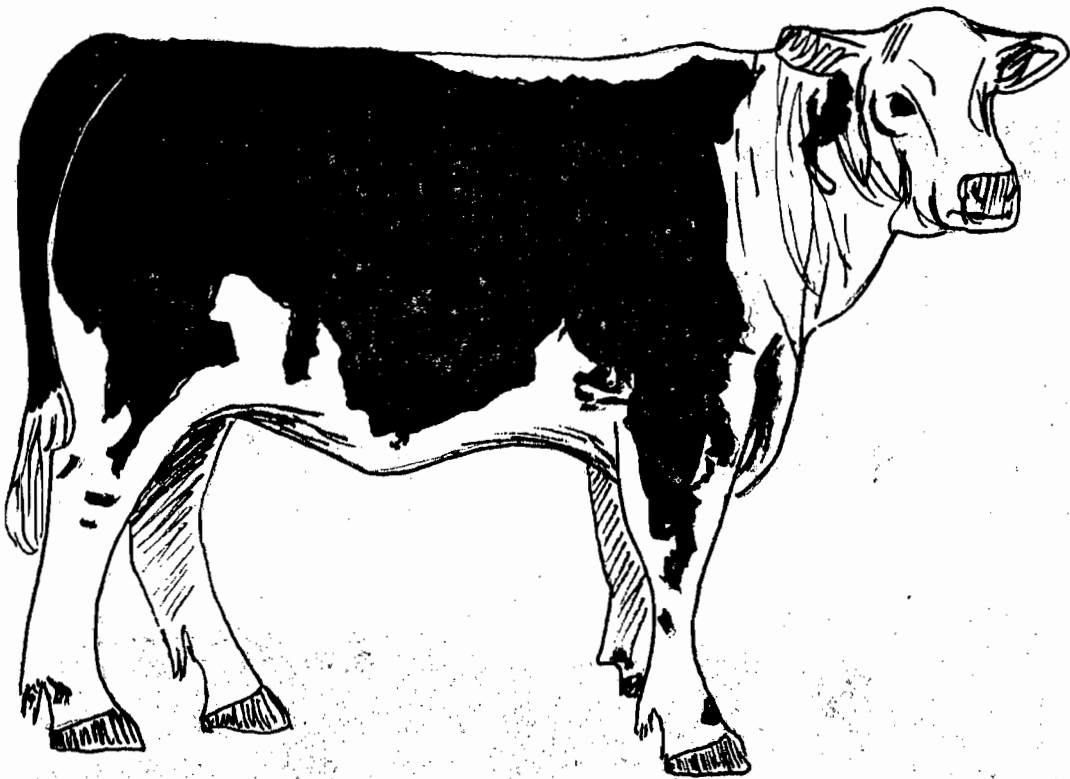


BF-VS-73

TULARE COUNTY

1973

BEEF PRODUCTION ENTERPRISE COST STUDY



Agricultural Building
County Civic Center
Visalia, California 93277
Area Code 209 - 732-5511 Ext. 469

Co-operative Extension Work in Agriculture and Home Economics, Division of Agricultural Sciences, University of California and United States Department of Agriculture co-operating. Distributed in furtherance of the Acts of Congress of May 8, and June 30, 1914. George B. Alcorn, Director, California Agricultural Extension.

TULARE COUNTY

1973

BEEF PRODUCTION ENTERPRISE COST STUDY

The author is Robert F. Miller, Farm Advisor, Tulare County.

This publication is designed to acquaint the reader with costs involved with beef cattle production. It illustrates a method whereby the cattleman, the appraiser, or the realtor can quickly determine approximate costs and returns associated with any cattle production enterprise. The sample demonstrates costs and returns occurring on a 300-cow foothill ranch located on the east side of the Southern San Joaquin Valley.

In this study, land was considered as a separate resource and a pasture rental value was charged against the cattle and credited to the land. This approach illustrates the relative costs incurred, as well as the income returned by the respective land and cattle enterprises.

Assumptions made in this study are as follows:

1. Carrying capacity: 300 cows; 60 replacement heifers and 15 bulls making a total of 375 Animal Units (A.U.).
2. An 85% calf crop weaned from mature cows.
3. A 60% calf crop weaned from first calf heifers bred at 15 months of age.
4. All steer calves, as well as heifer calves, not kept for replacements are sold as weaners.
5. Carrying capacity of the range is one animal unit per 20 acres per year. This equals .6 of an animal unit per month per acre.
6. Seven percent interest on investment is charged on livestock and on average value of equipment. Average value is cost plus salvage value divided by two. This interest charge may be cost or income depending on amount of debt. Interest paid on operating capital will also vary according to the amount borrowed.
7. Ranch improvements are depreciated to 10% of original cost over 20 years. Equipment is depreciated to 10% of original cost in five years. Bulls are depreciated to \$500 per bull salvage value in five years and horses are depreciated to \$50 per horse over ten years.
8. While labor is shown as an expense, it may be income if it is furnished by the owner. The ranch is considered to be operated by one full-time man with part-time help.

SUMMARY

	Sample	Example
Investment - Land and Facilities	\$595,000	
Expenses - Land and Facilities	8,985	
Income - Land and Facilities	27,000	

Net Return - Land and Facilities	18,015
Percent Return - Land and Facilities	3.02

Investment in Livestock	143,850
Investment in Equipment	<u>15,000</u>
TOTAL	\$158,850

Expenses on Cattle Enterprise	70,997
Returns from Cattle Sales	72,226
PROFIT or LOSS	+ 1,229

Cost Per Pound Beef Produced	.4487
Average Selling Price	.4565

SAMPLE COSTS AND INCOME - 300-COW FOOTHILL RANCH
 Southern San Joaquin Valley - 1973
 300 Cows - 375 Animal Units

Land and Facilities - Investment, Costs, and Returns

Item	Sample			Example		
	Cost	Per Acre	Per A.U.	Cost	Per Acre	Per A.U.
Land - 7500 Acres @ \$75/Acre	\$562,500	\$75.00	\$1,500.00			
Fences - 20 Miles @ \$1,000/Mile	20,000	2.67	53.33			
Buildings and Corrals	10,000	1.33	26.67			
Watering and Feed- ing Facilities	3,000	.40	8.00			
TOTAL	\$595,500	\$79.40	\$1,588.00			

Costs On Land And Facilities

Item	Sample			Example		
	Cost	Per Acre	Per A.U.	Cost	Per Acre	Per A.U.
Taxes Under William- son Land Act	\$7,500	\$ 1.00	\$20.00			
Depreciation on fences, buildings, and facilities	1,485	.20	3.96			
TOTAL	\$8,985	\$ 1.20	\$23.96			

Income To Land And Facilities

Item	Sample			Example		
	Cost	Per Acre	Per A.U.	Cost	Per Acre	Per A.U.
Rent @ \$6/A.U. Month	\$27,000	\$3.60	\$72.00			
Costs - - Taxes and Depreciation	8,985	1.20	24.00			
Net Return to Land	18,015	2.40	48.00			
Percent Return on Investment	3.02					

Cattle Enterprise - Investment Costs

	Sample			Example		
	Cost	Interest	Depreciation	Cost ¹	Interest ²	Depreciation ³
300 Cows @ \$375 Each	\$112,500	\$7,875	- - -			
60 Heifers @ \$300 Each	18,000	1,260	- - -			
15 Bulls @ \$800 Each	12,000	683	\$ 900			
3 Horses @ \$450 Each	1,350	53	120			
TOTAL	\$143,850	\$9,871	\$1,020			

1. Purchased or Raised Basis
2. Calculate as Owed
3. Apply to Purchased Stock

Investment in Equipment

	Sample			Example		
	Cost	Interest	Depreciation	Cost*	Interest*	Depreciation*
Four-Wheel Drive Vehicle	\$ 4,000	\$154	\$ 720			
1½ Ton Truck	4,500	173	810			
Pickup	3,500	135	610			
Horse Trailer	750	29	135			
Saddles and Tack	750	29	135			
Misc. Tools and Equipment	1,500	58	270			
Other	- -	- -	- -			
Other	- -	- -	- -			
TOTAL	\$15,000	\$578	\$2,680			

* As Applicable

ANNUAL OPERATING COSTS FROM I.R.S. FORM 1040, SCHEDULE F

Sample					Example		
No.	Item	Amount	Per A.U.	Percent	Amount	Per A.U.	Percent
26	Labor	\$12,000	\$ 32.00	21.1			
30	Repairs and Maintenance	2,100	5.60	3.7			
31	Interest on one-half operating capital - 12 Mo. @ 8%	2,186	5.83	3.8			
32	Rent @ \$6/AUM*	27,000	72.00	47.5			
33	Range Mix - 200 Lbs/A.U. @ \$80/Ton	2,420	6.45	4.2			
	Hay - 1,000Lbs/A.U. @ \$35/Ton	6,562	17.50	11.6			
34	Seed	- - -					
35	Fertilizer	- - -					
36	Machine Hire	- - -					
37	Supplies	- - -					
38	Breeding Fees	- - -					
39	Vet and Medicine	600	1.60	1.0			
40	Gas and Oil	1,600	4.27	2.8			
41	Storage	- - -					
42	Taxes on Stock and Personal Property	1,180	3.15	2.1			
43	Insurance	400	1.07	.7			
44	Utilities	400	1.07	.7			
45	Freight	400	1.07	.7			
46	Conservation	- - -					
47	Pension and Employee Benefits	- - -					
48	Other	- - -					
TOTAL		\$56,848	\$151.61	100%			

* Charged against cattle and credited to land.

UC Cooperative Extension

SUMMARY OF EXPENSES

Sample

Example

	Interest	Depreciation	Total	Per A.U.	Lb/Sold	Interest	Depreciation	Total	Per A.U.	Lb/Sold
Livestock	\$9,871	\$1,020	\$10,891	\$29.04	.0688					
Equipment	578	2,680	3,258	8.69	.0206					
Operating Costs	- - -	- - -	56,848	151.59	.3593					
TOTAL			\$70,997	\$189.32	.4487					

SALES AND INCOME

Sample

Example

	No. Head	Avg. Wt.	Total Pounds	Price/Pound	Value	No. Head	Avg. Wt.	Total Pounds	Price/Pound	Value
Weaner Steer Calves from Cows	127	450	57,150	.55	\$31,432					
Weaner Steer Calves from Heifers	18	350	6,300	.62	3,906					
Weaner Heifers from Cows	67	420	28,140	.50	14,070					
Weaner Heifers from Heifers	18	300	5,400	.56	3,024					
Cows	57	1,000	57,000	.32	18,240					
Bulls	3	1,400	4,200	.37	1,554					
TOTAL SALES	290		158,190		\$72,226					

Income Per A.U. \$192.60
Per Pound Sold .4565

The University of California's Agricultural Extension programs are available to all, without regard to race, color, or national origin.

Robert F. Miller
Farm Advisor
pc

100 Copies
4/18/73

UC Cooperative Extension