

Cost of production an indicator of the profitability of beef cattle operations

- 1- new economic trends impact beef farms profitability*
- 2- tools and method of the study*
- 3 results : costs implication in the beef rentability*

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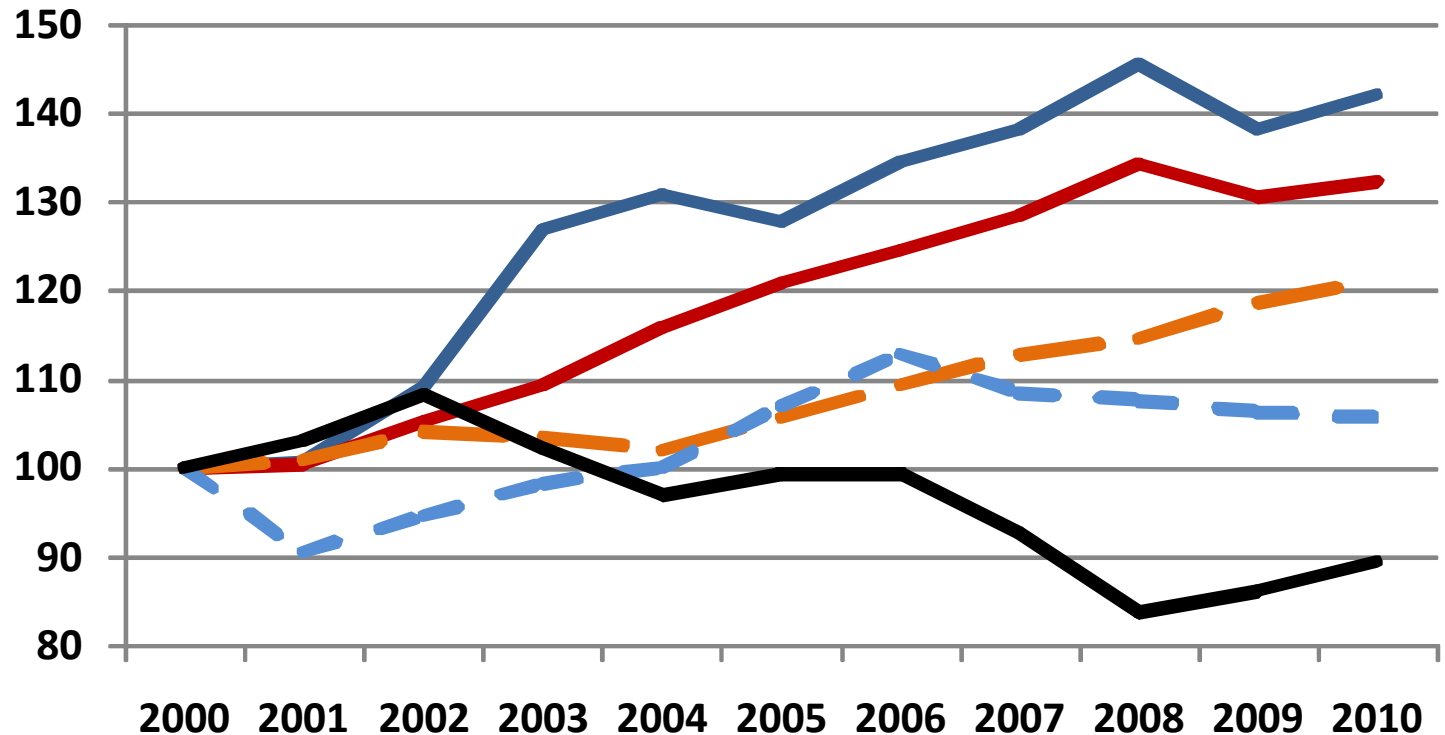
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New trends for the beef production

Evolution of the components of the beef profitability for 140 specialised beef farms between 2000 and 2010

— Direct cost (€/Livestock unit) — Fixed costs (€/ha)
— Productivity (Kg weight/labour unit) - - - Beef Price (€/kg)
— % income/total returns



Index evolution for main criteria of beef rentability 2000=100

- High sensitiveness to variation of costs (inputs and equipment)
- Enlargement do not necessary implicate costs reduction



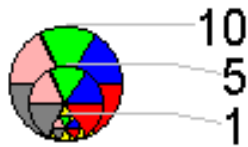
Improve Economic efficiency on beef farming systems

- ***A study on 470 farms from the French beef farming network aimed in providing systems benchmarks and in describing relationship between costs and income.***
- ***Based on a common methodology to calculate the production costs and its components***
- ***A multivariate analysis of beef operation profitability***
- ***A survey to explore farmers intention in order to be more competitive***

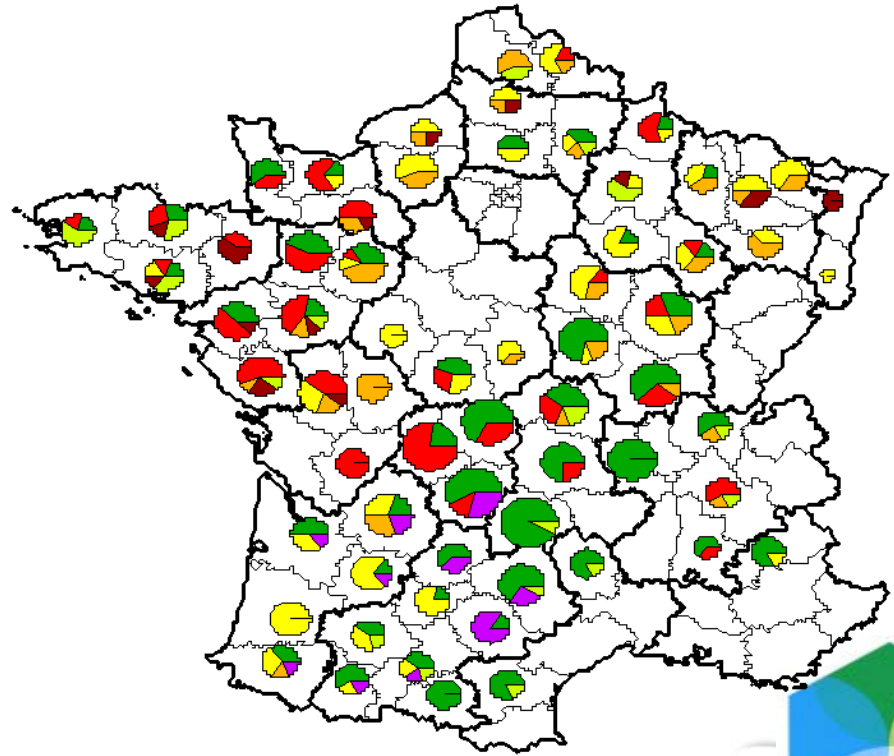
The French experience of farm networks

- The livestock networks : 1600 commercial farms in networks representing the important variability of real production systems:
- Ex : the beef farm network with 570 farms

Number of farms:

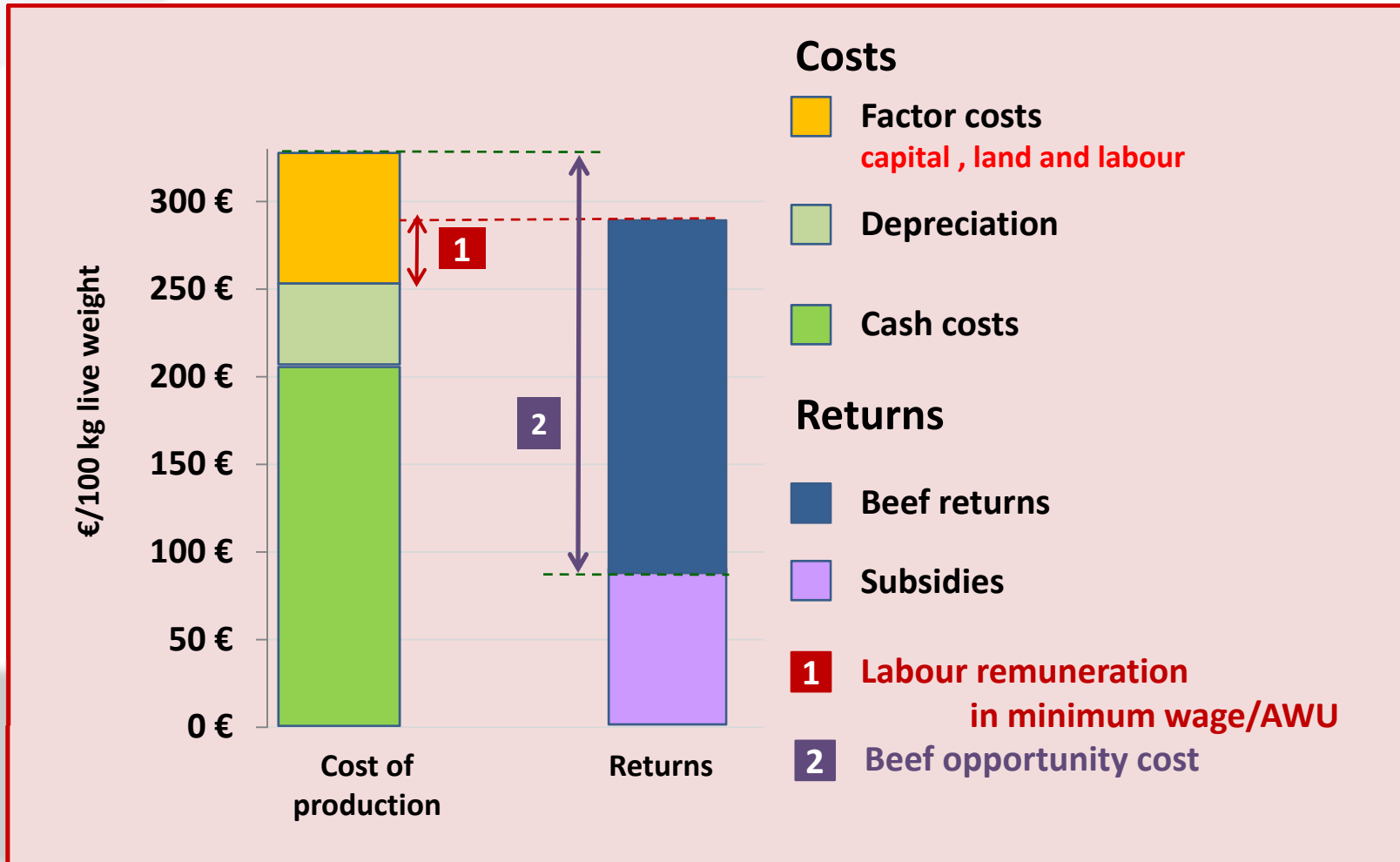


- Cow calf farms
- Calf and bull producers
- CC farms + crops
- Calf and bull farms + crops
- Suckler calf farms
- Bull finishers





Cost of production in beef activity methodology



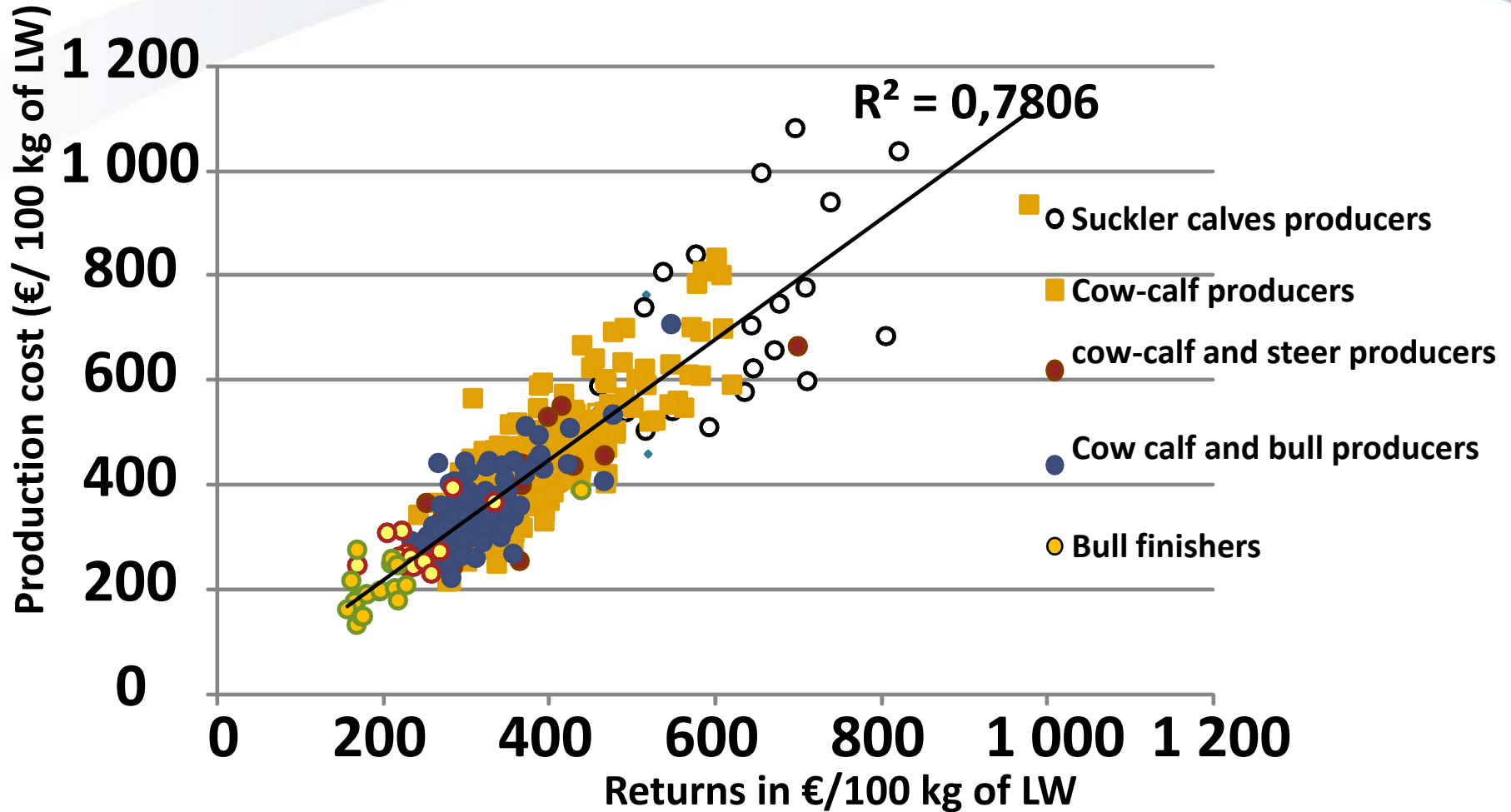
- Methodology used for dairy, beef, sheep and goat production
- Costs divided by kg of live weight (€/100 kg of LW)
- In accordance with international panel (IFCN, Agri Benchmark...)

Cost of production reliable to the production

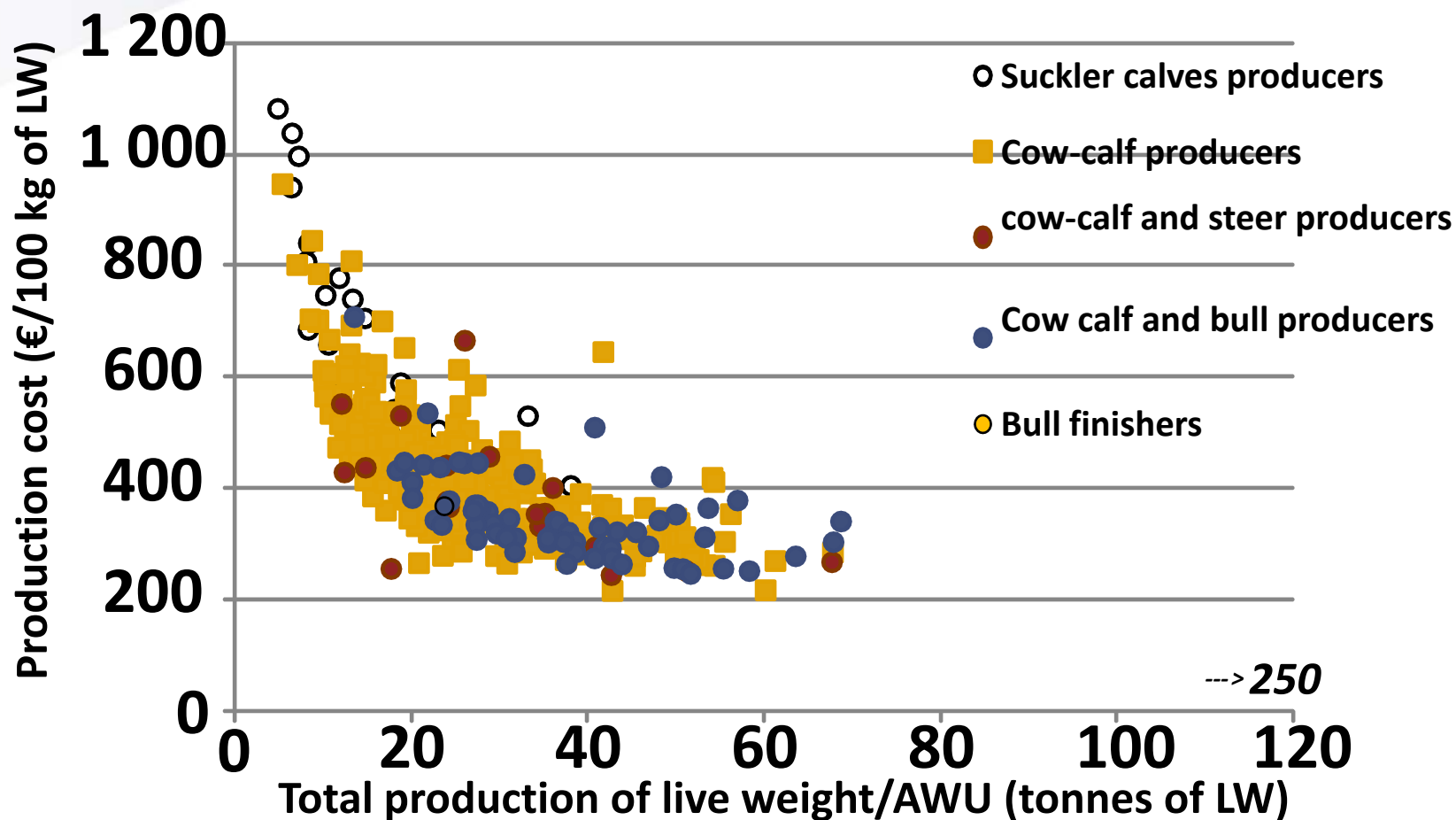
Beef systems	Sucklers calves	Cow Calf montain	Cow calf others	CC+Steers farms	CC+bull farms	Bull fatteners
Nb of farms	22	41	243	14	128	22
Labour productivity (T live weight/AWU)	14 t	20 t	30 t	30 t	42 t	118 t
Beef cost of production (€/100 kg lw)	737 €	470 €	409 €	358 €	325 €	201 €
Total beef returns (€/100 kg lw)	637 €	403 €	363 €	307 €	293 €	181 €
Including premiums	244 €	197 €	142 €	113 €	93 €	32 €
Labour remuneration mini wage/AWU	0,7	0,7	0,8	0,6	0,8	0,3

- *This observatory illustrates the diversity of the beef production*
- *Different productions/different costs/ different returns/ comparable rentability*
- *Variability in groups: from 1 to 2 for costs, from 1 to 6 to the labour remuneration*

Costs of production related to returns

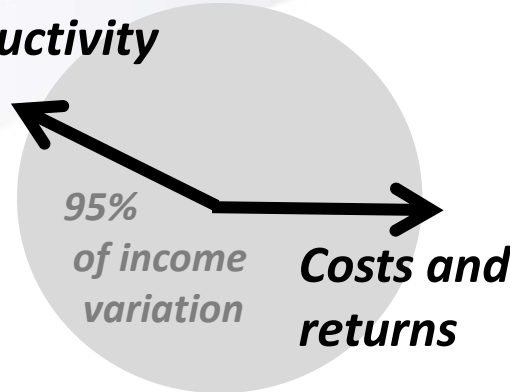


Costs of production related to productiveness



The main trends of the rentability

Productivity



*From statistic approach aimed to describe
relationship between costs and income.*

*Two
axes*

Productivity

*Animal
management*

*Labour
efficiency*

*Economic
efficiency*

*Costs
Management*

*Returns
optimisation*

Example for CC+bull producers

	A	B	C	D
Nb of farms	33	21	46	25
Labour remunération in min wage/AWU	> 1		< 1	

Productiveness in T/ AWU⁽¹⁾	45190	32890	38470	27420
Nb cows / AWU ⁽¹⁾	71	59	65	53
Beef productivity (kg live weight/livestock unit)	366	339	362	309

Cost of production in €/100 kg LW	279	332	340	436
Beef returns in €/ 100 kg LW	283	330	287	335
Including premiums in €/100 kg LW	89	120	93	121

Labour remuneration in mini wage/AWU ⁽²⁾	1,82	1,81	0,19	0,00
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(1)Total working units

(2)Remunerated work unit

- Two strategies to get the level of 1 mini wage/AWU: productiveness or/and economic efficiency (cost/returns)
- Productiveness, costs and returns interfere together to contribute to the profitability of beef enterprises.

Improve Economic efficiency: an issue for beef farming systems in order to improve their sustainability

- ***The implementation of the calculation of the production costs in beef farms provides new references in order to judge the economic farm efficiency.***
- ***Others factors interfere in the profitability such as productiveness and inputs efficiency. Different strategies are available.***
- ***As far as enlargement of farms will probably carry on in the future (2015-2020 projections), and regarding the CAP evolution, effort should be focus on economic efficiency.***



Thanks for your attention