

Western Beef Development Centre

2004 SASKATCHEWAN COW-CALF COST OF PRODUCTION ANALYSIS

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Introduction

The fiscal 2004 cow-calf cost of production data provided in Table 1 was generated from 17 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 2004 was 524 lbs/head @ \$0.98/lb. or \$476/cow for every cow in the herd regardless of whether she weaned a calf. The weaning percentage in 2004 averaged a little over 93%. Government support payments received in 2004 from 2002 CFIP, 2003 CAIS, BSE cull cow programs and 2004 CAIS advances totalled \$80/cow amongst the 17 herds in this analysis.

Direct Costs (B)

Winter feed, bedding, and all types of 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 2004 averaged \$1/cow/feeding day. The average cost per grazing day totalled just under \$0.80/day. This included pasture grazing, aftermath grazing and crop grazing. Breeding stock depreciation of \$66/cow was only calculated on the breeding stock culled or determined to be a cull during 2004. Total direct costs in 2004 came to \$409.25/cow or \$0.84/lb. of weaned calf. In comparison, the average direct costs in 2002 and 2003 came to \$436.82/cow or \$0.85/lb. of weaned calf.

Yardage Costs (C)

Total cowherd yardage costs in 2004 (i.e. all overhead costs including unpaid labour) were \$134/cow (\$0.79/winter feeding day). When unpaid labour was not included as a yardage cost, cowherd yardage costs equalled \$91/cow or \$0.54/feeding day. These totals are slightly lower than 2002 and 2003, where total yardage costs averaged approximately \$170/cow or \$1/day with unpaid labour and \$100/cow or \$0.60/feeding day without unpaid labour.

Other Costs (D)

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

Summary (E)

The average margin in 2004 for the cow-calf enterprise came to \$3.66/cow (when unpaid labour was included as an expense). When unpaid labour was not included as an expense, the margin totalled \$45.25/cow. This margin of \$45.25/cow is what the producer has left for personal draw, principal debt payments and equity growth in the business.

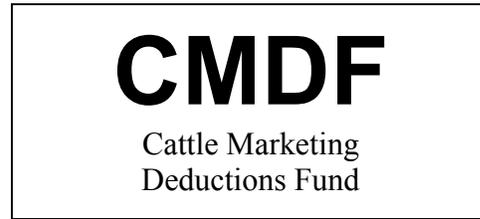
Conclusions

Similar to 2002 and 2003, the margin earned per cow in 2004 was minimal. Drought, BSE and a rising Canadian dollar have definitely had a negative impact on the economics of cow-calf production. In the past 3 years this analysis has 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. Obviously this is a problem for the industry, given we are at what many would consider the “peak” of the US cattle price cycle. Ideally, at the peak of the price cycle the cow-calf industry would have hoped to “fill their pockets” in order to prepare for the downturn that always seems to follow.

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. 2004 Saskatchewan Cow-Calf Cost of Production Analysis

# of Herds	17		
Opening Female Inventory	303		
Number of Calves Weaned	282		
Average Weaning Weight	524		
Average Winter Feeding Days/Cow	170		
Income (A)	\$/Cow	\$/lb.	
Government Payments	\$80.19	\$0.16	
Value of Weaned Calves	\$476.62	\$0.98	
Total Calf Income and Pmts.	\$556.80	\$1.15	
Direct Costs (B)	\$/Cow	\$/lb.	
Winter Feed/Bedding	\$168.53	\$0.35	
Veterinary & Medicine	\$20.09	\$0.04	
Grazing	\$154.53	\$0.32	
Breeding Stock Depreciation	\$66.09	\$0.14	
Total Direct Costs	\$409.25	\$0.84	
Yardage Costs (C)	\$/Cow	\$/lb.	\$/Winter Feeding Day
Fuel	\$13.22	\$0.03	\$0.08
Machinery Repairs	\$12.07	\$0.02	\$0.07
Building Repairs	\$4.34	\$0.01	\$0.03
Utilities	\$16.05	\$0.03	\$0.09
Custom Work	\$11.38	\$0.02	\$0.07
Paid Labour	\$11.63	\$0.02	\$0.07
Unpaid Labour	\$41.59	\$0.09	\$0.24
Taxes/Lisc./H2O	\$4.13	\$0.01	\$0.02
Depreciation	\$15.78	\$0.03	\$0.09
Lease Payments	\$2.63	\$0.01	\$0.02
Total Yardage Costs	\$132.81	\$0.27	\$0.78
Other Costs (D)	\$/Cow	\$/lb.	
Capital Interest	\$6.82	\$0.01	
Operating Interest	\$4.27	\$0.01	
Total Other Costs	\$11.08	\$0.02	
Summary (E)	\$/Cow	\$/lb.	
Total Costs	\$553.14	\$1.14	
Total Costs - Unpaid Labour	\$511.55	\$1.05	
Margin	\$3.66	\$0.01	
Margin + Unpaid Labour	\$45.25	\$0.09	



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