#24-2 July 2025

Are you a competitive supplier of weaned calves?

2024 Benchmark Results

The last five years have seen a rapidly shifting landscape with inflated input costs and surging cattle prices. It can be easy to coast, allowing cost structures to rise to the level of cash coming into the operation. But now is the time to set yourself up for the next phase of the cattle cycle. High prices cure high prices; they won't stick around forever.

How are you investing into your business to be more competitive when prices turn? Are you a competitive supplier of weaned calves? Do you know if you are a high or low-cost producer?

Individual benchmarking allows for incremental improvement from year to year. Comparison to a provincial average tells a producer if they are competitive in the marketplace. Comparison to similar management systems allows producers to identify ways they can improve their competitiveness. The Canadian Cow-calf Cost of Production Network (COP Network) was designed to give producers benchmarks that represent a variety of production and management systems, showcasing incremental steps that can be taken to improve competitiveness. The aggregated results give an indication of what to aim for.

What is the COP Network?

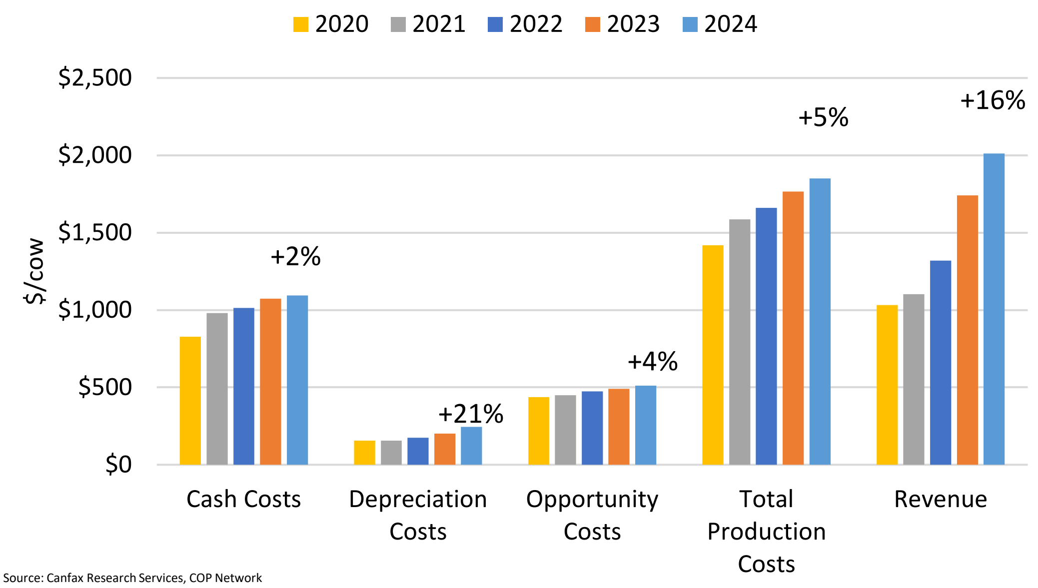
The Canadian Cow-calf Cost of Production Network (COP Network) uses standardized data collection which allows for comparison both within and between provinces, and internationally. Since launching in 2021, the COP Network has collected data from over 235 producers contributing to 64 cow-calf benchmark farms that represent various production systems. Each benchmark is based on data from 3-7 producers. Data collection occurs every 5 years with annual indexing of input and output prices, as well as crop and forage yields, in subsequent years. Individual benchmark farm summaries, can be found at: https://canfax.ca/resources/cost-of-production/cop-results.html

It should be noted that benchmarks are **NOT** based on who is the **most productive**. Benchmarks **ARE** based on who is the **most profitable**. Benchmarks come from the **Top 3rd** not the average.

What costs are you covering?

In 2024, with revenue (+16%) growing faster than total costs (+5%), profitability improved across Canada (Figure 1). All benchmark farms covered short-term (cash) costs, and a vast majority (95%) managed to cover medium-term (cash and depreciation) costs (Table 1). Covering depreciation is critical to long-term survival of an operation as it ensures that assets can be replaced. As machinery and repair costs move higher, producers calculating depreciation based on book value can be caught off-guard as replacement costs move higher. About 59% of farms were able to cover long-term (cash, depreciation, and opportunity) costs. Covering opportunity costs represents a return to land, labour and capital, giving producers the signal to expand the herd. In comparison, in 2023, 95% of farms covered short-term costs, 91% covered medium-term costs, and about 50% covered long-term costs.

Figure 1. Canada Average Cost in 2024



Source: Canfax Research Services, COP Network

Overall, average short-term profits were up from $668/cow in 2023 to $919/cow in 2024, medium-term profits up from $465/cow to $675/cow, and long-term profits were up from -$25/cow to $163/cow. (Table 1). While these figures reflect a positive trend in profitability for 2024, there is significant variability between operations. The top third benchmark farms had short-, medium-, and long-term profits that were 33%, 58% and 306% higher than the average. Some operations have experienced much higher profitability, while others saw less favorable results.

Table 1. Summary of 2024 Costs and Profitability ($/cow)

	2024 Average	**Top 3rd**	**Top 3rd vs Avg**
Cash costs	$1094	$853	-22%
Depreciation	$244	$151	-38%
Opportunity	$512	$408	-20%
Total Costs	**$1851**	**$1412**	**-23.7%**
Revenue*	$2013	$2073	+3%
Profit	**2024 Average**	**Top 3rd**	**Top 3rd vs Avg**
Short-Term (cash)	$919	$1,220	33%
Medium-Term (cash + depr)	$675	$1,069	58%
Long-Term (cash + depr. + opportunity)	$163	$661	306%

**Total revenue including calves, cull cows and bulls, breeding stock, and productivity from opens and death loss*

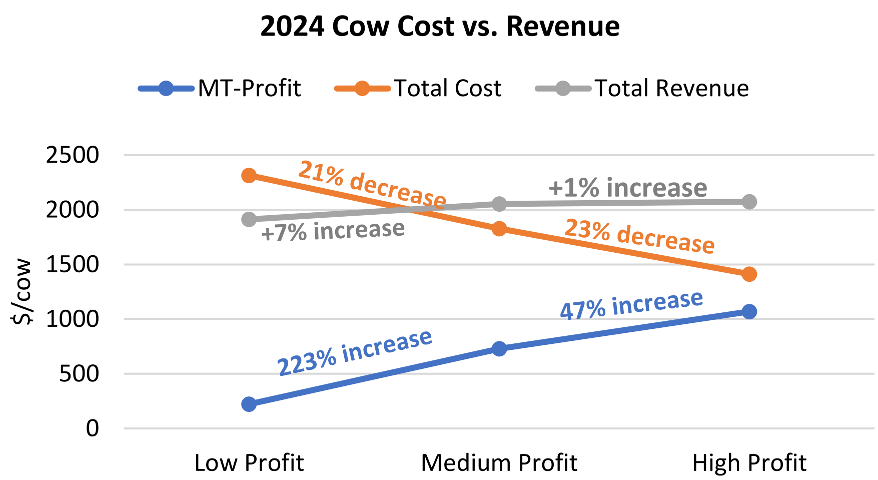
Profit Drivers

The 5% Rule says that profits are driven by:

1. **Marketing** - output price (revenue)
2. **Productivity** - pounds produced/sold
3. **Input costs** - cash, depreciation and opportunity

When the 64 benchmarks are divided into three equally sized groups based on medium-term profit (see Figure 2) it becomes clear that controlling costs is a major profit driver representing the key difference between the groups. Total costs dropped 21% from the low- to medium-profit group and by another 23% from the medium- to high-profit group supporting a significant 223% and 47% increase in medium-term profit, respectively. Meanwhile, the total revenue had modest gains of 7% and 1%, making a smaller contribution. This highlights the critical role that controlling costs plays in maximizing profits, which is something producers have more control over than output prices.

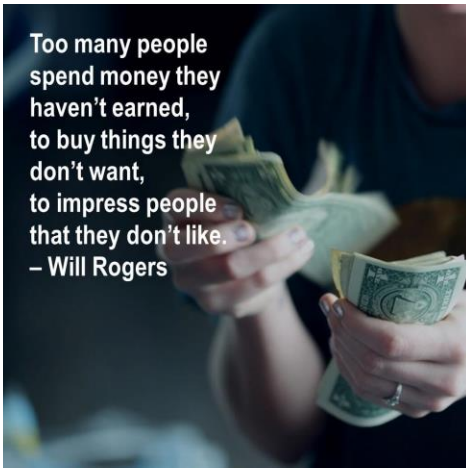
Figure 2. Medium-term profit, total cost and total revenue of low, medium and high profit groups



Controlling Costs

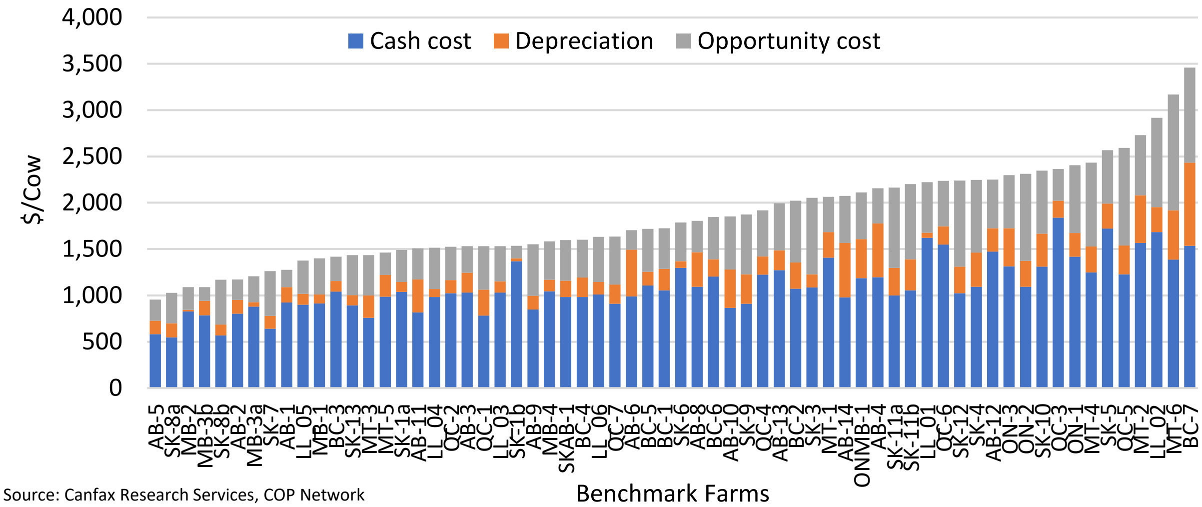
Overall, total production costs per cow have an upward sloping supply curve (Figure 3), with both low-cost and high-cost production systems represented.

In 2024, the average total cost (Table 1) rose to $1,850 per cow, up 5% from 2023. The increase was more pronounced in the East, where costs increased from 2023 by 7%, compared to a 4% increase in the West since 2023. The larger cost hike in the East is primarily due to inflationary pressures offsetting the effects of the 2023 drought in the West, as well as increased demand from Western producers purchasing winter feed from the East in 2023.



Breaking down the total costs, 59% ($1,094) were cash costs, 13% ($244) depreciation, and 28% ($512) were opportunity costs. These are consistent with the previous year, which had 61% cash costs, 11% depreciation, and 28% opportunity costs.

Figure 3. Total costs ($/cow) on benchmark farms in 2024



Source: Canfax Research Services, COP Network

Continuous Improvement

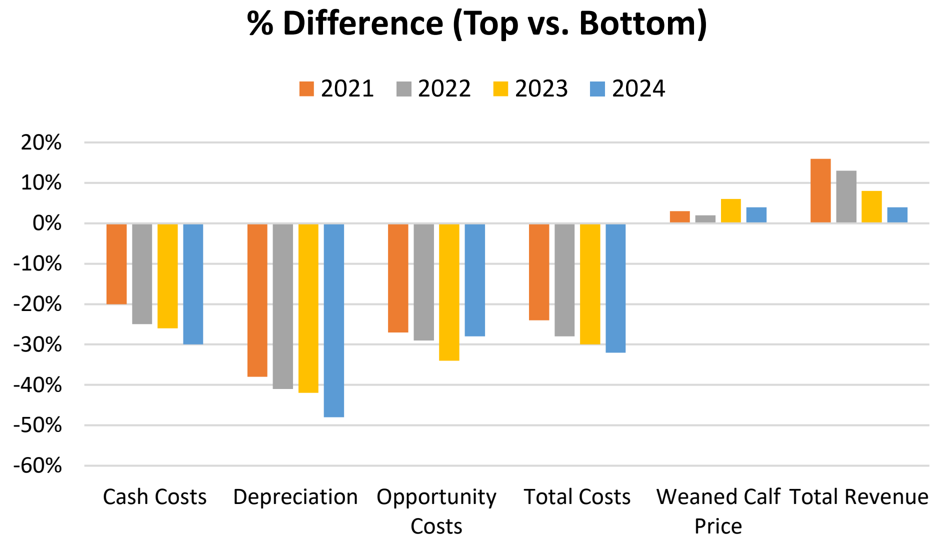
The difference, when comparing the costs for the top third farms to the bottom two-thirds (Figure 4), has widened ten percentage points from 2021 to 2023 from 20-30% for cash and 38-48% for depreciation costs. This represents the top third making continuous improvements in their operations. This widening gap shows how those who are most competitive cement their position during profitable times.

Total costs for top-performing farms are 24% to 32% lower than those of the bottom tier, driven by consistent double-digit reductions in cash costs, depreciation, and opportunity costs across all years. It is worth noting that the top third group does not focus on just cash costs but is controlling every aspect of their cost structure.

> It is important to strategically manage costs in achieving and maintaining profitability.

In contrast, weaned calf prices show only modest variation between top and bottom farms, with differences ranging from 2% to 6%, underscoring the limited influence producers have over market prices. As cattle prices have increased in recent years, the total revenue gap has narrowed—from 16% in 2021 to just 4% in 2024 - suggesting that when prices are high, all cow-calf producers benefit. But when the price cycle turns, it should not be forgotten that these top-performing operations not only control costs but also received more revenue. It is never too late, nor too early to start working on developing reputation cattle.

Figure 4. Percent Difference Between Top Third and Bottom Two-Third, based on Medium-Term Profits



Preparing for the next phase of the cattle cycle

At the top of the price cycle, producers have an opportunity to strategically set themselves up for the future. Reinvesting profits into operational improvements, genetic advancement, or resource efficiency can serve as a proactive hedge against the cyclical nature of the cattle market.

While the shrinking cattle supply has shifted market leverage toward cow-calf producers, enhancing profit potential, it has simultaneously increased exposure to market volatility, with large price ranges. Cost control combined with building reputation cattle can buffer operations against price volatility and enhance resilience in subsequent phases of the cattle cycle. Thoughtful planning during this phase is essential to ensure sustainability and competitiveness as the industry transitions into the next cycle.

Key Takeaway's:

1. Manage your costs
2. Market quality, reputation cattle
3. Reinvest profits