



Western Beef Development Centre

DO LARGER COWHERDS MEAN INCREASED RETURNS?

Introduction

This fact sheet is a benchmark for Saskatchewan cow-calf producers to compare the economics of their operation. The information provided in this fact sheet is from the 2002 fiscal year (typically January 1st – December 31st, 2002). Herd sizes were grouped to create an equal distribution of producers with: “0 - 91 cows”, “92 - 156 cows” and “157 cows +”. Table 1 represents the herd size comparison results.

After analyzing the 2002 costs of production and returns for 67 cowherds throughout Saskatchewan, it appears larger sized cowherds earned greater returns than those with smaller sized herds (Figure 1). The question

then becomes, “why is herd size correlated with higher returns?”

Key differences between the three herd sizes included:

- 1) value of weaned calves,
- 2) amount of labour used,
- 3) lease payments and
- 4) overhead

Value of Production

The value of weaned calves increased \$0.10/lb. from the smallest to largest herd size group. This indicates larger herds were either more successful at marketing their calves, weaned their calves later in the fall when prices had improved and/or weaned higher quality calves, given weaning weights were similar between groups.

Labour

Figure 2 indicates declining labour costs as herd size increased. Thus, the labour cost per unit of production declined as herd size increased.

Leasing Cattle

The decision to lease cattle was more often undertaken by producers with smaller sized herds. Those producers leasing cows typically did so in order to increase their herd size without having to source outside financing. Although leasing cows initially assists cash flow, further investigation into proper leasing rates must be done on an individual basis to ensure positive returns can be earned.

Overhead

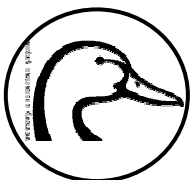
As herd size increased, yardage costs per pound of weaned calf decreased (see Figure 3).

Yardage includes: fuel, repairs, utilities, custom work, operating interest, labour, depreciation, taxes and miscellaneous costs. A \$0.18/lb of weaned calf difference exists between the smallest and largest herd categories.

Conclusion

Generating positive returns on equity requires sound managerial decisions (financial and production), however the first step is to determine, “what does it cost to raise the calves I am currently producing?”

For further information about this study or to join the program contact Tim Highmoor at (306) 966-2627 or thighmoor@wbdc.sk.ca. This study and other WBDC cost of production studies can be found on line at www.wbdc.sk.ca.



Ducks Unlimited Canada
CANADA'S CONSERVATION COMPANY

CMDF

Cattle Marketing Deductions Fund

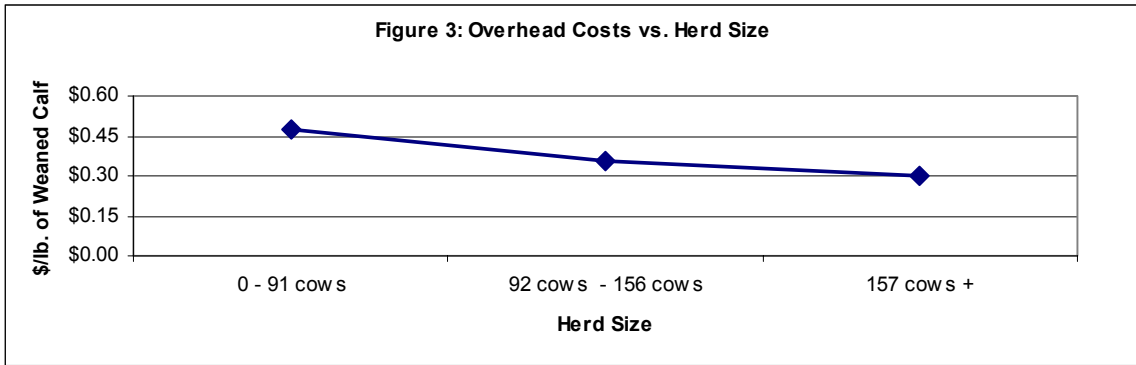
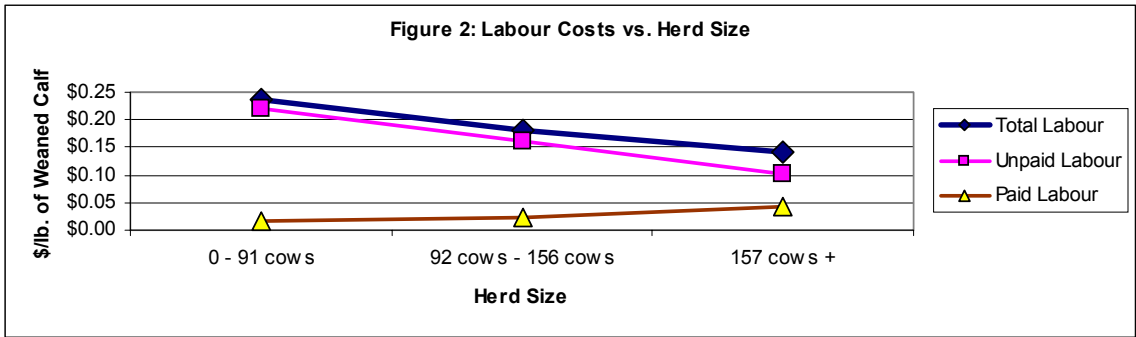
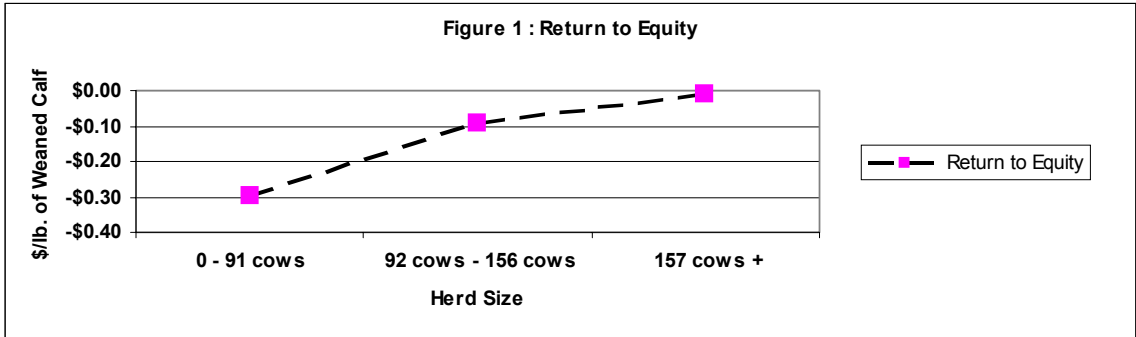


Table 1: Herd Size Comparison

	0 - 91 cows		92 - 156 cows		157 cows +	
Number of Herds	23		23		21	
Average Number of Cows in Herd (January 1, 2002)	61		121		294	
Average Pounds of Calf Produced	29946		63408		136498	
Average Number of Calves Weaned	56		112		272	
Average Weaning Weight (lbs/head)	535		566		502	
Average Days on Feed	178		179		169	
Value of Production	\$/Cow	\$/Lb.	\$/Cow	\$/Lb.	\$/Cow	\$/Lb.
Value of Weaned Calves (Net of Trucking & Marketing)	\$551.53	\$1.12	\$621.28	\$1.19	\$568.08	\$1.22
Inventory Adjustment/Miscellaneous Revenue/Replacement Breeding Stock/Cull Sales	-\$17.44	-\$0.04	-\$63.83	-\$0.12	-\$42.72	-\$0.09
Total Value of Production	\$534.09	\$1.09	\$557.45	\$1.07	\$525.36	\$1.13
Production Costs						
Winter Feed & Bedding	\$236.39	\$0.48	\$231.69	\$0.44	\$199.26	\$0.43
Pasture	\$145.89	\$0.30	\$154.81	\$0.30	\$155.67	\$0.34
Veterinary & Medicine	\$29.56	\$0.06	\$22.12	\$0.04	\$25.30	\$0.05
Fuel	\$14.61	\$0.03	\$13.59	\$0.03	\$9.83	\$0.02
Repairs	\$21.05	\$0.04	\$17.27	\$0.03	\$13.01	\$0.03
Utilities/Custom Work/Operating Interest/Miscellaneous	\$38.74	\$0.08	\$29.15	\$0.06	\$27.13	\$0.06
Paid Labour & Benefits	\$8.53	\$0.02	\$11.46	\$0.02	\$19.21	\$0.04
Unpaid Labour	\$108.35	\$0.22	\$83.64	\$0.16	\$46.73	\$0.10
Leases - Machinery/Cattle	\$20.41	\$0.04	\$3.50	\$0.01	\$2.74	\$0.01
Taxes/Water Rates/Licenses/Insurance	\$7.63	\$0.02	\$5.08	\$0.01	\$3.56	\$0.01
Equipment & Building Depreciation	\$35.11	\$0.07	\$24.96	\$0.05	\$19.57	\$0.04
Capital Interest	\$13.01	\$0.03	\$8.70	\$0.02	\$9.26	\$0.02
Total Production Costs	\$679.27	\$1.38	\$605.97	\$1.16	\$531.27	\$1.14
Return to Equity	-\$145.18	-\$0.30	-\$48.52	-\$0.09	-\$5.91	-\$0.01
Cowherd Enterprise Investment						
Buildings	\$379.29		\$227.78		\$111.72	
Machinery	\$215.42		\$163.66		\$163.27	