

Western Beef Development Centre

2005 SASKATCHEWAN COW-CALF COST OF PRODUCTION ANALYSIS

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Introduction

The fiscal 2005 cow-calf cost of production data provided in **Table 1** was generated from 22 producers situated within Saskatchewan. Total costs of production and margins earned are expressed in both dollars per cow (\$/cow) as well as dollars per pound of calf weaned (\$/lb.).

Results

Income (A)

Income included in this section is from two sources: 1) weaned calves and 2) government payments. The average weaned calf value for 2005 was 565 lb/head @ \$1.24 /lb or \$652/cow for every cow in the herd regardless of whether she weaned a calf. The weaning percentage in 2005 averaged 93.5%. Government support payments received in 2005 from programs such as CFIP and CAIS totalled \$72/cow amongst the 22 herds in this analysis.

Direct Costs (B)

Winter feed, bedding, and all types of grazing (i.e. pasture, swath grazing, aftermath grazing) were based on the producer's discretion as to its fair market value. Grazing days were valued assuming they were supervised (i.e. the cost of the grazing day included someone checking the cattle, fences, water, etc). Please note production costs listed in **Table 1** are for the cowherd enterprise only, and do not include the costs associated with growing crops, baling feed, etc., given all feed was assigned its market value sitting in the bin, stack, pit, etc. All production costs associated with the bulls (feed, bedding grazing, etc.) have been included and absorbed by the cowherd. The costs of rolling, grinding, processing and transporting feed to the animals are included in the yardage category.

Feed and bedding costs during the winter feeding period of 2005 averaged \$1.02/cow/feeding day. The average cost per grazing day totalled \$0.69/day. This included pasture grazing, aftermath grazing and crop grazing. Breeding stock depreciation of \$69/cow is based on the breeding stock culled or determined to be a cull in 2005. Total direct costs in 2005 came to \$391/cow or \$0.77/lb of weaned calf. In comparison, the average direct costs over 2002 to 2004 came to \$431/cow or \$0.88/lb of weaned calf.

Yardage Costs (C)

Total cowherd yardage costs in 2005 (i.e. all overhead costs including unpaid labour) were \$175/cow (\$1.15/winter feeding day). When unpaid labour was not included as a yardage cost, cowherd yardage costs equalled \$140/cow or \$0.92/feeding day.

Other Costs (D)

Actual operating and capital interest payments related to the cowherd are included as a production cost; however, principal debt payments have not been included.

Summary (E)

The average margin in 2005 for the cow-calf enterprise came to \$142/cow (when unpaid labour was included as an expense). When unpaid labour was not included as an expense, the margin totalled \$177/cow. This margin of \$177/cow is what the producer has left for personal draw, principal debt payments and equity growth in the business.

If we disregard government payments as a source of income, the average income drops to \$658/cow, which is solely the value of the calves at weaning. The average margin for the cow-calf enterprise then becomes \$76/cow (includes unpaid labour) or \$111/cow without unpaid labour. Put another way, with a herd size of 264 cows the producer has \$29,300 left for personal draw, principal debt payments and equity growth.

Management Style and Demographics

A producer's management style is a contributing factor in their overall costs of production. Providing background on the management practices of the 22 participants in this study gives some perspective for interpreting the results.

Feeding Information

Days on feed (153 d) is the lowest it has been in the four years we have collected this information, and is partly because of the open fall in 2005 and fall rains that helped to extend the grazing season in some parts of the province. Seventy-three percent (73%) of participants use aftermath grazing and/or swath grazing as a fall feed source. Forty-five percent (45%) feed silage in their winter-feeding ration. Sixty-four percent (64%) use a bale processor to feed.

Calving/Retained Ownership Information

The average weaning weight was 565 lb with an average age at weaning of 235 days. Sixty-four percent (64%) of participants retained all or a portion of their weaned calves to background. In terms of calving start date, sixty-seven percent (67%) calve after March 15th (**See Figure 1**). The 19% of participants who started calving in January and February had both purebred and commercial beef cows.

Diversification/Off-farm Employment Information

Eighty-six percent (86%) of participants have diversified operations, incorporating beef cattle and grain production. Thirty-two percent (32%) have off-farm employment – either the participant or their

spouse have an off-farm job. Many of the participants (64%) were father-son partnerships, with the intention of the son taking over the family operation.

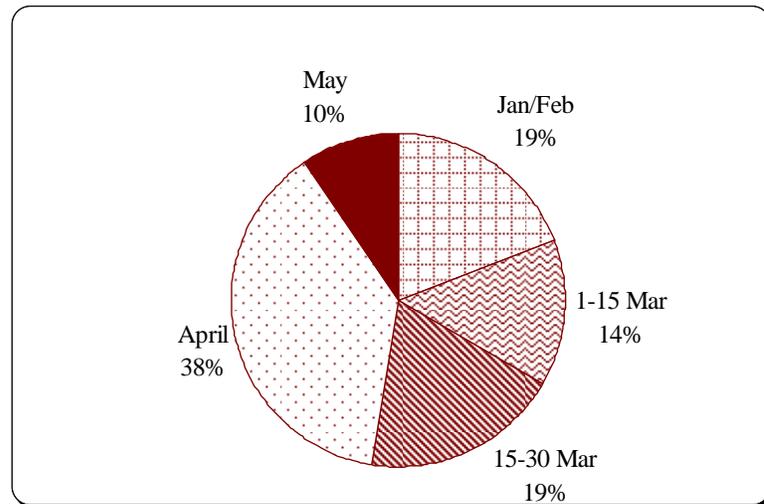


Figure 1. Calving start dates for the 2005 participants.

Conclusions

The reopening of the border to under thirty-month-of-age (UTM) live cattle in July 2005 resulted in strong feeder prices for fall-weaned calves. Throughout October and November, 550 lb feeder steers averaged \$1.33 to \$1.37 per lb (CanFax) – \$0.09 to \$0.11 per lb above the five-year average (2001-2005). We still wait for the reopening of the border to live cattle over thirty months (OTM) and it seems more than likely that our cull cows will not be going into the US market until early 2007.

The past 3 years of this analysis have observed returns from the cow-calf enterprise that were not large enough to cover personal draws and principal debt payments, let alone provide for equity growth in these businesses. In 2005, the strong feeder prices was an opportunity for producers to accumulate a financial reserve in preparation for the downturn in the cattle cycle that some industry experts are predicting will occur in the next year or two.

To obtain further information regarding this and many other articles pertaining to this topic, contact the WBDC at www.wbdc.sk.ca or 306-682-3139 in Humboldt.

Table 1. 2005 Saskatchewan Cow-Calf Cost of Production Analysis

# of Herds	22		
Opening Female Inventory	264		
Number of Calves Weaned	247		
Average Weaning Weight	565		
Average Winter Feeding Days/Cow	153		
Income (A)	\$/Cow	\$/lb	
Government Payments	\$71.92	\$0.14	
Value of Weaned Calves	\$651.85	\$1.24	
Total Calf Income and Pmts.	\$723.96	\$1.38	
Direct Costs (B)	\$/Cow	\$/lb	
Winter Feed/Bedding	\$156.59	\$0.30	
Veterinary & Medicine	\$19.06	\$0.04	
Grazing	\$146.35	\$0.30	
Breeding Stock Depreciation	\$68.90	\$0.13	
Total Direct Costs	\$390.91	\$0.77	
Yardage Costs (C)	\$/Cow	\$/lb	\$/WFD
Fuel	\$17.82	\$0.04	\$0.12
Machinery Repairs	\$12.71	\$0.02	\$0.08
Building Repairs	\$5.14	\$0.01	\$0.03
Utilities	\$16.00	\$0.03	\$0.10
Custom Work	\$15.62	\$0.02	\$0.10
Paid Labour	\$40.38	\$0.07	\$0.26
Unpaid Labour	\$35.26	\$0.07	\$0.23
Taxes/Lisc/H2O	\$5.03	\$0.01	\$0.03
Depreciation	\$20.11	\$0.04	\$0.13
Lease Payments	\$7.21	\$0.01	\$0.05
Total Yardage Costs	\$175.27	\$0.33	\$1.15
Other Costs (D)	\$/Cow	\$/lb	
Capital Interest	\$9.02	\$0.02	
Operating Interest	\$6.49	\$0.01	
Total Other Costs	\$15.70	\$0.03	
Summary (E)	\$/Cow	\$/lb	
Total Costs	\$581.87	\$1.12	
Total Costs - Unpaid Labour	\$546.62	\$1.05	
Margin	\$141.89	\$0.26	
Margin + Unpaid Labor	\$177.14	\$0.33	