not typically prepared in a format that is directly comparable to industry economic benchmarks and analysis information.

These differences may seem small, but they can make a big difference in how effective producers can be in using their own "on-farm facts".

### **Where does this information come from?**

The information in the database comes from the program's participants, who are Alberta's crop and cow/calf producers. *AgriProfit\$* collects farm and field level information on production, costs and returns, and investment information.

### **How is producer information used?**

The information participants provide is subject to the Freedom of Information and Protection of Privacy Act (FOIP). We only publish averaged results.

### **How should benchmarks be used?**

Benchmarks can be valuable for assessing the competitiveness of a farm, and in identifying a farm's operational strengths and weaknesses. Benchmarks do not suggest that all producers in a region have the same "average costs", so application of averages to individual situations requires caution. In fact, significant farm to farm variation is normal.

### **Applied Analysis & Tools**

The *AgriProfit\$* database supports applied economic research and analysis in topical production economics and finance issues. These range from assessments of specific production practices (i.e. fall banding, fall seeding, grain drying, pre-harvest burn off, certified seed) to business structure issues (i.e. renting land, leasing equipment, hiring consultants, custom operations).

Producer tools and budgets are developed from unit costs derived from an *AgriProfit\$* analysis.

For example, *CropChoice\$*, an ARD calculator that evaluates cropping plans, and **AFFIRM**, an ARD calculator that optimizes nutrient requirements for field crops, were developed using *AgriProfit\$* costing information.

### **Does *AgriProfit\$* have local partners?**

We work with local applied research associations to extend the economics and business management message. Activities range from applying costing to field demonstrations and research trials to discussion forums on production options and evaluation techniques.

### **Conclusion**

An *AgriProfit\$* business analysis provides key management information that helps producers take control of their businesses and move towards sustainable business success. It's designed to "*measure*" so producers can "*manage*".

Should you have any questions or comments about the *AgriProfit\$* Business Analysis and Research Program please contact:

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