



# Western Beef Development Centre

## 2003-04 SASKATCHEWAN BACKGROUNDING ECONOMICS

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### Introduction - Western Beef Development Centre Cost of Production Study

The Western Beef Development Centre (WBDC) has collected feedlot cost of production data for 2002, 2003 and 2004 from numerous farms, ranches and feedlots across Saskatchewan. This article reveals the economic returns of 12 Saskatchewan backgrounders participating in this study during the 2003-04 feeding turn and is to be used as a benchmark for comparison.

### Background

All cattle in this study were placed on feed in the fall of 2003 as calves (no yearlings were included). In some cases producers had difficulty separating steer and heifer information; therefore this analysis calculated the average \$/head earned feeding a mixture of both steers and heifers. A large percentage of the calves in this study were home raised in the producer's own cowherd and thus had less death loss and veterinary costs than would typically be the norm in a larger commercial feedlot.

**Interest** was charged on the initial cost of the calf placed in the feedlot, feed, bedding and veterinary costs. A constant interest rate of 6.5% was assumed.

**Feed and bedding** was expensed at the producer's discretion as to its fair market value sitting in the feed stack, bin, pit, etc. The additional costs of

processing, grinding, rolling, and transporting feed to the bunk are included in the yardage category.

**Yardage** amounted to \$0.46/feeding day amongst these 12 backgrounders. A more detailed breakdown of yardage calculations can be obtained from the WBDC fact sheet “2002-2004 Saskatchewan Feedlot Yardage Analysis: How Do You Compare.”

## Results

Table 1 displays the results from the 2003-04 backgrounding analysis. Average losses amongst backgrounders were calculated to be -\$98.69/head, with a cost of gain of approximately \$1.02/lb. in order to achieve 1.37 lbs/day average daily gain.

**Note:** Principal debt payments owing to the backgrounders lending institutions have not been included in the margin per head calculation. Obviously a negative margin means principal debt payments were made using other equity in the business or in some cases were delayed during this time period.

To obtain further information regarding this and many other articles pertaining to this topic contact the WBDC at 306-682-3139 or [www.wbdc.sk.ca](http://www.wbdc.sk.ca).

The WBDC has a feedlot break-even analysis calculator on its website <http://www.wbdc.sk.ca/publications/Calculator.xls>, which can be downloaded and used as an economic tool when making decisions regarding whether or not to feed cattle.

**Table 1. WBDC SK Backgrounding Analysis: 2003-04 Feeding Turn**

# of Producers		12
Avg. # of Head Placed On Feed (Fall '03)		486.75
Avg. Days on Feed/Head		156.30
Avg. Daily Gain (lbs/day)		1.37
Death Loss		1.00%
<b>Income</b>		<b>\$/Head</b>
Government Payments		\$92.76
Feeders Sold (Less Trucking & Marketing)	720 lbs @ \$0.869/lb.	\$625.99
<b>Total Income</b>		<b>\$718.75</b>
<b>Expenses</b>		<b>\$/Head</b>
Cost of Calf	498 lbs @ 1.2047/lb.	\$599.92
Feed & Bedding	\$0.688/day	\$107.57
Veterinary		\$8.68
Yardage	156.3 days @ \$0.4592/day	\$71.77
Operating Interest	6.50%	\$19.93
Capital Interest		\$3.56
Death Loss	1.00%	\$6.00
<b>Total Expenses</b>		<b>\$817.44</b>
<b>Margin</b>		<b>\$/Head</b> <b>-\$98.69</b>
<b>Cost of Gain (\$/lb.)</b>		<b>\$1.02</b>



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