

## **Economics and Marketing: Farm Gate Values for Farm-Raised vs Purchased Calves**

### **Introduction**

Farm gate value is what a farm-raised calf is worth going into a feedlot after all selling costs have been estimated and deducted from the market price. In other words, it is the estimated cost of placing a farm-raised calf in an on-farm feedlot. It is important to know the farm gate value when calculating breakeven feeder prices and deciding whether to feed the calves further or sell them.

Home-raised calves should have selling costs deducted from their market price to establish their net value at the farm gate. By contrast, the net value of purchased calves is determined by adding buying costs to the market price. Because of these differences, home-raised calves and purchased calves have different values going into the on-farm feedlot. Even though both would sell for the same market price. That difference in value is important when comparing the breakeven price of purchased calves and home-raised calves in the same feedlot. This module outlines how to calculate farm gate values for home-raised calves and compares this to purchased calves.

### **Farm Gate Value of Home-Raised Calves**

The calculations that follow estimate the farm gate value for a home-raised calf sold through an auction market. To determine the actual value of a home-raised calf, selling costs are deducted from the market price. In this calculation it is easier to view the farm feedlot as a separate enterprise from the cow-calf operation.

	<b>\$/head</b>
<b>Market price</b>	
Shrunk weight x auction market price (475 lb. X \$1.67/lb.)	\$793.25
<b>Less <i>estimated</i> selling costs:</b>	
Auction Commission charge	20.00
Alberta Beef Producers Check-Off	3.00
Brand inspection	1.25
Transit insurance	2.00
Trucking from farm to auction (40 km.)	3.00
<b><i>Farm gate value of home-raised calf</i></b>	<b>\$ 764.00</b>

The \$764.00 is the net dollars the cow-calf enterprise would have received if the calf was actually sold. This represents the actual market value of a home-raised calf.

## Farm Gate Value of Purchased Calves

The following calculation estimates the farm gate value of a calf purchased at an auction market. In this instance buying costs (cost of locating, buying and delivery) are added to the market price to determine the total cost of buying the calf at the auction market before placing it in a feedlot.

<b>Market price:\$/head</b>	
Shrunk weight X auction market price 475 lb. X \$1.67/lb = \$793.25	
Add buying costs:	\$5.00
Trucking from market to farm (40 km)	\$3.00
<b><i>Farm gate value of purchased calf</i></b>	<b>\$801.25</b>

The farm gate value of the home-raised calf is \$37.25/head lower than the value of the purchased calf in this example. The lower the cost of an animal placed into a feedlot the greater the profit potential.

Producers should do breakeven calculations before they decide to keep calves or buy calves for their home feedlot. Use the estimated farm gate value as the calf purchase cost or feeder purchase cost in a breakeven analysis. In this model, the farm gate value of a home-raised calf is used for comparing returns from different feedlot alternatives.

### Further information

Other modules in the Livestock Marketing Section will address calculating breakeven values for feeders in detail.