

Calculating Yardage—Are you charging enough?

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What is Yardage?

- Daily non-feed cost not associated with ownership of the cattle
 - Fixed costs—taxes, insurance, depreciation, interest on long term assets (factory)
 - Non-feed operating costs—labor, vet med, processing, fuel, utilities, office, repairs, etc.
 - Variable costs = non-feed operating costs + feed + interest on cattle.

Complications in Yardage Calculations

- Calculations—some items may be expensed and charged separately (i.e. vet med, chute charges, bedding, trucking)
- Feed markup—simple calculation, difficult accounting
- Combinations—can hide high fixed costs
- Sharing of equipment, labor, office, etc. with other enterprises

Head days are important

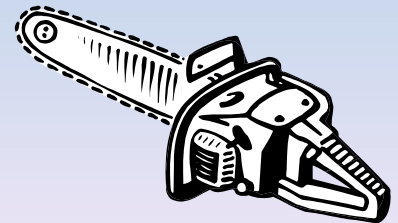
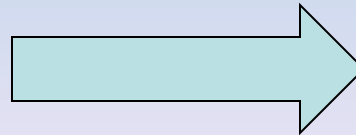
Yardage =

Daily non-feed costs

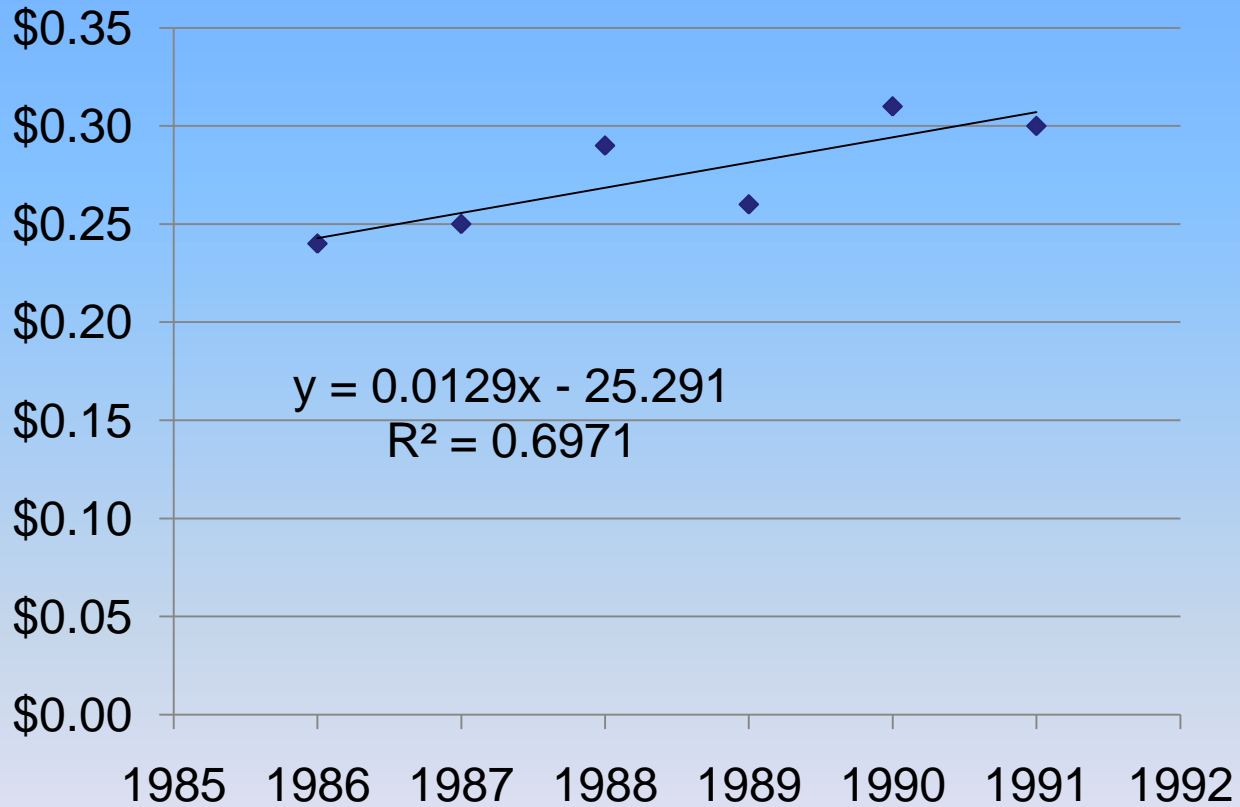
Head Days

The miracle of the internet

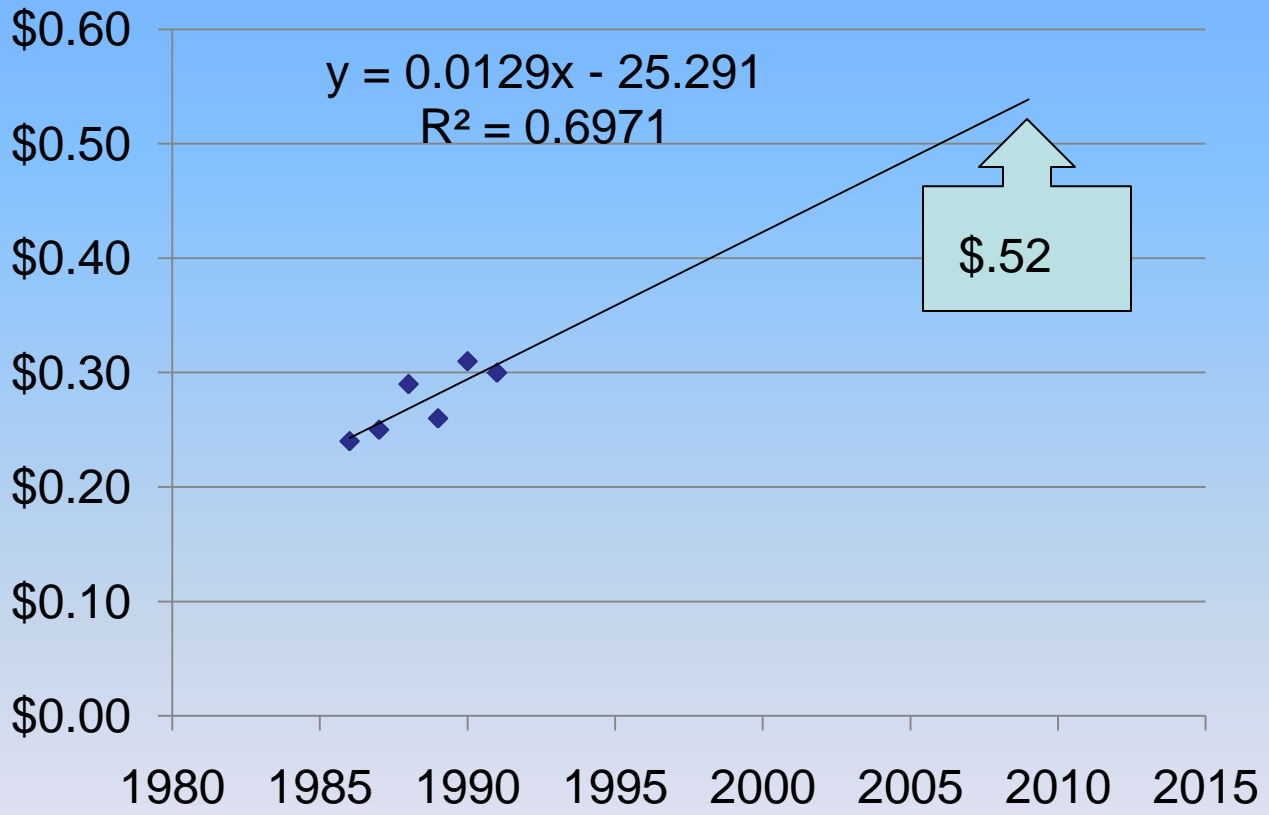
- Electronic technology allows us to very quickly and efficiently disseminate inaccurate information.
- Breakevens and projections with up to the minute commodity prices, interest rates but assumed standard yardage charge.
- What's your "yardage basis"?



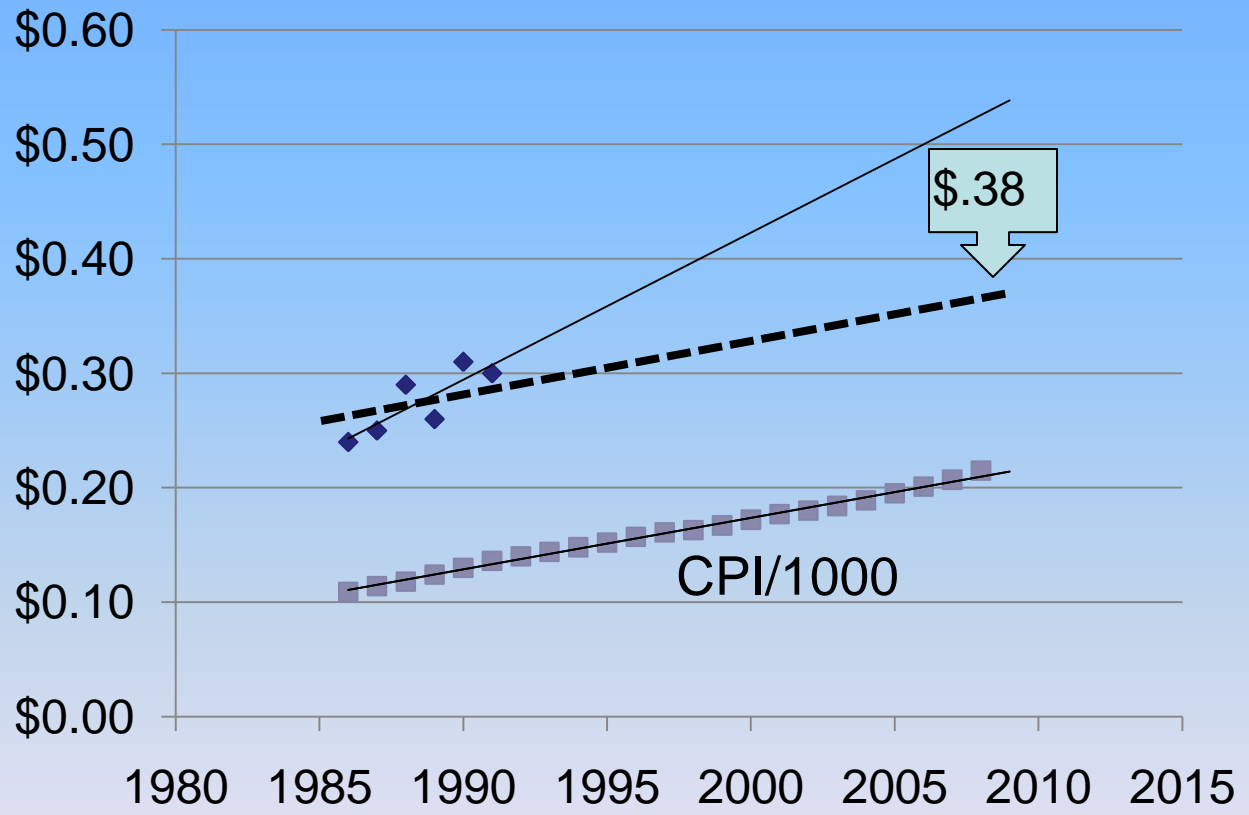
Benchmarking Yardage--ISU Beef Feedlot Enterprise Records



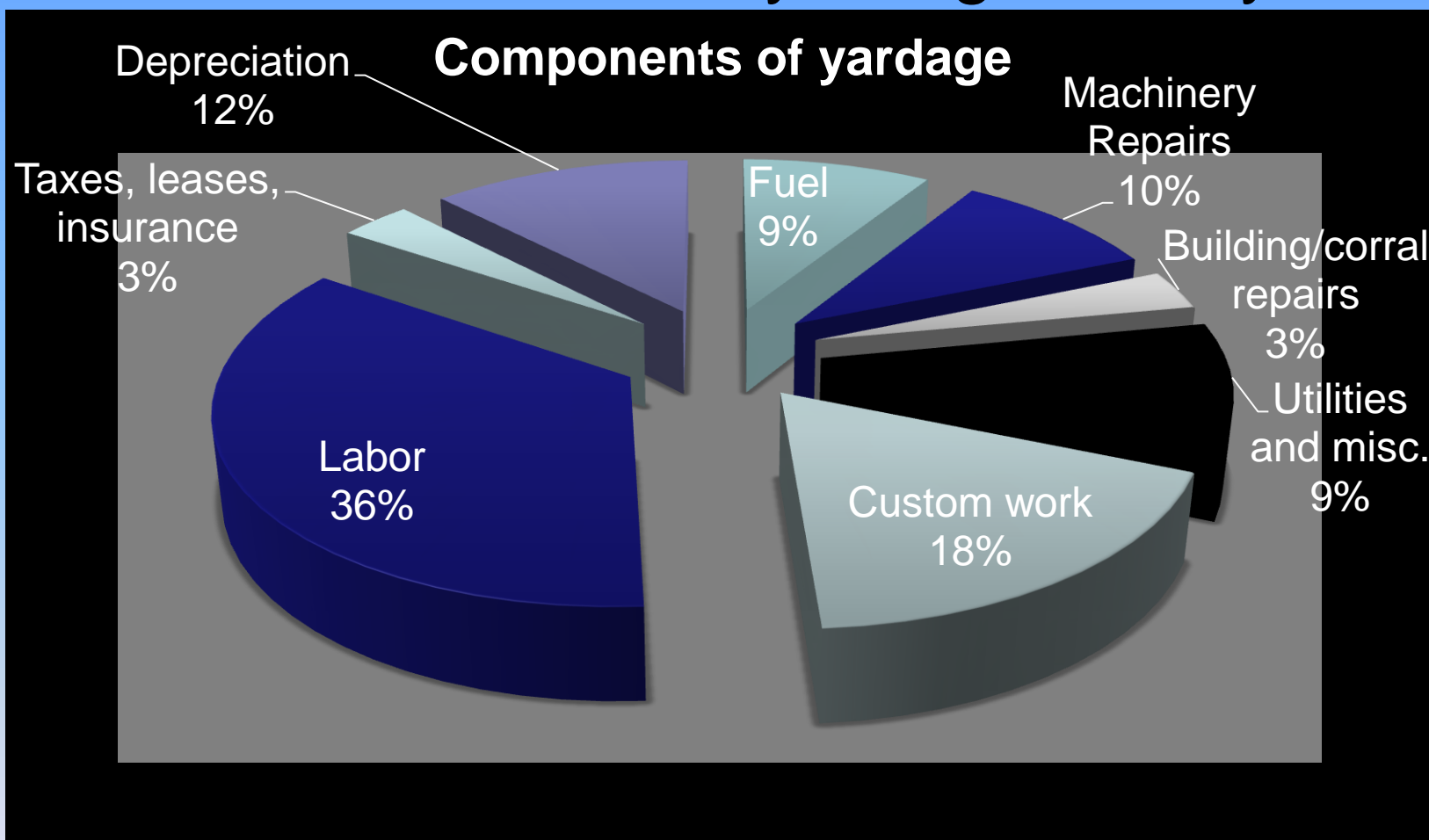
Iowa Yardage Benchmark (90's) Extrapolated to Today



Yardage Trends (adjusted for inflation)



Saskatchewan feedlot yardage survey 2004



Total Yardage = \$.36 per day. Bedding, vet med and interest not included

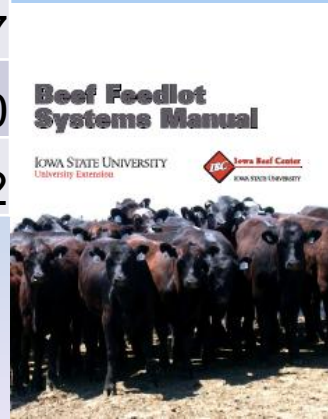
Variation in yardage

- Age and cost of facilities
- What is and isn't included
- Owned vs leased equipment
- Custom work
- Extent of sharing with other enterprises
- Labor
- Economies of size
- Capacity (head days) is a major factor
- One size does not fit all

Contribution of investment in new facilities to yardage charge

Investment per head	10 years	10 years, financed at 8%	20 years	20 years , financed at 8%
\$400	\$0.11	\$0.15	\$0.05	\$0.10
\$500	\$0.14	\$0.19	\$0.07	\$0.12
\$600	\$0.16	\$0.23	\$0.08	\$0.15
\$700	\$0.19	\$0.27	\$0.10	\$0.17
\$800	\$0.22	\$0.31	\$0.11	\$0.20
\$900	\$0.25	\$0.35	\$0.12	\$0.22

100% Occupancy



Main points

- Yardage is an important component of cost of production
- It is easily overlooked and assumed away
- There is variation from operation to operation
- Is there a need for a renewed benchmarking system for yardage costs?