



Western Beef Development Centre

2005 Saskatchewan Low-Cost Producers

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Introduction

The cow-calf cost of production analysis has been conducted by WBDC for the last five years. In 2005, 22 producers situated across Saskatchewan participated in the cost of production study. The findings are typically summarized by averaging the results from all 22 participants. There is also value in comparing the Top 25% low-cost participants against the remaining participants. The results are summarized in **Table 1** and **Table 2**.

Results

Table 1. Summary of Low-Cost Producer Comparison.

Avg (\$/Cow)	Top 25%	Remaining Producers	Difference +/-
Total Costs	452	629	(177)
Herd Size	382	229	153
DOF/Cow	133	158	(25)
Direct Costs	341	405	(64)
Yardage	99	198	(99)
Margin	222	118	104

Total Costs

The Top 25% low-cost producers had the lowest total costs per cow costs out of the 22 participants in the study. The total costs were \$452/cow, which is \$177/cow lower than the remaining producers in the study.

Being a low-cost producer does not automatically infer a high revenue. On average, the low-cost producers in this study had revenues that were \$71/cow less than the rest of the participants. This is simply because they were weaning younger, lighter calves. The lower revenues are made up for in the fact that they incur fewer costs; as **Table 1** clearly shows margins for the low-cost producers were \$104/cow higher.

Direct Costs

Direct costs include feed, bedding, medicine/vet, pasture costs and breeding stock depreciation. The low-cost producers had direct costs of \$341/cow (\$64/cow lower than the remaining producers).

Yardage Costs

Total cowherd yardage costs for the low-cost producers were \$100/cow or \$0.75 per winter feeding day. Low-cost producers' yardages are nearly half of what the remaining producers incur in yardage. Sixty-three percent (63%) of the differences are in custom work (manure cleaning, silaging, etc.), labour, and depreciation.

The lower depreciation (\$11.58/cow lower) shows that the low-cost producers have less invested in machinery and buildings.

Other Costs

Actual operating and capital interest payments related to the cowherd are included as a production cost; however, principal debt payments have not been included. Low-cost producers averaged \$11.69/cow.

Margin

The average margin in 2005 for the low-cost producers came to \$222/cow (when unpaid labour was included as an expense). When unpaid labour was not included as an expense, the margin totalled \$252/cow. This margin was \$104/cow higher than the remaining producers in the study.

Table 2. 2005 Top 25% Low-Cost Producers vs. Remaining Producers in Study

	Top 25% Low-Cost	Remaining Producers	Difference
Herd Size	382	229	153
Number of Calves Weaned	360	214	
Average Weaning Weight	503	583	-79
Average Winter Feeding Days/Cow	133	158	-25
Income			
Government Payments	\$ 48.22	\$ 78.90	-\$30.68
Value of Weaned Calves	\$ 626.85	\$ 667.15	-\$40.31
Total Calf Income and Pmts.	\$ 675.07	\$ 746.05	-\$70.98
Direct Costs			
Winter Feed/Bedding	\$ 109.30	\$ 170.50	-\$61.20
Veterinary & Medicine	\$ 13.72	\$ 20.64	-\$6.92
Grazing	\$ 154.32	\$ 144.01	\$10.31
Breeding Stock Depreciation	\$ 63.96	\$ 70.36	-\$6.39
Total Direct Costs	\$ 341.30	\$ 405.50	-\$64.20
Yardage Costs			
Fuel	\$ 13.47	\$ 19.10	-\$ 5.63
Machinery Repairs	\$ 9.88	\$ 13.54	-\$ 3.66
Building Repairs	\$ 1.96	\$ 6.07	-\$ 4.11
Utilities	\$ 10.92	\$ 17.49	-\$ 6.58
Custom Work	\$ 4.55	\$ 18.87	-\$ 14.33
Paid Labour	\$ 12.08	\$ 48.70	-\$ 36.62
Unpaid Labour	\$ 29.44	\$ 36.97	-\$ 7.53
Taxes/Lisc/H2O	\$ 4.06	\$ 5.32	-\$ 1.26
Depreciation	\$ 11.16	\$ 22.74	-\$ 11.58
Lease Payments	\$ 1.60	\$ 8.86	-\$ 7.26
Total Yardage Costs	\$ 99.12	\$ 197.67	-\$ 98.55
Other Costs			
Capital Interest	\$ 2.32	\$ 11.00	-\$ 8.68
Operating Interest	\$ 4.73	\$ 7.00	-\$ 2.28
Trucking & Marketing	\$ 4.64	\$ 7.35	-\$ 2.71
Total Other Costs	\$ 11.69	\$ 25.35	-\$ 13.66
Total Costs	\$ 452.10	\$ 628.52	-\$ 176.41
Total Costs - Unpaid Labour	\$ 422.66	\$ 591.55	-\$ 168.88
Margin	\$ 222.09	\$ 117.54	\$ 104.55
Margin + Unpaid Labour	\$ 251.53	\$ 154.50	\$ 97.02

Management Style and Demographics

Providing background on the management practices of the low-cost producers from this study gives some perspective for interpreting the results what makes them “low-cost”.

Feeding Information

Days on feed (133 d) is 25 days less than the remaining producers in the study. Aftermath grazing and/or swath grazing is used by the low-cost producers. Bale processors and feeding silage are included on some but not all of the machinery and feeding programs on these operations.

Calving/Retained Ownership Information

The low-cost producers have calving start dates in April or May. The majority retained all their weaned calves.

Location

These low-cost producers were from all over Saskatchewan, so for this study location was not a factor in having lower costs.

Conclusions

For interest's sake, four of the five low-cost producers are repeat participants in the WBDC COP study, each with four to five years involvement in the study. There is true value in monitoring your costs and production results year after year. WBDC encourages producers to determine their cost of production.

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.