

Benchmarks for Florida Cow Calf Producer
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Benchmark data can be very useful for a cow calf producer, providing a means of evaluating their production system to determine if their herd is performing as efficiently as possible. In order to utilize benchmarks a producer must collect and record information both financial and production based regarding their herd. A producer needs to evaluate their information collection and record systems they have in place to determine first, if they are collecting the appropriated information and if the data they have collected is useful as a management aid. This article will provide Florida producers with benchmark data they may find valuable. This benchmark data was collected and reported for the years 2007-2008 by the United States Department of Agriculture (USDA) Economic Research Service (ERS).

One important piece of information a cow calf producer should collect is their annual cow cost. By knowing their cost of production for a breeding female, a producer can determine if they are recording red or black ink. From the USDA data and the regions that included Florida, the annual operating cost per bred female was \$615.15 for 2008 and \$568.10 for 2007. Two items that accounted for the majority of the increase in operating cost was total feed cost \$334 which increased 12%, with the cost for harvested forages \$168, reflecting an increase of 33% from 2007. The other operating cost item that significantly increased from 2007 to 2008 was the cost of fuel lube and electricity \$72 per bred cow, an increase of 25%. Some of the other costs that were reported for each bred cow were: veterinary and medicine \$43, marketing \$6, custom operations \$67, repairs \$23 and interest on operating inputs of \$4 per bred cow.

The other expense category per bred cow is allocated overhead which increased from \$538 in 2007 to \$564 in 2008. Breaking down this category by item: hired labor \$21, opportunity cost of unpaid labor \$352, depreciation \$89, opportunity cost of land \$1.20, taxes and insurance \$36, general farm overhead \$63, for a combined total of \$564 per cow. Total cost per bred cow when combining allocated overhead and operating cost were \$1,180 per bred cow.

The value of production per bred cow was \$348 per head which had decreased 4% from 2007. This gross value of production per bred cow was broken into several categories: steer calves \$93, heifer calves \$64, yearling steers \$71, yearling heifers \$26 and other cattle \$82. While not reporting how these values were determined it is assumed that sales were totaled for each category and then divided by the number of bred females to determine a value per bred female and then a total value per bred female. Regardless of the technique the bottom line is, when the value of production is deducted from the total opportunity cost there was a deficit of -\$264 per bred female. If allocated overhead is added to the equation then the deficit increased to -\$832 per head.

To make the economic picture somewhat less bleak, economists include the "costs" of all inputs utilized when producing a product. Included in the total costs were all the opportunity costs for unpaid labor (\$352), depreciation (\$90), (opportunity cost for the land (\$1.20), private pasture (your grass) rent (\$123), cropland pasture (\$3.20) and harvested forages (\$168). Harvest forages were allocated at the price a producer would pay if they purchased hay. While still a cost, many of the forages were probably ranch raised. The opportunity costs for unpaid labor is a real cost that many ranchers do not realize. They often put their labor into the ranch at zero dollars which is not realistic. They could and many do, work for someone else and get paid rather than donate their time to the operation, therefore there is a cost for a producers labor. Similar logic is followed for the allocation of an expense for private pasture and harvested forages. Both are a cost to the producer as the alternatives are to rent the pasture receiving rental income, sell harvested forages rather than feeding to their cows, again another lost source of income. When these costs (-\$737) are subtracted from the total cost, the cost of production

per cow decreases to \$434 per bred cow. Economically the producer is not earning a profit, but the picture painted is not so bleak.

When evaluating the numbers it is clear why producers make the difficult decisions regarding their herd. A producer may not allocate their labor against the business; they will not pay themselves until all other outstanding accounts are paid. There are certain allocated costs that must be paid such as taxes, insurance, fuel etc. The same may apply to supplemental feeding; this is one of the significant costs incurred within the herd, feeding supplemental feeds as needed. Producers may consider these supplemental feeds as an area that can be managed in an attempt to control costs. The negative to that equation is the effects on production and the loss in value of production per cow, and the decrease in the value of the cow due to less body condition.

Benchmarks may help a producer when evaluating their herd management. What are the production and cost comparisons with other producers? Are certain cost categories significantly different than other producers? How do the costs compare from one year to another? What are areas a producer may consider when managing to decrease costs or increase production? Similar to other types of production agriculture, managing a cow-calf ranch is a margin business. Producers are striving to decrease costs and increase the value of production. I am often asked by non producers how much does a cow produce in net profit per year? They generally think it is in multiples of hundreds of dollars. When they are told that cow calf margins can be negative or just a few dollars they are often quite surprised and comment that cattlemen deserve to earn a good living. We need to continue to educate our fellow citizens and politicians about our business.