Calculating Yardage—Are you charging enough?

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What is Yardage?

• Daily non-feed cost not associated with ownership of the cattle
  – Fixed costs—taxes, insurance, depreciation, interest on long term assets (factory)
  – Non-feed operating costs—labor, vet med, processing, fuel, utilities, office, repairs, etc.
  – Variable costs = non-feed operating costs + feed + interest on cattle.
Complications in Yardage Calculations

- Calculations—some items may be expensed and charged separately (i.e. vet med, chute charges, bedding, trucking)
- Feed markup—simple calculation, difficult accounting
- Combinations—can hide high fixed costs
- Sharing of equipment, labor, office, etc. with other enterprises
Head days are important

Yardage =

Daily non-feed costs

Head Days
The miracle of the internet

• Electronic technology allows us to very quickly and efficiently disseminate inaccurate information.

• Breakevens and projections with up to the minute commodity prices, interest rates but assumed standard yardage charge.

• What’s your “yardage basis”? 
Benchmarking Yardage--ISU Beef
Feedlot Enterprise Records

\[ y = 0.0129x - 25.291 \]

\[ R^2 = 0.6971 \]
Iowa Yardage Benchmark (90’s) Extrapolated to Today

$y = 0.0129x - 25.291$

$R^2 = 0.6971$


$0.00$ $0.10$ $0.20$ $0.30$ $0.40$ $0.50$ $0.60$

$.52$
Yardage Trends (adjusted for inflation)

CPI/1000

$0.00 $0.10 $0.20 $0.30 $0.40 $0.50 $0.60


$.38
Total Yardage = $.36 per day. Bedding, vet med and interest not included
Variation in yardage

- Age and cost of facilities
- What is and isn’t included
- Owned vs leased equipment
- Custom work
- Extent of sharing with other enterprises
- Labor
- Economies of size
- Capacity (head days) is a major factor
- One size does not fit all
**Contribution of investment in new facilities to yardage charge**

<table>
<thead>
<tr>
<th>Investment per head</th>
<th>10 years</th>
<th>10 years, financed at 8%</th>
<th>20 years</th>
<th>20 years, financed at 8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$400</td>
<td>$0.11</td>
<td>$0.15</td>
<td>$0.05</td>
<td>$0.10</td>
</tr>
<tr>
<td>$500</td>
<td>$0.14</td>
<td>$0.19</td>
<td>$0.07</td>
<td>$0.12</td>
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<tr>
<td>$600</td>
<td>$0.16</td>
<td>$0.23</td>
<td>$0.08</td>
<td>$0.15</td>
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<tr>
<td>$700</td>
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<td>$0.27</td>
<td>$0.10</td>
<td>$0.17</td>
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<tr>
<td>$800</td>
<td>$0.22</td>
<td>$0.31</td>
<td>$0.11</td>
<td>$0.20</td>
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<tr>
<td>$900</td>
<td>$0.25</td>
<td>$0.35</td>
<td>$0.12</td>
<td>$0.22</td>
</tr>
</tbody>
</table>

100% Occupancy
Main points

• Yardage is an important component of cost of production
• It is easily overlooked and assumed away
• There is variation from operation to operation
• Is there a need for a renewed benchmarking system for yardage costs?