

2012 SASKATCHEWAN TOP 25% COW-CALF ANALYSIS

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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 22 producers located across Saskatchewan. The findings for the study are summarized by averaging the results from all 22 participants. However, averaged results can mask the range of the data set (i.e. minimum, maximum). In this fact sheet, the top 25% of participants are compared against the remaining study participants. The results are summarized in Tables 1 and 2.

Results

To be included in the top 25%, producers required both low costs and strong margins. A producer can have the lowest costs, but if there is no crop to sell, what does it really matter? This is why producers are scored on both total costs and net margins. The top 25% of producers had total average costs of **\$502 per cow** compared to **\$678 per cow** for the remaining participants (see Table 1).

Table 1. Top 25% Producers vs Remaining Participants, 2012.

Average (\$/Cow) [†]	Top 25%	Remaining Participants	Difference +/-
Total Costs	\$502	\$678	-\$174
Herd Size (# of cows)	559	277	+282
Winter Feedings Days	157	162	-5
Direct Costs	\$360	\$406	- \$46
Yardage	\$134	\$242	- \$108
Break-even [‡]	\$1.16/lb	\$1.46/lb	- \$0.30/lb

[†]Rounded to the nearest dollar.

[‡]Break-even price based on actual percent of calves weaned per cow (85% vs 91%) and actual average wean weight (509 lb vs 511 lb).

Table 2. 2012 Top 25% Producers compared with Remaining Study Participants.

	Top 25% Low-Cost	Remaining Participants	Difference +/-
Herd Size	559	277	+282
# of Calves Weaned	476	252	+224
Average WWT	509	511	-2
Weaning %age	85%	91%	-6%
Winter Feeding Days	157	162	-5
Income	\$630	\$695	-65
Direct Costs	-----\$/Cow-----		
Winter Feed/Bedding	\$145	\$205	-60
Grazing	\$120	\$105	+15
Salt & Mineral	\$16	\$18	-2
Veterinary & Medicine	\$25	\$26	-1
Breeding Stock Depreciation	\$54	\$52	+2
Total Direct Costs	\$360	\$406	-46
Yardage Costs			
Fuel	\$17	\$29	-12
Machinery Repairs	\$18	\$18	0
Building Repairs	\$2	\$12	-10
Utilities & Misc.	\$15	\$23	-8
Custom Work	\$5	\$10	-5
Paid Labour	\$22	\$7	+15
Unpaid Labour	\$22	\$90	-68
Taxes/Lisc./H2O	\$9	\$9	0
Depreciation	\$23	\$43	-20
Lease Payments	\$1	\$1	0
Total Yardage Costs	\$134	\$242	-108
Other Costs			
Capital Interest	\$1	\$8	-7
Operating Interest	\$3	\$9	-6
Trucking/Marketing Costs	\$6	\$13	-7
Total Other Costs	\$10	\$30	-20
Total Costs	\$504	\$678	-174
Total Costs - Unpaid Labour	\$482	\$588	-106
Margin	\$126	\$17	+109
Margin + Unpaid Labour	\$148	\$107	+41

Herd Size

A major contributing factor to being in the top 25% is herd size. The average herd size for the top 25% producers was 559 cows. A large herd size enables a producer to “spread out” fixed expenses over more cows. The yardage expenses between the top 25% producers and remaining participants differed by \$108 per cow which accounts for over 60% of the overall total cost difference (\$108/\$174=62%).

Winter Feeding Days

The difference for winter feeding days between the top 25% producers and remaining participants was only five days (157 d vs 162 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.

Direct Costs

Direct costs include winter feed, bedding, minerals/salt, medicine/vet, grazing, and breeding stock depreciation. Unlike yardage costs which are fixed, direct costs are variable, which means increasing herd sizes will have less impact on direct costs on a per cow basis. For 2012, the top 25% producers’ direct costs were \$46 per cow lower than the remaining participants. Winter feed costs were lower (\$60/cow), but grazing costs were higher (\$14/cow) (Table 2). Vet costs (\$25 vs \$26/cow) and breeding stock depreciation (\$54 vs \$52/cow) were very similar.

Yardage Costs

Total cowherd yardage costs for the top 25% producers were \$134 per cow. Top 25% producers’ yardage is 44% less than the remaining participants’ average yardage expense. Fifty-three percent of the difference is lower labour, paid and unpaid (\$53/cow lower), and depreciation costs (\$20/cow lower) (Table 2).

Break-Even Price

The break-even price for the top 25% producers is \$0.30/lb lower (\$1.16/lb vs \$1.46/lb) than the remaining participants. The average weaning weight between the two groups was nearly the same (509 lb vs 511 lb). The percent of cows that weaned a calf was lower (85% vs 91%) for the top 25% producers. Even though the top 25% producers had a weaker wean percentage, their lower cost structure resulted in a lower break-even. Ideally, producers should strive for 90%+ of wintered cows weaning a calf.

Conclusions

In the past, this fact sheet looked solely at producers with the lowest costs. While being low-cost is important for profit potential, a producer should not cut costs at the expense of good herd management. Low-cost does not necessarily mean high margin. Therefore, this fact sheet has been adjusted to look at the top 25% of producers who have both low cost structures and strong margins.

Top 25% producers do not cut corners on herd health, herd sires, or pasture – cutting costs on these three areas can reduce productivity and raise costs.

(Conclusions, cont...)

Top 25% producers do:

- Have larger herd sizes to share fixed costs (yardage) over more cows, thereby reducing per-cow costs.
- Use extensive field feeding in their winter feeding program.
- Record and monitor their costs. All of the top 25% 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 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>