



## Snapshot: Comparison of Cattle Enterprises in the BC Highway 16 Region

There are more than 30,000 beef cattle that call the BC Highway 16 region home, but only a fraction of these cattle ever end up on the dinner plates of local residents. Increasingly consumers are demanding local beef and grass-fed beef options, but only a handful of local cattle operations produce the finished products they demand. When considering if your cattle operation should transition from a cow/calf enterprise to finished beef enterprise, you must determine if this is a viable business option. In order to demonstrate the business case for one type of enterprise over another, a comparison of the expected returns for each enterprise is needed.

The analysis below provides a financial comparison of various cattle enterprises for benchmarking purposes. Each individual cattle operation will have to determine its own costs of production to properly assess the financial viability of a change to their business. A transition from a cow/calf enterprise to finished beef enterprise will also require significant production, management and marketing changes, which merits considerable further research and analysis.

### Enterprise Options Compared:

- |           |  |           |  |
|-----------|--|-----------|--|
| <b>A:</b> | Farmer selling 570lb calf at weaning                               | <b>E:</b> | Farmer direct marketing grass-finished cuts at Farmers' Market |
| <b>B:</b> | Farmer selling backgrounded 940 lb calf                            | <b>F:</b> | Farmer direct marketing grass-finished sides over the internet |
| <b>C:</b> | Farmer selling 1,200lb grass-finished live steer locally           | <b>G:</b> | Farmer direct marketing grass-finished sides at farm gate      |
| <b>D:</b> | Farmer selling 1,200lb grass-finished live steer at Ponoka Auction |           |  |

Marketing Option	A	B	C	D	E	F	G
<b>Revenue</b>							
Market value per lb	\$1.50	\$1.25	\$1.17	\$1.13	varies by cut	\$3.39	\$3.50
Retail Value less shrink	\$855	\$1,161	\$1,348	\$1,302	\$2,391	\$2,264	\$2,338
<b>Costs</b>							
Cost to produce a weaned calf	\$571	\$571	\$571	\$571	\$571	\$571	\$571
Cost to background on forage		\$352	\$352	\$352	\$352	\$352	\$352
Cost to finish on grass/forage			\$75	\$75	\$75	\$75	\$75
Marketing and transportation					\$150	\$150	\$150
Abattoir processing costs					\$508	\$508	\$508
Total production costs	\$571	\$923	\$998	\$998	\$1656	\$1656	\$1656
<b>Profitability</b>							
Gross Margin	\$284	\$238	\$350	\$304	\$735	\$608	\$682
Added return over cow/calf enterprise (Option A)		-\$46	\$66	\$20	\$451	\$324	\$398
Cow/calf market prices required to generate equivalent return		\$1.42	\$1.62	\$1.54	\$2.79	\$2.07	\$2.20

## Results

Ultimately, this analysis shows that, on an individual carcass basis, direct marketing provides a significantly larger return than traditional marketing methods. The gross margin obtained from selling a finished animal is higher than selling a weaned calf (Option A), and the gross margin obtained by selling a backgrounded calf (Option B) was lowest of all options analysed.

## Notes on the Analysis

This snapshot comparison of cattle enterprises in the BC Highway 16 region is part of a larger report, *Beef in Northern BC*, published by the Beyond the Market project. To download or request a full copy of this report, visit [www.beyondthemarket.ca](http://www.beyondthemarket.ca), or contact us directly at 250-562-9622, ext. 115.

The costs of production, productivity and performance factors are based on survey data supplied by producers. Good management is assumed: feed is tested, a balanced ration is being fed, and livestock are on a herd health program.

A key contributor to variation in cost of production is fixed costs. Fixed costs, often classified as yardage, are costs that remain constant regardless of the volume of production (i.e. lease fees). Fixed costs are hugely variable from operation to operation, and can differ as much as \$100 per animal. As such, this analysis is based on variable costs, and does not include fixed costs. Fixed costs are assumed to be a constant across all enterprise options.

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