**Calculating cost of production**

_for your beef enterprise_

For producers wanting to improve the performance of their beef enterprise, a good understanding of the current health of the business is essential. **Cost of production** is a key factor affecting the profitability of beef-producing businesses. Calculating your cost of production is an important step in assessing herd performance and a first step to making change.

**Cost of production**

Cost of production (CoP), measured in cents per kilogram, is a way to isolate your costs from your average sale price. The MLA cost of production calculator has been developed to standardise this very common performance indicator, so you can easily compare your enterprise with others across the southern beef industry who have used this tool. To use this tool, you can enter your numbers and it will tell you how your enterprise compares with other businesses. Whether you have great scope for improvement, or are already performing reasonably well, CoP is simple to calculate. It is not complicated by how much you have financed the business, how much of the year, or how you acquire your herd, and it only deals with one enterprise at a time. Like CoP, it can compare the health of your business year on year, and then compare yourself against other beef producers with similar resources in your own region.

In developing a standard approach to calculating CoP, care has been taken to ensure the whole process is as easy as possible. When the method has been applied at every step, the usefulness of the measure has not been compromised.

Designed as a ‘do-it-yourself’ tool, we hope that every beef producer will figure out their CoP and compare their performance annually. Finally, knowing your CoP is just the first step. Once you have a sense of how you are performing, we encourage you to measure the performance of your business in more depth, as we have other performance indicators that help define specific areas for improvement.

**Tips & Tools**

For more information please call the MLA producer hotline on 1800 870 377.

**Further information**

To make use of the MLA cost of production calculator, allocate costs to different enterprises as they are incurred throughout the year. Unlike many other performance indicators, the MLA cost of production is not affected by the size of the herd. Does your CoP differ significantly across different enterprises? If so, you may need to do some more extensive investigation to find the cause.

**Key benefits**

• Use the MLA cost of production calculator to measure the performance of your beef enterprise year on year.

• Compare the health of your business annually with other beef businesses and find out if there is scope for improvement, or if your enterprise is already performing well.

• Use the results of your CoP calculation to make changes to different enterprises to improve profitability.

• Compare the health of your business to that of other businesses in your region, or if your enterprise is already performing well, use this information to benchmark your performance against other businesses.

To make use of the MLA cost of production calculator, call your local state department or farm management consultant for assistance. Alternatively, you can consult with your farm management advisor or contact your local state department or farm management consultant for assistance.

Data used in this calculator is based on the results of a survey of southern beef producers and find out if there is scope for improvement, or if your enterprise is already performing well.

**How does your CoP compare with others?**

By industry standards, if you have a cost of production less than 78 cents – a good goal for any producer interested in the most efficient producers have a regular cost of production of less than 78 cents – a good goal for any producer interested in improving the profitability of your beef enterprise. This is to very clearly define the financial and financial goals your business has to support, and then determine the enterprise strategy, herd structure and marketing that will best achieve these goals.

Access to capital, profitability, herd and enterprise strategy are important. Some of the factors that make your operation different to others and will govern the enterprise choices available to you. However, all options you might take will influence each of the above factors – your herd size or your herd’s feed supply. Feed demand is influenced by the herd structure and target market and resource constraints. The number of days your beef are on the pasture per year, the time of calving each year, weight gain target and for lamb performance. From these factors influence the feed demand, with the exception of quality and quantity required at different times of the year.

On the other side of the equation, options for providing the feed required include: the pasture species grown on different land classes; the grazing rotation, which involves fencing grazing and rest periods; the use of irrigation, supplementary feeding, and fodder conservation.

**Kilograms of beef produced per hectare (kg/ha)**

The diagram below provides an indication of the spread of CoP over a couple of extra indicators you can calculate. In many cases, these indicators are the results of a worked example is provided in this Tips & Tools with comments about some of the costs that are included.

The CoP calculator is split into the following six sections:

1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your own records. Alternatively, you can contact your local state department or farm management consultant for assistance.

There is a box at the end of each section with a written guide to the reference used in this CoP calculator.

The CoP calculator is split into the following six sections:

1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your own records. Alternatively, you can contact your local state department or farm management consultant for assistance.

There is a box at the end of each section with a written guide to the reference used in this CoP calculator.

The CoP calculator is split into the following six sections:

1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your own records. Alternatively, you can contact your local state department or farm management consultant for assistance.

There is a box at the end of each section with a written guide to the reference used in this CoP calculator.

The CoP calculator is split into the following six sections:

1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your own records. Alternatively, you can contact your local state department or farm management consultant for assistance.

There is a box at the end of each section with a written guide to the reference used in this CoP calculator.

The CoP calculator is split into the following six sections:

1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your own records. Alternatively, you can contact your local state department or farm management consultant for assistance.

There is a box at the end of each section with a written guide to the reference used in this CoP calculator.

The CoP calculator is split into the following six sections:

1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your own records. Alternatively, you can contact your local state department or farm management consultant for assistance.

There is a box at the end of each section with a written guide to the reference used in this CoP calculator.

The CoP calculator is split into the following six sections:

1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your own records. Alternatively, you can contact your local state department or farm management consultant for assistance.

There is a box at the end of each section with a written guide to the reference used in this CoP calculator.

The CoP calculator is split into the following six sections:

1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your own records. Alternatively, you can contact your local state department or farm management consultant for assistance.

There is a box at the end of each section with a written guide to the reference used in this CoP calculator.
The MLA cost of production calculator — a worked example

The MLA cost of production calculator on the next two pages highlights the key steps involved in estimating the cost of beef. The example was taken from a 1,600ha sheep, beef and cropping property. About 650ha is cropped and 950ha grazed at an average stocking rate of 50 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Total beef production**

1. The cow: a two-year class is included for enterprises that carry replacement heifers.
2. In most previous years, weaner steers were sold during the year. The average cow liveweight at the end of June was 450kg.
3. This is an allowance for the ‘manager’ of the business.
4. A total area of 943 hectares was grazed, of which 15 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Cattle enterprise costs**

- The MLA cost of production calculator — a worked example
- The MLA cost of production calculator on the next two pages highlights the key steps involved in estimating the cost of beef. The example was taken from a 1,600ha sheep, beef and cropping property. About 650ha is cropped and 950ha grazed at an average stocking rate of 50 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Total labour costs for full year for all enterprises**
- A total area of 943 hectares was grazed, of which 15 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Explanatory notes**
- Use the most appropriate 12-month period, eg acquires calling fees may be better using a 1 April–30 March. This period should coincide closely with the period used for the financial year.
- The owner operator and his daughter both work full time on the property, and the owner’s father does what he can, which is to help with the day to day job.

**COSTS SHOULD BE OBT ESCLUSIVE**

- Average cow liveweight at the end of June was 450kg.

**Optional extras**
- A total area of 943 hectares was grazed, of which 15 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Overheads costs for whole farm business**
- The herd calves in late winter so by end of June the average cow liveweight at the end of June was 450kg.
- This example was taken from a 1,600ha sheep, beef and cropping property. About 650ha is cropped and 950ha grazed at an average stocking rate of 50 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Total labour costs**
- The herd calves in late winter so by end of June the average cow liveweight at the end of June was 450kg.
- This example was taken from a 1,600ha sheep, beef and cropping property. About 650ha is cropped and 950ha grazed at an average stocking rate of 50 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Total cow class and are included in the cost of beef**
- A total area of 943 hectares was grazed, of which 15 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Overhead costs**
- A total area of 943 hectares was grazed, of which 15 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Overhead costs attributed to cattle enterprises (ExF)**
- A total area of 943 hectares was grazed, of which 15 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Overhead costs allocated to cattle**
- A total area of 943 hectares was grazed, of which 15 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Calculating the percentage of overhead costs allocated to cattle**
- A total area of 943 hectares was grazed, of which 15 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Cost of permanent employees**
- A total area of 943 hectares was grazed, of which 15 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

**Ownership notes**
Telephone, fax, postage, book keeping, consultants.
Exclude personal use.

Overhead costs are allocated according to the income proportion of total livestock income (beef, wool and lamb). Overhead costs for whole farm business do not include labour if already accounted for previously.

Use the depreciation figures from your most recent records or weighing a sample. From their sales records, the average sale price was $239/kg.

The MLA cost of production calculator on the next two pages includes a complete example. This example was taken from a 1,600ha sheep, beef and cropping property. About 820ha is cropped and 900ha is used as an average stocking rate of 15 DSE/ha. The financial year July 1 to June 30 was used to calculate CoP.

• A two-year class is included for enterprises that carry feeder calves. The herd calves in late winter so by end of June the calf to yearling stock entered the cow class and are included in the cow class.

• Contractors were used for calf marking and some casual labour used for cattle work. 

• From their sales records, the average sale price was $239/kg. 

Calculating the percentage of overhead costs allocated to cattle

(Your most recent tax return may be useful. If not able to separate gross incomes, only CATTLE GROSS INCOME and TOTAL GROSS INCOME are necessary).

9. Cost of permanent employees
Owner/operator allowance
Number of enterprises
Cost of additional family labour (not already included in above) Number of enterprises
Total labour cost (add 9+10+11) Number of enterprises
Percentage time on cattle work
Cost of total labour cost of enterprise (12 x 14)

11. Owner/operator allowance
Number of enterprises x $28,000 pa = owner/operator allowance
Cost of permanent employees

12. Total overheads


13. Total time on cattle work


14. Overhead cost allocated to cattle


15. Total cost of beef production (B+C)


16. Total kg beef produced (A)


17. Use the spreadsheet figures from your most recent tax return.

18. Includes chemicals, fertiliser, seed, irrigation, if sheep and beef are run, allocate costs to beef on the percentage of beef branded livestock

19. Includes items not already accounted for

20. Do not include costs of on-farm processing of off-farm investment incomes.

21. Overhead cost calculated according to the incomes produced from the cattle enterprise.
Cattle enterprise costs
- The cattle health costs were $5,500, ie about $16 per head.
- Contractors were used for calf marking and some casual monitoring which cost $10,100.
- No home-grown feeds were fed out, but 30 tonnes of grain paid off-farm were fed. The cost per tonne on-farm is $169, so the total is $4,000.

Labour costs for full year for all enterprises
- The farm has four full-time employees, three on the property. The cost of these employees includes salaries, superannuation of 17% and bonuses paid at the end of the year based on performance. The farm also pays for some training and education and these costs are included too. The pay rates are not included in these costs as they are accounted for in overheads.
- The owner operator and her daughter both work full time on the property, and the owner father does the casual work, which they estimate to be a half time job.
- The accountant estimated that they spent one working day a week on cattle work, or approximately 20% of their time.

Overheads for cattle business
- Rates, $10,200.
- Fuel and oil, $5,500.
- Electricity and gas, $5,500.
- Depreciation, $5,500.
- Pasture costs, $5,500.
- Other, $5,500.

Total overheads = $45,500

Total labour costs for all enterprises
- Cost of permanent employees $63,500
- Overheadars allowed: Number 1 = $10,000
- Cost of additional family labour (not already included in above) Number 1 = $5,000
- Total labour cost (all 9+10+11) $83,700
- Percentage time on cattle work 20%

Total cost of beef enterprise (C+C+D) $259,000

Explanatory notes
1. Use the most appropriate 13-month period, eg accounts calling ‘heads may be better using 1 April-30 March. The period should coincide with the period used for the financial year.
2. Cows 0–7 months
3. Heifers 1–2 years
4. Steers >1 year

COSTS SHOULD BE GST EXCLUSIVE

Cattle enterprise costs
- Total herd costs $2,020
- Contractual and causal labour for cattle work $2,630
- Total quantity of hay grown and fed out $3,300
- Total quantity of purchased beef fed out 28.10 x 400 kg $11,240
- Transport and cartage $6,000
- Selling costs $1,500

Total cattle enterprise costs (add 4 through 6) $32,530

The MLA cost of production calculator – a worked example

Total beef production
<table>
<thead>
<tr>
<th>Cow types</th>
<th>Number</th>
<th>Weight</th>
<th>Value/tonne</th>
<th>Value/tonne (V)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cows</td>
<td>30</td>
<td>410</td>
<td>$15</td>
<td>$6,150</td>
</tr>
<tr>
<td>Weaners</td>
<td>50</td>
<td>260</td>
<td>$10</td>
<td>$500</td>
</tr>
<tr>
<td>Heifers</td>
<td>10</td>
<td>300</td>
<td>$10</td>
<td>$300</td>
</tr>
<tr>
<td>Steers</td>
<td>420</td>
<td>420</td>
<td>$20</td>
<td>$8,400</td>
</tr>
<tr>
<td>Bulls</td>
<td>8</td>
<td>1,300</td>
<td>$20</td>
<td>$26,000</td>
</tr>
</tbody>
</table>

Total column V $29,400

Total weight of cattle sold (liveweight – lwt) 3,000

Total kg of beef produced (1+2-3) 319


Total cost of beef production (B+C+G) $358,000

GROSS INCOME

OVERHEADS

Other

TOTAL GROSS INCOME $393,500

Percentage of income from cattle $22%

COST OF PRODUCTION PER KG LIVESTOCK (H-I)

See ‘How does your CoP compare with others’ on page 5 for an interpretation.
How does your CoP compare with others?  

By industry standards, if you have a cost of production of less than $0.52/kg liveweight, you are performing better than the average beef producer. As shown in the diagram below, the farms produced beef for between $0.52 and $0.78/kg liveweight. The least efficient one third of beef farms produced beef for between $0.52 and $0.78/kg liveweight. A cost of production between $0.52 and $0.78 would suggest significant room for improvement.

If your cost of production is greater than $1.50, the future of your business may be at risk. Based on beef prices less than $2.00/kg, you will very likely not be earning sufficient income to cover expenses. If you own all your assets your return on equity will be poor in comparison with other investment opportunities unless your land value is appreciating considerably.

Where to from here?  

Congratulations! You have taken the first step. Benchmarking your CoP has given you an idea of how much you are performing better than the average profitability of your beef enterprise. The Take home is to very clearly decide the financial and strategic goals your business has to support, and then determine the enterprise, herd structure and markets that will best achieve these goals.

To access capital, sell your herd and market your animals in different sales campaigns, you will need the enterprise choices available to you.

However, all options you might take will influence other two things – your herd feed and your herd supply.

Feed demand is influenced by the herd structure and target market. The greater the herd size, the greater the demand. Therefore, you need to calculate the time of calving at age, target growth rates and feed unit requirements. At these times, you will need to account for access to capital, and have defined limits for cash flow and liquidity against which you can monitor progress. If these limits are breached, action can be taken in advance to get the herd ready for the next calving season.

Developing an enterprise strategy is a complex task requiring the co-ordination of many areas of the business. You will need consultants to help you with the tactical options you may choose.

CoP is simple to calculate. It is not complicated by how you manage your feed. To calculate CoP you need to determine how well your feed supply matches your feed demand. You then need to calculate the percentage of gross income referred to the figures used in the final CoP calculation.

Once your CoP is calculated with the help of the example explanatory notes box.

Each section has a number of questions to be answered in terms of quality and quantity required at different times of the year. This is a useful tool that helps you identify areas where you need to improve your profitability.
Calculating cost of production for your beef enterprise

For producers wanting to improve the performance of their beef enterprise, a good understanding of the health of the business is essential.

Cost of production is a key factor affecting the profitability of beef-producing businesses. Calculating your cost of production is an important step in assessing herd performance and a first step in making change.

Cost of production

Cost of production (CoP), measured in cents per kilogram, is the cost of producing a kilogram of beef.

The MLA cost of production calculator has been developed to standardise this very common performance indicator, so you can easily compare your enterprise with others across the southern beef industry who use this MLA Tool. To use this Tool, you have to have a clear idea of the enterprise as opposed to the others may be difficult, so don’t rush too much or be very specific. Keep an open mind, listen to others and read widely.

Developing an enterprise strategy is a complex task requiring you to consider the profitability of the enterprise, the risk that you are prepared to assume and the type of business you wish to run. You may choose to consult a business advisor or network with others to help you do this, such as Prograze, as well as the Pastures manual: A producer’s guide to pasture management.

Where possible use this data for your enterprise to help you determine what is the cost of production (CoP) is for your herd. You should make your own estimates of the costs of your enterprise, which will include the cost of your enterprise and any other relevant costs.

The CoP calculator is split into the following six sections:
1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your records by completing the relevant section. If you are uncertain about any of the questions, a next step is to refer to the relevant explanatory notes box.

There is a box at the end of each question that refers you to a relevant explanatory notes box.

Computing your CoP in the CoP calculator is a useful exercise to help you allocate costs to each enterprise and to identify areas of potential improvement.

Tips & Tools

Further information

For more information please call the MLA producer hotline on 0800 870 371.

Key benefits

1. Using the MLA CoP cost of production calculator to measure the performance of your beef enterprise on a year to year basis.
2. Compare the health of your business annually with other beef producers and understand why there is scope for improvement, or if your enterprise is already performing well.

Calculating CoP

CoP is simple to calculate. It is not complicated by how much of your CoP is used for the production of the beef, in terms of quantity and quality required at different times of the year. On the other side of the equation, options for the feed required include: the pasture species grown on different land classes; the grazing pattern, which includes fencing grazing and rest periods; the use of irrigation, supplementary feeding, and fodder conservation.

The next step is to very clearly define the lifestyle and financial goals your business has to support, and then determine the enterprise strategy, herd structure and markets that will best achieve these goals.

The CoP that the calculator attempts to address this with guidelines and benchmarking group.

Where to from here?

Congratulations! You have taken the first step. Benchmarking your enterprise gives you an idea of how you have been performing, and you know you have room for improvement.

Where possible use this data for your enterprise to help you determine what is the cost of production (CoP) is for your herd. You should make your own estimates of the costs of your enterprise, which will include the cost of your enterprise and any other relevant costs.

The CoP calculator is split into the following six sections:
1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your records by completing the relevant section. If you are uncertain about any of the questions, a next step is to refer to the relevant explanatory notes box.

There is a box at the end of each question that refers you to a relevant explanatory notes box.

Computing your CoP in the CoP calculator is a useful exercise to help you allocate costs to each enterprise and to identify areas of potential improvement.

Tips & Tools

Further information

For more information please call the MLA producer hotline on 0800 870 371.

Key benefits

1. Using the MLA CoP cost of production calculator to measure the performance of your beef enterprise on a year to year basis.
2. Compare the health of your business annually with other beef producers and understand why there is scope for improvement, or if your enterprise is already performing well.

Calculating CoP

CoP is simple to calculate. It is not complicated by how much of your CoP is used for the production of the beef, in terms of quantity and quality required at different times of the year. On the other side of the equation, options for the feed required include: the pasture species grown on different land classes; the grazing pattern, which includes fencing grazing and rest periods; the use of irrigation, supplementary feeding, and fodder conservation.

The next step is to very clearly define the lifestyle and financial goals your business has to support, and then determine the enterprise strategy, herd structure and markets that will best achieve these goals.

The CoP that the calculator attempts to address this with guidelines and benchmarking group.

Where to from here?

Congratulations! You have taken the first step. Benchmarking your enterprise gives you an idea of how you have been performing, and you know you have room for improvement.

Where possible use this data for your enterprise to help you determine what is the cost of production (CoP) is for your herd. You should make your own estimates of the costs of your enterprise, which will include the cost of your enterprise and any other relevant costs.

The CoP calculator is split into the following six sections:
1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your records by completing the relevant section. If you are uncertain about any of the questions, a next step is to refer to the relevant explanatory notes box.

There is a box at the end of each question that refers you to a relevant explanatory notes box.

Computing your CoP in the CoP calculator is a useful exercise to help you allocate costs to each enterprise and to identify areas of potential improvement.

Tips & Tools

Further information

For more information please call the MLA producer hotline on 0800 870 371.

Key benefits

1. Using the MLA CoP cost of production calculator to measure the performance of your beef enterprise on a year to year basis.
2. Compare the health of your business annually with other beef producers and understand why there is scope for improvement, or if your enterprise is already performing well.

Calculating CoP

CoP is simple to calculate. It is not complicated by how much of your CoP is used for the production of the beef, in terms of quantity and quality required at different times of the year. On the other side of the equation, options for the feed required include: the pasture species grown on different land classes; the grazing pattern, which includes fencing grazing and rest periods; the use of irrigation, supplementary feeding, and fodder conservation.

The next step is to very clearly define the lifestyle and financial goals your business has to support, and then determine the enterprise strategy, herd structure and markets that will best achieve these goals.

The CoP that the calculator attempts to address this with guidelines and benchmarking group.

Where to from here?

Congratulations! You have taken the first step. Benchmarking your enterprise gives you an idea of how you have been performing, and you know you have room for improvement.

Where possible use this data for your enterprise to help you determine what is the cost of production (CoP) is for your herd. You should make your own estimates of the costs of your enterprise, which will include the cost of your enterprise and any other relevant costs.

The CoP calculator is split into the following six sections:
1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your records by completing the relevant section. If you are uncertain about any of the questions, a next step is to refer to the relevant explanatory notes box.

There is a box at the end of each question that refers you to a relevant explanatory notes box.

Computing your CoP in the CoP calculator is a useful exercise to help you allocate costs to each enterprise and to identify areas of potential improvement.

Tips & Tools

Further information

For more information please call the MLA producer hotline on 0800 870 371.

Key benefits

1. Using the MLA CoP cost of production calculator to measure the performance of your beef enterprise on a year to year basis.
2. Compare the health of your business annually with other beef producers and understand why there is scope for improvement, or if your enterprise is already performing well.

Calculating CoP

CoP is simple to calculate. It is not complicated by how much of your CoP is used for the production of the beef, in terms of quantity and quality required at different times of the year. On the other side of the equation, options for the feed required include: the pasture species grown on different land classes; the grazing pattern, which includes fencing grazing and rest periods; the use of irrigation, supplementary feeding, and fodder conservation.

The next step is to very clearly define the lifestyle and financial goals your business has to support, and then determine the enterprise strategy, herd structure and markets that will best achieve these goals.

The CoP that the calculator attempts to address this with guidelines and benchmarking group.

Where to from here?

Congratulations! You have taken the first step. Benchmarking your enterprise gives you an idea of how you have been performing, and you know you have room for improvement.

Where possible use this data for your enterprise to help you determine what is the cost of production (CoP) is for your herd. You should make your own estimates of the costs of your enterprise, which will include the cost of your enterprise and any other relevant costs.

The CoP calculator is split into the following six sections:
1. Total beef production
2. Cattle enterprise costs
3. Total labour costs for all enterprises
4. Overhead costs for all enterprises
5. Calculation for allocating overheads to beef enterprise
6. Final CoP calculation

Each section has a number of questions to be answered from your records by completing the relevant section. If you are uncertain about any of the questions, a next step is to refer to the relevant explanatory notes box.

There is a box at the end of each question that refers you to a relevant explanatory notes box.

Computing your CoP in the CoP calculator is a useful exercise to help you allocate costs to each enterprise and to identify areas of potential improvement.

Tips & Tools

Further information

For more information please call the MLA producer hotline on 0800 870 371.