

2011 SASKATCHEWAN LOW-COST COW-CALF ANALYSIS

By: Kathy Larson MSc, WBDC Economist

Introduction

The Western Beef Development Centre (WBDC) has been working with cow-calf producers across Saskatchewan to calculate their cow-calf cost of production (COP) since 2001. COP study results are published as WBDC Fact Sheets, available on the WBDC website (www.wbdc.sk.ca) under Publications & Information.

The 2011 study involved 30 producers located across Saskatchewan. The findings for the study were summarized by averaging the results from all 30 participants. However, averaged results can mask the range of the data set (i.e. minimum, maximum). In this fact sheet, the top 25 percent low-cost participants were compared against the remaining study participants. The results are summarized in Tables 1 and 2.

Results

The top 25 percent low-cost producers were those producers with the lowest total costs per cow. The low-cost producers had total average costs of **\$491 per cow**, which was **\$173 per cow lower** than the remaining producers in the study (see Table 1).

Table 1. Summary of Low-Cost Producers vs Remaining Participants[†]

	Top 25%	Remaining Participants	Difference +/-
Total Costs	\$491	\$664	-\$173
Herd Size (# of cows)	508	243	266
Winter Feeding Days	163	165	-2
Direct Costs	\$357	\$404	-\$47
Yardage	\$120	\$229	-\$109
550 lb Break-even [‡]	\$.99/lb	\$1.34/lb	-\$.35/lb

[†] Average \$/Cow rounded to nearest dollar

[‡] Break-even price assuming 90% wean percentage and 550 lb calf

Similar to 2010 results, average income (determined from actual weaned calf sales and estimated value of retained calves) for the low-cost producers was lower than the remaining participants. The lower average income was due to a low wean percentage – 84 percent compared with 92 percent for the remaining study participants. There were some low-cost producers who had lower than usual wean percentages due to calf death loss as a result of a severe winter storm in April 2011. Table 2 shows that, despite lower revenues, the margins for the low-cost producers were higher than the rest of the participants.

Herd Size

A major contributing factor to being low-cost was herd size. The average herd size was 508 cows. A large herd size enables a producer to “spread out” fixed expenses over more cows. The yardage expenses between the low-cost producers and remaining participants differed by \$109 per cow, which accounted for 63 percent of the overall total cost difference (\$173/cow).

Winter Feeding Days

The difference in winter feeding days between the low-cost producers and remaining participants was only two days (163 d vs 165 d). Comparing this to the 2005 COP results (see [Lang #2006-04](#)), the low-cost producers had 25 less winter feeding days. This suggests that the cost savings from extensive feeding, as well as minimizing winter feeding and drylot pen feeding, has become common knowledge and widely adopted. The 2011 Census of Agriculture reported that 5,900 farms practiced in-field winter grazing or feeding; that works out to 80 percent of beef operations. Ninety percent of the 2011 study participants used in-field feeding or grazing as part of their winter feeding program.

Direct Costs

Direct costs include winter feed, bedding, minerals/salt, medicine/veterinarian, grazing, and breeding stock depreciation. For 2011, the low-cost producers’ direct costs were \$47 per cow lower than the remaining participants. Seventy-two percent of the difference came from lower winter feed/bedding costs (\$20/cow lower) and breeding stock depreciation (\$14/cow lower) (Table 2).

Yardage Costs

Total cowherd yardage costs for the low-cost producers were \$120 per cow. Low-cost producers’ yardage was nearly 48 percent less than the remaining participants’ average yardage expense. Forty-five percent of the difference was due to lower labour costs (paid + unpaid) (\$37/cow lower) and depreciation costs (\$11/cow lower) (Table 2).

550 lb Break-Even Price

The break-even price for the low-cost producers was \$0.35/lb lower than the remaining participants. This number was calculated assuming 90 percent of cows wean a calf and that the average weaning weight is 550 lb.

Management Style and Demographics

Providing background on the management practices of the low-cost producers from this study offers additional insight on what factors make a producer “low-cost.”

Feeding Information

Days on feed (163 d) for the low-cost producer was only two days less than the remaining producers in the study. Feeding methods such as swath grazing, bale grazing, corn grazing, and straw/chaff pile grazing were being used by many of the producers in this study, not just the low-cost producers.

Calving/Retained Ownership Information

All but one of the low-cost producers had calving start dates in April or May. The majority retained 100 percent of their 2011 calf crop. These producers were mixed on their feeding and marketing of calves – some only backgrounded, some backgrounded and grassed calves, and some finished the calves to slaughter weight.

Location

The low-cost producers were from all areas of Saskatchewan, which suggests soil zone or eco-region was not a factor in having lower costs.

Conclusions

While being low-cost is important for profit potential, a producer should not cut costs at the expense of good herd management. Low-cost producers do not cut corners on herd health, herdsires, or pasture; cutting costs on these three areas can reduce productivity and actually raise costs.

Low-cost producers do:

1. Have larger herd sizes to share fixed costs (yardage) over more cows, thereby reducing per-cow costs,
2. Use extensive field feeding in their winter feeding program,
3. Record and monitor their costs. Five of the seven low-cost producers are repeat participants in the WBDC COP study. This would suggest there is true value in monitoring your costs and production results year over year. WBDC encourages producers to determine their own cost of production, utilizing their own production and financial data.

To obtain further information regarding cost of production, contact the WBDC at www.wbdc.sk.ca or 306-682-3139 in Humboldt.

Be sure to watch our YouTube videos at: <http://www.youtube.com/user/WSTRNBEEF>

Acknowledgements

Appreciation is given to the 30 operations who participated in the 2011 study, and also to Dr. Robert Zentner for assisting in the data collection.

Table 2. 2011 Top 25% Low-Cost Producers compared with Remaining Study Participants

	Top 25% Low-Cost	Remaining Participants	Difference +/-
Herd Size	508	243	266
# of Calves Weaned	429	223	206
Average WWT	483	561	-77
Weaning %age	84%	92%	-8%
Winter Feeding Days	163	165	-2
Income	\$641	\$780	-138
Direct Costs			
Winter Feed/Bedding	\$179	\$199	-20
Grazing	\$133	\$141	-8
Veterinary & Medicine	\$20	\$25	-5
Breeding Stock Depreciation	\$24	\$38	-14
Total Direct Costs	\$357	\$404	-47
Yardage Costs			
Fuel	\$17	\$32	-15
Machinery Repairs	\$8	\$24	-16
Building Repairs	\$3	\$9	-6
Utilities & Misc.	\$10	\$23	-13
Custom Work	\$6	\$12	-6
Paid Labour	\$3	\$7	-4
Unpaid Labour	\$41	\$75	-34
Taxes/Lisc./H2O	\$6	\$10	-4
Depreciation	\$26	\$37	-11
Lease Payments	\$0	\$2	-2
Total Yardage Costs	\$120	\$229	-109
Other Costs			
Capital Interest	\$5	\$16	-11
Operating Interest	\$3	\$5	-2
Trucking/Marketing Costs	\$5	\$11	-6
Total Other Costs	\$13	\$31	-18
Total Costs	\$491	\$664	-173
Total Costs - Unpaid Labour	\$450	\$589	-140
Margin	\$150	\$116	35
Margin + Unpaid Labour	\$191	\$190	1