

The western Canadian beef industry is dynamic in terms of how it has adapted to change and evolved over time. Economic pressures have caused the evolution of the cow/calf segment regarding geographic location, land use and production practices employed. Some of the key economic elements driving this evolution, at the business unit level, include:

- unit production costs,
 - farm financial performance,
 - alternative production opportunities,
 - real estate values, and
 - growing knowledge of production technologies.
- How producers perceive the interaction among these elements leads their choices regarding expansion of their existing businesses or re-location to a different region.

For many years, northern Alberta residents have considered the Peace River region as having many of the attributes conducive to cow/calf production. However, this potential does not appear to be generally recognized by producers in other regions or provinces ... particularly those seeking a change of location to alleviate the economic pressures in their current location.

Alberta Agriculture's (AFRD) Northern Alberta Beef Industry Development Team, along with the Department's *AgriProfit\$* program staff, have compiled information on the relevant regional economic drivers to further the understanding of the production potential within the region. This will enable producers from within and outside the region to make better decisions regarding beef production opportunities in the Peace.

A Look at the "Facts"

AFRD's *AgriProfit\$* and Agricultural Real Estate Values databases are employed to provide a view of the cow/calf industry in the Peace. Similar Saskatchewan economic profiles, as posted by the Western Beef Development Center (Saskatoon), are provided to add further context. Occasional limited interpretation is provided. The onus is on the reader to draw their own conclusions.

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**Table 1: Cow Herd Production Cost Comparisons
2002 - \$ per Cow Wintered**

	Southern Alberta	Aspen Parkland	Boreal Transition	Peace Lowland	Alberta Total	Sask. Total
----- Variable Costs -----						
Average	573	757	744	580	698	556
Top R2E	522	748	655	514	n.a.	n.a.
----- Cash Costs -----						
Average	560	744	724	556	680	500
Top R2E	518	728	641	500	n.a.	n.a.
----- Total Production Costs -----						
Average	627	826	801	635	757	607
Top R2E	571	807	709	561	n.a.	n.a.

Note to Reader: *AgriProfit\$* Cost and Returns information provided covers a short time span. The reader must consider the regional and year effects of drought over the course of this period.

A listing of definitions and explanations is attached to assist readers in interpreting a number of the terms utilized in the tables and discussions.

Regional Costing: Table 1 presents selected costing totals comparing Alberta regions, plus the Provincial Totals for both Alberta and Saskatchewan. The "top profit" averages, by region are included as well. With respect to the Peace, the comparative costing shows that producers managing to suit their production environment and maintain a low cost status are competitive with other regions.

Costs & Margins Over Time: In Table 2, total costs, returns over cash costs and cow/calf enterprise profitability are compared, by regional

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**Table 2: Cow Herd Economic Costs & Margins
2000 - 2002 (\$ per Cow Wintered)**

	2000	2001	2002	Average
----- Total Production Costs -----				
Alberta	623	662	757	681
Peace	582	593	635	603
Peace - Top R2E	n.a.	512	561	537
Saskatchewan	537	540	608	562
----- Gross Margin -----				
Alberta	338	106	(179)	88
Peace	323	187	59	190
Peace - Top R2E	n.a.	272	112	192
Saskatchewan	107	234	39	127
----- Return to Equity -----				
Alberta	231	27	(255)	1
Peace	228	105	(20)	104
Peace - Top R2E	n.a.	203	51	127
Saskatchewan	68	144	(68)	48

and performance groupings. The low unit cost approach of Peace Region program participants is shown as their source of profitability.

Forage & Grazing Economics: The success of cow/calf operations is closely tied to the ability to economically produce forage and grazing to support the business. Table 3 compares and contrasts productivity and costing of selected forage and grazing crops in the Peace Region relative to the provincial averages. Margins and productivity indicate the opportunity to strategically utilize these resources to achieve a “low cost” cow herd.

The Land Base: The land investment is a key element in any beef operation. Chart 1 presents average land values (per acre) for the Peace Region vs. comparable Alberta averages. CLI class 3, 4 & 5 values are used as they are more typically associated with beef operations. Although land values are trending up over time, the Peace Region values consistently range from \$150 to \$200 per acre lower than the Alberta averages.

Summary

The commonly held negative perceptions of beef production opportunities in the Peace Region appear to be unfounded. The information provided herein should dispel some of the misconceptions regarding distance, productivity and profitability associated with cow/calf operations in the Peace. Strategic resource use, sound business management and a focus on low unit production costs have been shown to result in profitable cow/calf business ventures in Alberta’s North.

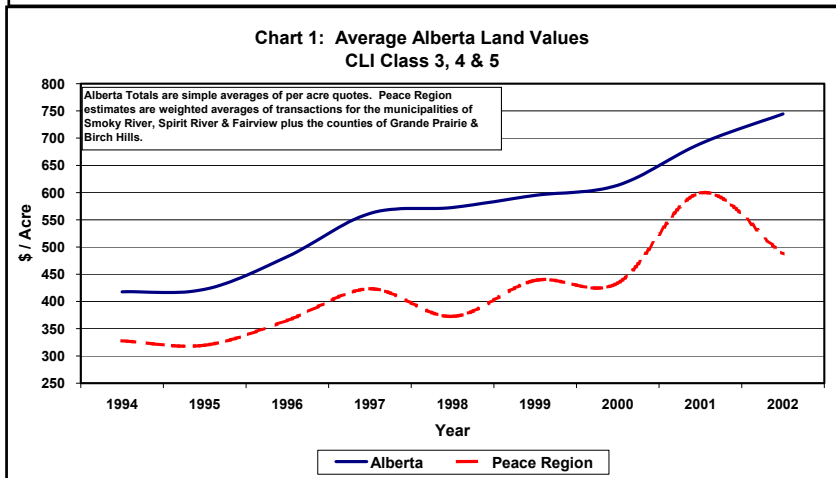
Dale A. Kalief
Sr. Economist: Production Economics
Economics & Competitiveness Division

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Table 3: Forage & Grazing Production & Economic Comparisons*
2000 - 2002**

Forage Crops		Cash Costs		Total Costs		Yield	Mkt. Value
		\$/tonne	\$/acre	\$/tonne	\$/acre	tonne/ac.	\$/tonne
Legume/Grass Hay Mixes	Alta.	33.92	43.75	55.19	71.17	1.29	79.30
	Peace	18.83	27.59	34.84	51.03	1.46	61.10
Grass Hay	Alta.	42.18	51.00	68.31	82.59	1.21	80.64
	Peace	40.15	51.31	58.72	75.04	1.28	75.26
Greenfeed	Alta.	51.52	85.61	66.07	109.78	1.66	66.67
	Peace	19.71	50.74	27.10	69.76	2.57	69.17
Cereal Silage	Alta.	29.04	98.02	36.10	121.87	3.38	37.40
	Peace	14.23	87.75	18.32	112.96	6.17	32.13

Grazing Crops		\$/AUM	\$/acre	\$/AUM	\$/acre	AUM/ac.	\$/AUM
Legume/Grass Pasture Mixes	Alta.	10.50	19.41	12.62	23.33	1.85	20.09
	Peace	8.57	13.22	10.54	16.27	1.54	18.58
Tame Grass	Alta.	12.31	19.40	14.42	22.73	1.58	18.39
	Peace	11.59	22.10	13.48	25.71	1.91	16.26
Native Grassland***	Alta.	57.52	21.73	60.06	22.69	0.38	19.68
	Peace	28.27	10.44	38.39	14.36	0.37	12.87

* productivity & costing information drawn from the AgriProfit\$ database relates to production on owned lands, under dryland production conditions unless otherwise noted
 ** with the drought affecting forage and pasture yields in different regions of the province, at different times, average production and costing information covering the '00, '01 & '02 production years was drawn in an attempt to buffer the effects ... these estimates should be used as guidelines only
 *** native grassland productivity and costing information based on owned, rented and grazing lease parcels



Definitions and Explanations:

- **Variable Costs:** cash & non-cash costs that vary directly as the herd size changes
- **Fixed Costs:** cash & non-cash costs that are spread over the cow herd, regardless of incremental changes in herd size
- **Cash Costs:** cash variable & fixed costs. For enterprise analysis, fed & grazing are valued at market and considered as cash costs, regardless of whether they were purchased or homegrown
- **Total Production Costs:** total of all variable and fixed costs, as utilized by the cow/calf enterprise.
- **Value of Production:** cow herd revenues less livestock purchase +/- value of inventory adjustment. Defines the value of what was produced by the cow herd within the fiscal period.
- **Gross Margin:** Value of production less cash costs
- **Return to Equity (R2E):** Value of production less total production costs.
- **Top R2E:** average of the top half of herds within a regional grouping, as ranked by return to equity per lb weaned