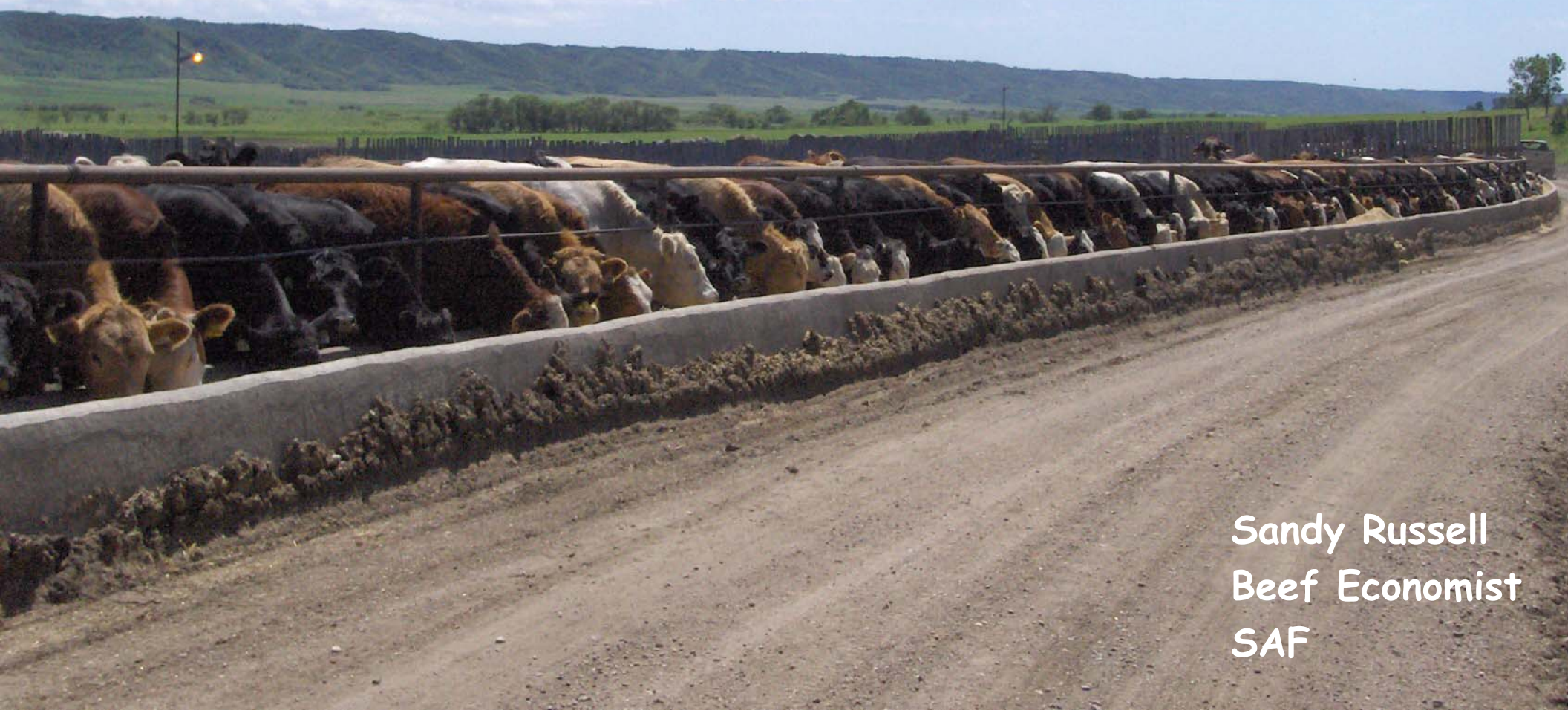


Feeding Cattle in Western Canada

-How Does SK Measure Up?-

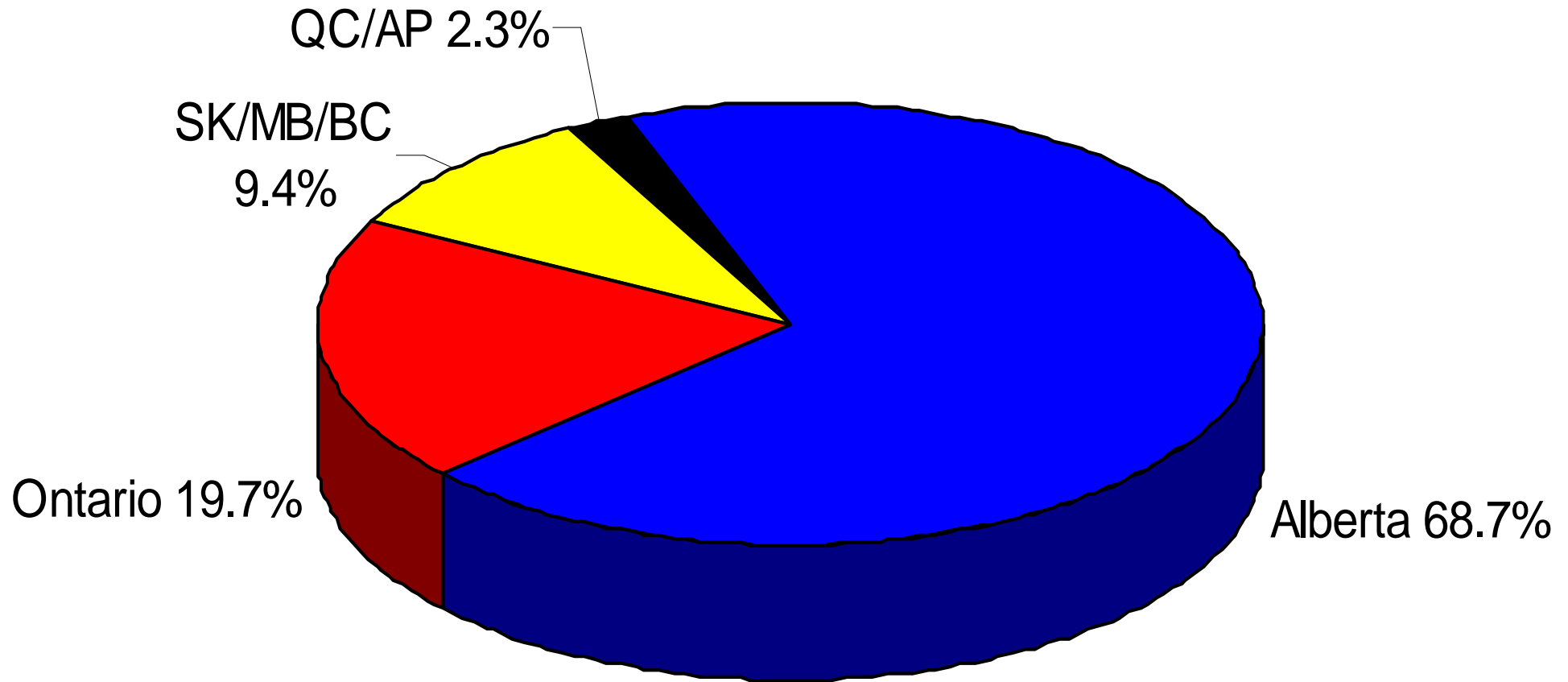


Sandy Russell
Beef Economist
SAF



The Canadian Beef Industry

Fed Cattle Production - 2005



Source: Cattle on Feed, Canfax

Saskatchewan Beef Industry

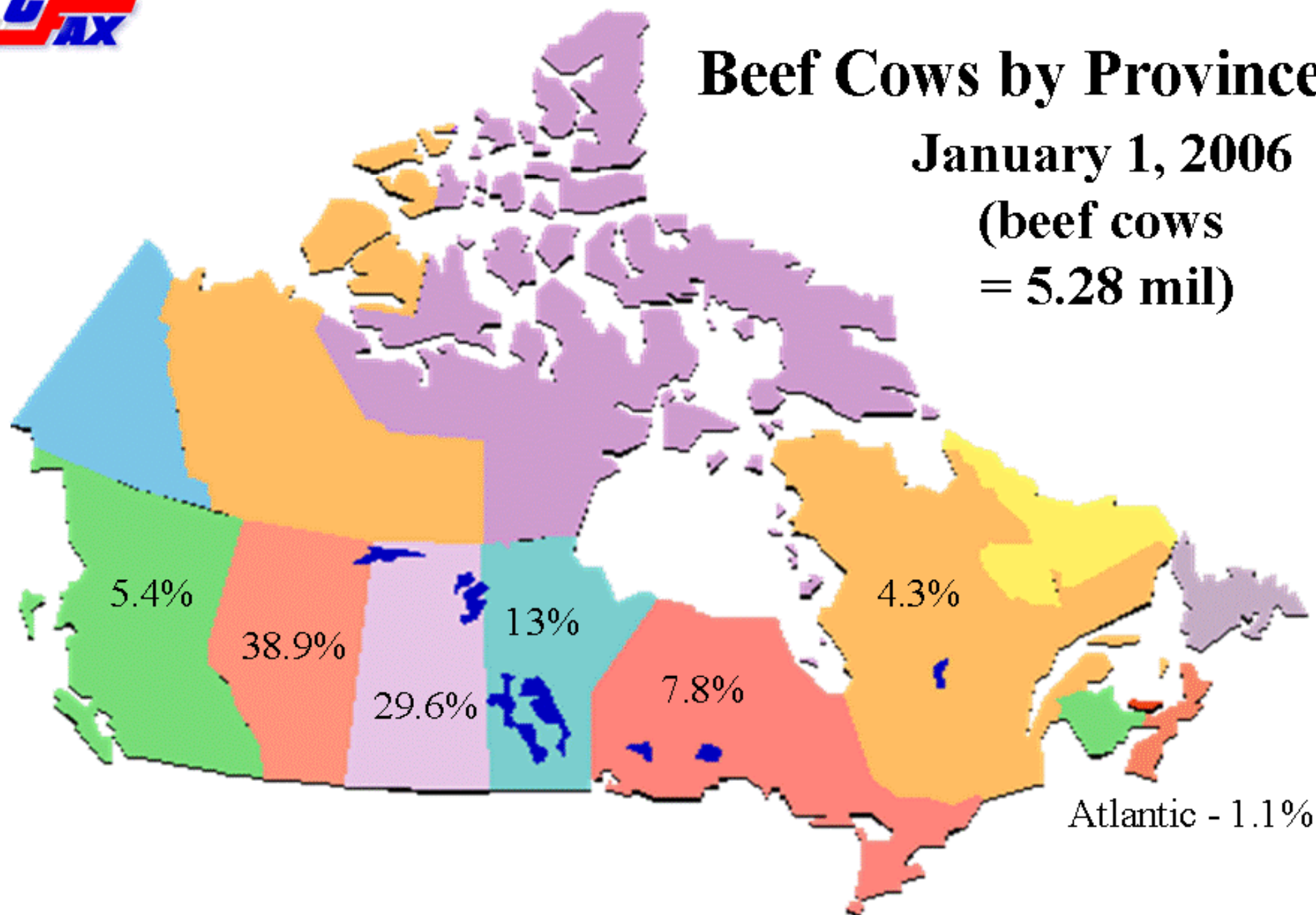
➤ 1.56 million beef cows



Beef Cows by Province

January 1, 2006

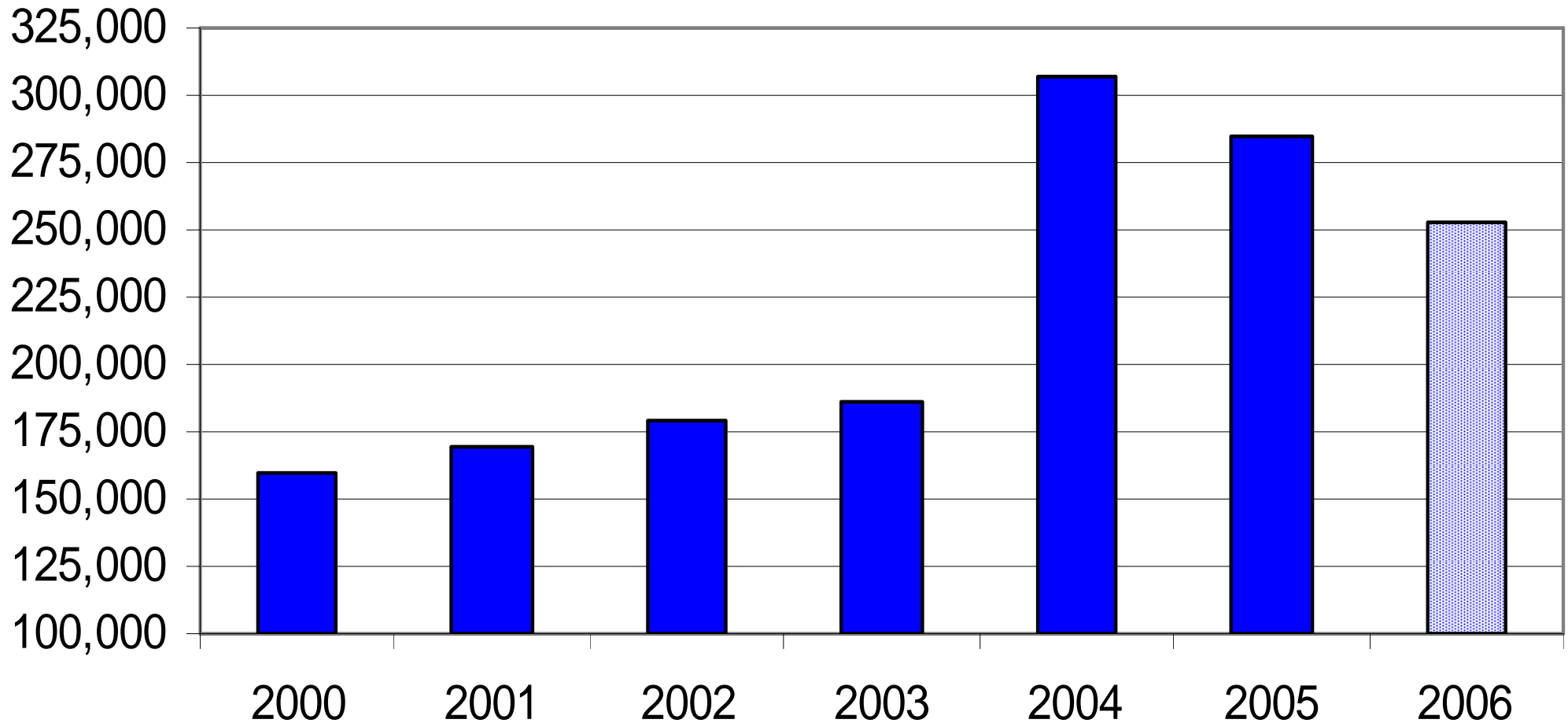
(beef cows
= 5.28 mil)



Saskatchewan Beef Industry

- 1.56 million beef cows
- Produce ~ 1.4 million calves
- Export 982,000 weaned calves
 - 641,000 to Alberta
 - 139,000 to U.S.A.
 - 105,000 to Ontario
- Export ~300,000 as backgrounded calves
- Finished 284,000 in SK feedlots

Saskatchewan Finished Cattle Marketings



Source: SAF

Saskatchewan Beef Industry

- 1.56 million beef cows
- Produce ~ 1.4 million calves
- Export 982,000 weaned calves
 - 641,000 to Alberta
 - 139,000 to U.S.A.
 - 105,000 to Ontario
- Export ~300,000 as backgrounded calves
- Finished 284,000 in SK feedlots
- Of those, 126,000 slaughtered in SK

SK - Can We Compete?

- **A Level Playing Field?** Brown et al. 1999
 - SK had higher investment requirements for a 20,000 head lot - \$379,355 disadvantage
 - Some "natural" economic advantages over AB - feed costs and land prices
 - SK biggest advantage was in barley, silage and pasture costs
 - SK had higher fuel, manure removal and transportation costs

SAF Competitiveness Study

- To identify and compare the main capital costs in establishing a feedlot in Alberta and Saskatchewan
- To provide insight into:
 - Which 10 areas were most capital intensive with respect to feedlot construction?
 - How does Saskatchewan compare to Alberta with respect to feedlot construction?

Competitiveness Study

- Study was conducted Summer of 2006
- 10 Feedlots across AB & SK were contacted to participate in a survey
- The survey included a list of 15 items to be ranked by the participants
- Due to timing, 6 responses were received
 - 10 largest capital items associated with feedlot construction

Top Ten Capital Cost Items

1. Earthwork
2. Pen Construction
3. Land Acquisition
4. Concrete
5. Processing Barn/Handling Facilities
6. Feed Mill
7. Shop/Office Building
8. Labour (Pen & Building Construction)
9. Electricity
10. Plumbing

Competitiveness Study

- Assumed construction of 10,000 head feedlot
- Individual prices derived by contacting numerous businesses from various locations within the two provinces.
- Prices were then averaged across the province and used to derive total costs

Results

Total Costs Evaluated

AB = \$2,216,394.09

SK = \$1,910,839.35

SK Advantage = \$305,554.75

- Major differences were in the areas of pen construction, land acquisition and building construction

Saskatchewan's Advantage

Average Land prices

AB = \$165,120 per quarter

SK = \$51,200 per quarter

\$113,920 SK Advantage

Results

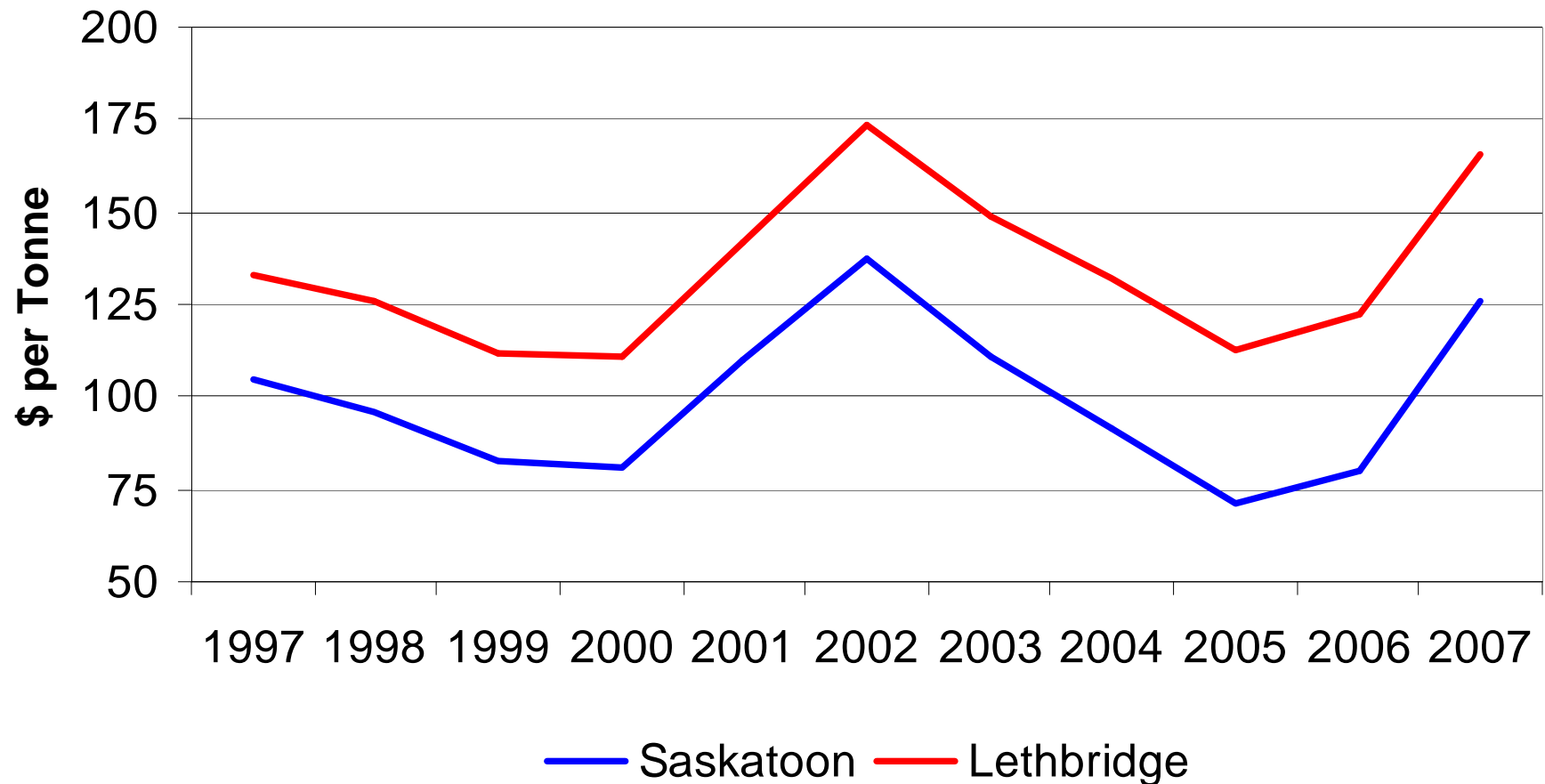
- SK had a significant advantage in the cost of lumber and other building supplies
- SK had significantly lower average hourly rates for trades (plumbers & electricians)

Research Limitations

- Few major components not included such as: earthwork, water & road development, etc.
 - Significant cost items in development of a feedlot
 - More site specific due to land location and quality, not varying by province
- Low survey response rate not necessarily representative of industry

Saskatchewan's Advantage

Average Barley Purchase Price



Rising Freight Costs

➤ Feeder Cattle:

Saskatoon to Southern AB

2003 (\$2.25/cwt) - \$12.43/feeder steer

2004 (\$2.30/cwt) - \$12.71/feeder steer

2005 (\$2.75/cwt) - \$15.20/feeder steer

2006 (\$3.00/cwt) - \$16.58/feeder steer

➤ Follow the cattle with the barley!

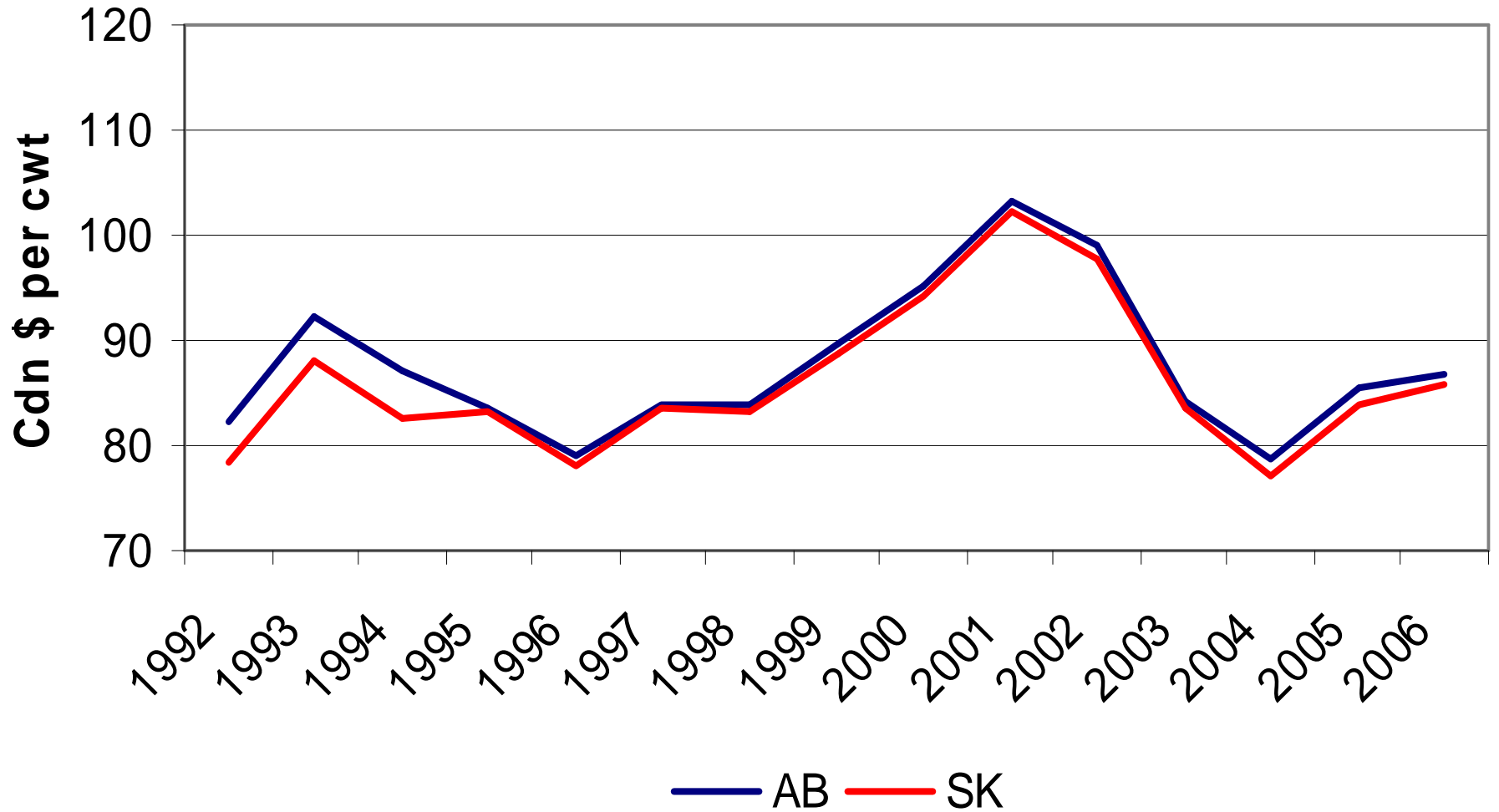
➤ 2003 - \$25/MT

➤ 2005 - \$30/MT

➤ 2006 - \$35/MT



Average Fed Cattle Price



Source: Canfax, SAF

Saskatchewan Advantages

- *We've got the calves!*
- *We've got the feed!*
- *Competitive costs and prices*
- *Market Access*
- *Space to build*

Why Not Saskatchewan?





"Alberta has...

the momentum in beef cattle production, the track record, the equity capital, and the attitude that Alberta should be the place where beef cattle are raised, fed, and slaughtered"

Brown et al. 1999

Why Not Saskatchewan?

Saskatchewan cattle feeders have a competitive advantage.

- The issues still exist:
 - 'Agglomeration' - defined as a mass or accumulation
 - Equity capital
 - Perception and Attitude

Thank You!

