Cost of Routine Veterinary Services Compared to Economic Benefit to

Beef Producers in Saskatchewan

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Abstract – Bovine obstetrics, pregnancy testing, and bull breeding soundness evaluations have demonstrable financial benefits to cow-calf producers. Veterinary fees for these procedures are modest, and represent a small percentage of total beef production costs. This report examines the benefits and cost of traditional beef practice in Saskatchewan. Factors guiding professional fee review are also examined.
Introduction

Virtually all income surveys in North America have established that veterinary incomes are low compared to other professions. This is further supported by data from Census (1996) (Youth Employment-Youth Outlook “Considering your career options with a university degree” Government of Canada website http://jeunesse.gc.ca/youthoutlook/list_univ_e.shtml). According to the 1996 Census the average income of an experienced veterinarian between the ages of 40 and 49 years is $53,500.00. Dentists, family physicians and lawyers with comparable educational requirements, and age earn $110,000.00, $124,100.00, and $101,700.00 per year respectively according to the 1996 Census.

Profit is important to the business of veterinary medicine. Practice income is the primary determinant allowing single person practices becoming multiple person businesses. Practice income also limits the ability to expand clinical and technical resources, restricting the range of services offered clients. Profits are the ultimate incentive for recent graduates to assume practice ownership as veterinarians retire or change careers.

The majority of veterinarians surveyed suggested that workload, while at times excessive, is not the real issue. Some practices suggest profit margins on pharmaceutical and biological sales are under downward pressure created by competition from other veterinarians and lay outlets.

A recent study conducted by the Saskatchewan Veterinary Medical Association (1999) showed a substantial difference between the income of exclusively small animal practitioners and mixed or exclusively large animal practitioners. In general companion animal practices are earning considerably more net income than mixed or large animal practices. Variables like demographics, economic forces within the livestock industry, client attitudes and individual business habits were assumed to contribute to this income disparity.

Information provided through economic surveys and analysis by financial consultants clearly indicate veterinary professional fees are low. Veterinarians appear reluctant to adjust fees and
chronically undervalue the service they provide. Fee stagnation is particularly obvious in large and mixed animal practices. Low incomes coupled with undesirable lifestyle issues are making it increasingly difficult to attract and maintain veterinarians in food animal practice.

“Traditional wisdom” suggests fees charged by food animal veterinarians are dictated by the economic realities of the livestock industry. Though assumed that livestock values influence potential veterinary fees, the relationship between cost of veterinary service and the financial benefit accrued by livestock producers using these services has never been examined.

The purpose of this study was to examine the cost of routine veterinary service compared to the economic benefit realized by the livestock producer.

**Background**

The Saskatchewan Veterinary Medical Association (SVMA) conducted an Income Survey in 1999-2000 that found two thirds of the practices in the province are mixed, or exclusively large animal oriented. It also found that most food animal veterinary income in Saskatchewan is earned from service to beef clients (primarily cow-calf producers). Swine, dairy, beef feedlot and equine income is significant in some practices that focus on these species.

In an attempt to address low fees in large and mixed practice, the SVMA commissioned Clark Communication and Consulting to collect data and examine the relationship between cost of veterinary services and benefits they accrue. The SVMA and Pfizer Animal Health provided funding for the project.

Since the majority of mixed and large animal veterinary income in Saskatchewan is derived from beef cattle the study concentrated on the economic benefits of beef practice.

**Method**

Eleven Saskatchewan practices in which beef production represented a major component of business participated in the survey. Practice selection was not random but attempted to represent the veterinary profession in the province. A cross section of the veterinary industry serving ranches and mixed farming enterprises including cow-calf, feedlot and back-grounding
operations were included.

Veterinarians in each practice were interviewed using a prepared questionnaire. Four key areas were covered:

1. A general section addressing practice owners' attitudes about the services they provide, benefits beef clients received as a result of investing in those services and factors affecting fees and perceived value of their services.
2. Cost and volume comparison of common services provided by beef practices.
3. The influence biopharmaceutical sales have on professional fees and practice income.
4. Billing practices to examine actual invoice costs and provided insight into the variability of "costs" as perceived by clients. Each practice prepared complete invoices for:
   - routine calving in clinic
   - routine calving on farm 50 km from clinic
   - C-section in clinic
   - C-section on farm 50 km from clinic
   - pregnancy test 100 cows on farm 50 km from the clinic
   - pregnancy test 250 cows on farm 50 km from the clinic
   - semen check 6 bulls in clinic
   - semen check 6 bulls on farm 50 km from clinic

To help standardize economic inputs associated with beef production, participating practices were provided with current beef cattle production statistics from Information Management Systems for Cow Calf Producers - Sonja Shank, John McKinnon, John Campbell, University of Saskatchewan. (1)

**Results and Discussion**

In the eleven practices interviewed, the average gross revenue derived from beef practice was 61% (range: 30% to over 80%). On average, the participating practices employed 3.5 veterinarians (range 1.5 to 6). In calculations used to summarize information from participating practices, it was assumed 2 of the 3.5 veterinarians produced all of the beef income. On average, Saskatchewan veterinarians committed to beef practice graduated 21 years ago (1980)
with a range from 5 years (1996) to 28 years (1973).

Table 1 shows median numbers of services provided per practice per year, range, median fee, fee range and practitioners estimated benefit vs. cost ratio (B/C) for common obstetrical procedures, pregnancy testing and bovine breeding soundness evaluations. The procedures selected were common to all beef practices and allow comparison of both the number of services provided and median fee charged.

**Table 1 – Volume, Fees, and Practitioner Estimates of Benefit over Cost Ratio for Common Beef Services**

<table>
<thead>
<tr>
<th>Service</th>
<th>Median Volume/Year</th>
<th>Volume Range</th>
<th>Median Fee</th>
<th>Fee Range</th>
<th>B/C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obstetrics clinic</td>
<td>130</td>
<td>32-200</td>
<td>$120</td>
<td>$75-150</td>
<td>10</td>
</tr>
<tr>
<td>C-section clinic</td>
<td>100</td>
<td>39-250</td>
<td>$272</td>
<td>$220-300</td>
<td>7</td>
</tr>
<tr>
<td>C-section field</td>
<td>3</td>
<td>0-19</td>
<td>$325</td>
<td>$275-404</td>
<td>6</td>
</tr>
<tr>
<td>Pregnancy exam</td>
<td>12000</td>
<td>450-30,000</td>
<td>$2.65</td>
<td>$2.15-6.00</td>
<td>10</td>
</tr>
<tr>
<td>Bull Evaluation</td>
<td>521</td>
<td>74-2741</td>
<td>$45.80</td>
<td>$38-54</td>
<td>20</td>
</tr>
</tbody>
</table>

During the interview phase, practitioners were asked to estimate the B/C ratio realized by clients for services offered. Practitioners possess a solid understanding of beef cattle economics and while B/C ratio estimates shown in Table 1 could be considered biased, they provided an interesting comparison to B/C ratios calculations generated from cattle production statistics.

**Benefit/Cost Comparison of Veterinary Assisted Obstetrics**

Table 2 summarizes volume and median cost and revenues generated by common obstetrical procedures. Across eleven practices participating in the survey, 130 obstetrical
manipulations/tractions and 103 C-sections were performed per practice per year (median values). The median manipulation/traction and C-section cost was $120.00 and $272.00 respectively. Our beef-biased model assumes that all the beef work in each surveyed practice could have been performed by 2 of the 3.5 veterinarians employed there. The average annual revenue generated from these two procedures by one veterinarian was $21,808.00

Table 2-Revenue from Two Common Obstetrical Procedures

<table>
<thead>
<tr>
<th></th>
<th>Number per year</th>
<th>Median Cost</th>
<th>Gross Revenue</th>
<th>Revenue per Veterinarian</th>
</tr>
</thead>
<tbody>
<tr>
<td>C-sections</td>
<td>103</td>
<td>$272</td>
<td>$28,016</td>
<td>$14,008</td>
</tr>
<tr>
<td>Traction</td>
<td>130</td>
<td>$120</td>
<td>$15,600</td>
<td>$7,000</td>
</tr>
<tr>
<td>Total</td>
<td>233</td>
<td>N/A</td>
<td>$43,616</td>
<td>$21,808</td>
</tr>
</tbody>
</table>

Respondents indicated that most beef producers are capable of providing routine calving assistance. The outcome for a high percentage of dystocias presented to veterinarians would be loss of cow, calf, or both without professional assistance. Practitioners estimate that 90% of Caesarians and 80% of tractions produce live calves. The most common cause of calf death from dystocia is delay in seeking professional assistance. On average, 0.5 % of cows die from routine C-sections, while up to 2% of cows birthed through manipulation can develop fatal complications.

The goal of veterinary obstetrics is broader than simply delivering a calf. Minimal reproductive tract injury allows the cow to recycle, conceive and remain in the herd as a pregnant cow. Inappropriate obstetrical assistance often leads to delayed estrus and failure to conceive. Client returns are measured in weaned calves that would have died; the value of bred cows in the fall and lives culls.

Information Management Systems for Cow-Calf Producers estimates the average price of a weaned calf in Saskatchewan between 1996-2000 was $689.94 (rounded to $690). Saskatchewan Agriculture and Food Statistics Branch values bred cows, in Saskatchewan from market low in early October (2000) of $820 to market highs in late November (2000) of $1490.
The mid-point for the range was quoted to be $1150.00 per bred cow.

**Table 3-Veterinary Assisted Obstetrics and Livestock Salvage Value**

<table>
<thead>
<tr>
<th></th>
<th>Number per year</th>
<th>Viable Cows</th>
<th>Viable Calves</th>
<th>Cow Salvage Value</th>
<th>Calf Salvage Value</th>
<th>Total Salvage Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>C-sections</td>
<td>103</td>
<td>102</td>
<td>91</td>
<td>$117,300</td>
<td>$62,790</td>
<td>$180,090</td>
</tr>
<tr>
<td>Traction</td>
<td>130</td>
<td>126</td>
<td>107</td>
<td>$144,900</td>
<td>$73,830</td>
<td>$218,730</td>
</tr>
<tr>
<td>Total</td>
<td>233</td>
<td>228</td>
<td>198</td>
<td>$262,200</td>
<td>$136,620</td>
<td>$398,820</td>
</tr>
</tbody>
</table>

**C-section Salvage Value**

103 per year - 1 death from complications = 102 cows salvaged @ $1,150 each = $117,300.00

103 per year X 90% calf survival rate = 91 calves salvaged @ $690 each = $62,790

Total C-section salvage = **$180,090.00**

**Manipulation/Traction Salvage**

130 per year - 4 deaths from complications = 126 cows salvaged @ $1150 each = $144,900.00

130 per year X 80% calf survival rate = 104 calves salvaged @ $690 each = $69,790.00

Total manipulation traction salvage = **$218,730.00**

Practices typically handle 233 calving cases during a spring calving season. Total professional services billed for this service is calculated to be $43,616.00. Based on an overall salvage value of approximately $400,000, obstetrical procedures carry a 9:1 benefit over cost.

**Fertility**

Fertility is directly linked to cow- calf profits. The reproductive efficiency of heifers, cows and bulls is extremely important in determining net return to cow-calf producers. (2)
Tables 4 and 5 show the effect of conception rate and herd productivity.

**Table 4 - 65% First Service Conception**

<table>
<thead>
<tr>
<th></th>
<th>Cows Bred</th>
<th>Conception Rate</th>
<th>Cows Pregnant</th>
<th>Cows Recycling</th>
<th>Calving Date</th>
<th>Calves born</th>
<th>Weaning Wt.</th>
<th>Total Wt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Service</td>
<td>60</td>
<td>65%</td>
<td>39</td>
<td>21</td>
<td>1st 21 days</td>
<td>39</td>
<td>526 lbs.</td>
<td>20514</td>
</tr>
<tr>
<td>2nd Service</td>
<td>21</td>
<td>65%</td>
<td>14</td>
<td>7</td>
<td>2nd 21 days</td>
<td>14</td>
<td>497 lbs.</td>
<td>6958</td>
</tr>
<tr>
<td>3rd Service</td>
<td>7</td>
<td>65%</td>
<td>4</td>
<td>3</td>
<td>3rd 21 days</td>
<td>4</td>
<td>451 lbs.</td>
<td>1804</td>
</tr>
<tr>
<td>4th Service</td>
<td>3</td>
<td>65%</td>
<td>2</td>
<td>1</td>
<td>4th 21 days</td>
<td>2</td>
<td>426 lbs.</td>
<td>852</td>
</tr>
<tr>
<td>TOTAL</td>
<td>59</td>
<td></td>
<td>31</td>
<td></td>
<td></td>
<td>59</td>
<td></td>
<td>31907</td>
</tr>
</tbody>
</table>

**Table 5-50% First Service Conception**

<table>
<thead>
<tr>
<th></th>
<th>Cows Bred</th>
<th>Conception Rate</th>
<th>Cows Pregnant</th>
<th>Cows Recycling</th>
<th>Calving Date</th>
<th>Calves born</th>
<th>Weaning Wt.</th>
<th>Total Wt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Service</td>
<td>60</td>
<td>50%</td>
<td>30</td>
<td>30</td>
<td>1st 21 days</td>
<td>30</td>
<td>526 lbs.</td>
<td>15780</td>
</tr>
<tr>
<td>2nd Service</td>
<td>21</td>
<td>50%</td>
<td>15</td>
<td>15</td>
<td>2nd 21 days</td>
<td>15</td>
<td>497 lbs.</td>
<td>7455</td>
</tr>
<tr>
<td>3rd Service</td>
<td>7</td>
<td>50%</td>
<td>8</td>
<td>7</td>
<td>3rd 21 days</td>
<td>8</td>
<td>451 lbs.</td>
<td>3606</td>
</tr>
<tr>
<td>4th Service</td>
<td>3</td>
<td>50%</td>
<td>4</td>
<td>3</td>
<td>4th 21 days</td>
<td>4</td>
<td>426 lbs.</td>
<td>1704</td>
</tr>
<tr>
<td>TOTAL</td>
<td>57</td>
<td></td>
<td>57</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>28545</td>
</tr>
</tbody>
</table>

The average herd in Saskatchewan consists of 60 brood cows. The influence of calving date and weaning weight are supported by data from Wyoming and Utah State Universities. Their studies show average weaning weights are more than 30 pounds less for every 21 days calving dates are delayed. (3)

A 15% improvement in conception rate translates into 3336 more pounds of calf weaned in a 60-cow herd, or increased revenue of $4370.16 at $1.31/lb, the average calf price between 1996-2000. These estimates represent an additional income of $72.80 per cow exposed.
Breeding Soundness Evaluation

Poor reproductive performance in beef herds is a complex issue, extending far beyond the scope of this project. Statistically, 20-40% of bulls sent to breeding pastures have significant fertility problems, including those with borderline breeding capacity. (4)

Because of the bull’s importance to overall herd fertility and production, Bull Breeding Soundness Evaluation (BSE) is an important aspect in profitable beef herd management. Bull evaluation not only identifies infertile bulls, but also helps select bulls with above average fertility.

The average Saskatchewan beef practice conducts 521 BSE annually at a cost of $45.80 per test, generating revenues of $23,861.00. Assuming half of poor fertility in a herd is attributable to the bull, sub-fertile bulls may account for losses up to $36.40 / cow exposed in the above model. Using a 1:30 bull-cow ratio in this model and assuming proper bull selection generates an additional $36.40 per cow, an investment of $45.80 in BSE’s generates $1092.00 in revenue for the client. It follows that the benefit over cost ratio is close to 24:1.

Pregnancy testing

Rectal palpation performed by an experienced veterinarian is the most accurate means of identifying open cows. It rarely makes economic sense to winter open cows in a brood cow herd. Age of the open cow, feed and replacement heifer costs need to be considered when culling. According to Saskatchewan Agriculture and Food the cost of wintering a cow varies from a high of $450.00 to a low of $125.00, with an average of $287.50. From an unpublished study conducted by Saskatchewan Agriculture and Food conducted in 1989, 7% of cows exposed are not pregnant at the end of a typical breeding season. To maintain a constant herd size a surplus of cows must be exposed for breeding. When an excess of cows are bred, variable costs are less significant.

Table 6 compares the cost of pregnancy testing to the savings in feed costs by culling non-pregnant brood cows. Survey results indicate that an average Saskatchewan beef practice conducts 12,000 pregnancy examinations per year, (median values), generating $31,800.00 of revenue. If 7% of the cows tested are open and culled early in the fall, producers save wintering
feed costs on 840 cows, or at least $241,500.00 per practice interviewed, an 8:1 benefit over cost.

**Table 6 - Pregnancy Testing Costs and Savings**

<table>
<thead>
<tr>
<th>Number of Pregnancy Tests</th>
<th>Average Cost per Test</th>
<th>Total Veterinary Cost</th>
<th>% Open</th>
<th>Number Open</th>
<th>Winter Feed Cost</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,000</td>
<td>$2.65</td>
<td>$31,800</td>
<td>7%</td>
<td>840</td>
<td>$287.50</td>
<td>$241,500</td>
</tr>
</tbody>
</table>

**Pharmaceutical and biologic sales**

In most mixed and large animal practices drug sales provide a significant proportion of gross revenue. The advent of modern biologics and pharmaceuticals offer new approaches to managing beef herds. Most veterinarians surveyed felt that profits related to biopharmaceutical sales and professional service fees seem inextricably entwined.

In the view of some, the veterinary profession has placed itself in a quandary. “Should veterinarians be in the position of being diagnostician, issuer of prescriptions and owner of the inventory generating drug sales?” Is there a potential for conflict of interest?

Realistically this conflict would seem more perception than reality. Practitioners commonly face other situations that are similar. For example, the fee for a C-section ($272) generates 3 times more revenue than the average manipulation/traction at $120. Veterinarians are forced to call on a reserve of knowledge and experience when deciding to “pull or cut”. In fact the majority of clinical practice involves similar judgments, informing the client of their options.

The Veterinary Profession would benefit from identifying “why” biopharmaceuticals are sold rather than apologizing for any markup. We need to ask ourselves: What profession and by what means can veterinary drugs and biologics be effectively distributed to the food animal industry across a large geographic region? Who is most qualified to provide advice on
responsible drug use in food animals? Within the context of a valid veterinarian-client-patient relationship, what profession or group can be held legally accountable for responsible drug use? It seems unreasonable to think that the veterinary clinic won’t remain the primary source of drugs and drug information to the beef industry.

There are significant costs to “owning inventory”. Drugs must be ordered, received and properly stored. Inventory shrinkage (through loss or theft) and inventory dating need constant monitoring. Table 7 outlines profits generated from drug sales in the practices surveyed.

**Table 7 - Drug Sales in Saskatchewan practices**

<table>
<thead>
<tr>
<th>Drug Sale Income</th>
<th>Percentage</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent income from drug &amp; biologic sales</td>
<td>65</td>
<td>30-72</td>
</tr>
<tr>
<td>Average profit (All drugs and biologics)</td>
<td>30</td>
<td>10-50</td>
</tr>
<tr>
<td>Proportion of sales from drug</td>
<td>60</td>
<td>50-70</td>
</tr>
<tr>
<td>Proportion of sales from biologicals</td>
<td>40</td>
<td>30-50</td>
</tr>
<tr>
<td>Markup representing fair return</td>
<td>30</td>
<td>20-50</td>
</tr>
</tbody>
</table>

*Average Profit Calculations were based on Total Sales – Total Purchases/Total Purchases X 100*

In the 2000 Ontario VMA Economic Survey drug markup, as a multiplier of cost price, declined from 1.55 to 1.53. As the pressure towards lower drug markup intensifies, professional fees need to increase to maintain net income. In Ontario, practitioners who have been able to maintain healthy drug markups have also been able to maintain higher professional fees.

The markup on biopharmaceuticals sold in Saskatchewan practices are considerably lower than those in Ontario (multipliers of 1.3 versus 1.53). Practice demographics and competition particularly from southern Alberta were identified as major factors. The relationship between
higher fees and higher drug markups in Saskatchewan practices was not a consistent finding.

Placing an economic value on the rational use of biologicals and pharmaceuticals is complex. Biologicals are a key component in disease prevention programs, which have significant benefits to the beef industry. Endectocides and implants have well documented financial returns. Many studies have documented a dramatic influence of strategic antibiotic use on the prevention and treatment of respiratory disease. Literature published by the Alberta Veterinary Medical Association estimates beef clients benefit by $3.00 for every $1.00 spent on biopharmaceuticals.

Gross revenue from drug sales for this beef-biased study group was not determined. However, the 1999-2000 SVMA Economic Survey found that the average practice in Saskatchewan had drug sales of $105,000.00 per year. The majority of sales were to beef clients. This roughly translates into $315,000 of drug-related benefit to beef clients per veterinarian in the province.

Table 8 summarizes professional service costs, producer benefits and calculated benefit over cost ratio for routine obstetrics, fertility testing, and drug sales. The return that the cattleman receives from these services is substantial. Although the numbers of services tracked are small they are of significant importance as they account for a substantial portion of the gross revenue of a beef practice.

**Table 8  Summary Professional Service Fees, Producer Financial Benefits.**

<table>
<thead>
<tr>
<th>Service</th>
<th>Professional Fees per Practice</th>
<th>Professional Fees per Veterinarian</th>
<th>Producer Benefits per Practice</th>
<th>Producer Benefits per veterinarian</th>
<th>Benefit over Cost Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>C – Sections</td>
<td>$28,016</td>
<td>$14,008</td>
<td>$189,090</td>
<td>$94,545</td>
<td>6.7</td>
</tr>
<tr>
<td>Traction</td>
<td>$15,600</td>
<td>$7,800</td>
<td>$218,730</td>
<td>$109,365</td>
<td>14</td>
</tr>
<tr>
<td>Bull Evaluations</td>
<td>$23,861</td>
<td>$11,950</td>
<td>$468,900</td>
<td>$234,459</td>
<td>19.7</td>
</tr>
<tr>
<td>Pregnancy Testing</td>
<td>$31,800</td>
<td>$15,900</td>
<td>$241,500</td>
<td>$120,750</td>
<td>7.6</td>
</tr>
<tr>
<td>Total Professional</td>
<td>$99,277</td>
<td>$49,638</td>
<td>$1,118,220</td>
<td>$559,110</td>
<td>N/A</td>
</tr>
<tr>
<td>Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Invoice Comparisons of Common Veterinary Services Provided by Saskatchewan Clinics.

Participating clinics were asked to provide a standard invoice for a prescribed set of clinical situations of average complexity during normal working hours. Field calls were 50 kilometers from the clinic. Table 9 summarizes the results.

**Table 9 - Invoice Summary**

<table>
<thead>
<tr>
<th>PROCEDURE</th>
<th>AVERAGE COST</th>
<th>RANGE</th>
<th>STD DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dystocia – in clinic</td>
<td>$117</td>
<td>$75-140</td>
<td>23</td>
</tr>
<tr>
<td>Dystocia – field</td>
<td>$181</td>
<td>$110-238</td>
<td>44</td>
</tr>
<tr>
<td>C-section – in clinic</td>
<td>$269</td>
<td>$221-300</td>
<td>26</td>
</tr>
<tr>
<td>C-section – field</td>
<td>$351</td>
<td>$245-432</td>
<td>53</td>
</tr>
<tr>
<td>Pregnancy examine 100 head</td>
<td>$341</td>
<td>$251-449</td>
<td>56</td>
</tr>
<tr>
<td>Pregnancy examine 250 head</td>
<td>$680</td>
<td>$550-851</td>
<td>99</td>
</tr>
<tr>
<td>6 bull evaluations – in clinic</td>
<td>$307</td>
<td>$240-383</td>
<td>48</td>
</tr>
<tr>
<td>6 bull evaluations - field</td>
<td>$376</td>
<td>$302-433</td>
<td>43</td>
</tr>
</tbody>
</table>

Fees charged to beef clients across Saskatchewan are highly variable and undoubtedly a source of confusion for beef clients. Erratic fees that emphasize volume as opposed to quality are certainly grounds for "shopping" by producers between practices. The profession needs to promote quality of service. In practices whose fees lag behind the average, an increase fee equivalent to one standard deviation for in-clinic dystocias, in-clinic C-sections, pregnancy exams, and bull evaluations would generate an additional $17,000.00 in income (calculations based on median numbers shown in survey).

**Beyond simple economics**

During the interview veterinarians offered insight into today's beef practices that went beyond matters of pure economics. Many of the points brought forward in discussions are service
elements that add value to the whole service package offered by most practices.

✓ Individual animal care that ultimately merges with herd health and production medicine programs.

✓ Disease Surveillance: The beef practitioner is in a unique position of knowing what diseases are common to an area.

✓ Practitioners serving the food animal industry serve as the first line of defense against Foreign Animal Diseases. Their presence on farms and ranches represents a crucial diagnostic sentinel for agriculture.

✓ The educational role practitioners fulfill is an important one. Advice on nutrition, parasite control and implants are a few examples that add directly to the bottom line of a client’s operation. Veterinarians are the first consulted for information regarding animal production. Veterinary clinics remain the primary network for dispersal of information and implementation of new technology.

**The relationship of service costs and veterinary fees**

Respondents were equally split on whether, or not, the client’s perception of benefit over cost influenced veterinary fees. Individual animal procedures like treatment of urinary calculi or reduction of vaginal prolapses were most often cited as being cost sensitive. This varied substantially by location. Higher fees reduced the volume of demand for certain procedures more so in some areas than others.

Competition, real and perceived, negatively influenced regular fee review of fee schedules in some practices even though owners realized it detracted from real business growth. Competition within the province and from outside the province certainly modified fees for semen evaluation and pregnancy examination. Downward pressure on fees for services like bull evaluation was found to temper the level and quality of professional service. Records, routine testing for trichomoniasis, structural soundness examinations and time spent discussing vaccination protocols were service elements that suffered as time-income ratios diminished.
Support staff / New Graduates

The contribution experienced support staff make to the day-to-day success of veterinary practices cannot be overstated. They are frequently the client’s first contact with a practice, the first to field complainants and more often than not, the ones preparing invoices on behalf of veterinarians. Though ensuring support staff understands the economic impact of veterinary service at a production level and the value clients might place on this service seem fundamental, eight out of eleven clinics felt they needed to be doing more in this regard.

A major concern voiced by several clinics was the lack of understanding about beef industry dynamics that new graduates possess. Serving clients without an appreciation of the production economics they face daily is often reflected in undervaluing the service provided.

Client’s attitude to cost benefits

With few exceptions, clinics felt clients discuss return on investment in veterinary services amongst themselves and that its effect on demand was variable. Some clients will seek veterinary service regardless of cost, especially for emergencies. A small number of producers avoid using veterinary services at any cost, a preference framed in personal belief devoid of all economic consideration.

Generally, practitioners did not find discussing or justifying fees with clients difficult. A few indicated younger veterinarians, especially new grads, find the topic uncomfortable. Comfort comes with experience. The ability to justify professional fees to clients did not appear to be a factor when setting prices.

Fee review

The frequency and standards of professional fee review in mixed practices was haphazard. The mishmash with which professional fee review takes place, especially as it relates to large animal services, has been a point of concern for the SVMA for some time and the problem is not going away. Most practices report that fee schedule reviews are conducted at least once a year. Others make adjustment to fees twice a year (January and July). In some cases, fee review...
involves only practice owners, in others associate veterinarians are involved. Front office, or support staff, seldom participates in fee reviews. Some veterinarians recognize that not involving support staff is a flaw because support personnel represent an important part of the service package covered by fees. Also many are assigned the task of preparing invoices for services rendered by professionals.

In a few practices, computer generated financial statements combined with detailed income and expense analysis become important components of tracking income and profit. Approximately 30% of practices don’t regularly utilize financial information available to them.

**Beef cycles affect fees**

Approximately one-half of the practices interviewed felt historical fluctuations in beef cycle affected the process of fee review. Some felt, individual attention to animals waned as market float downward and fees stagnate, but seldom is there a compensatory rise with “highs” in the market.

**Services with the greatest potential return to investment**

From the veterinarian’s perspective, the following services provide beef clients with the greatest benefit to cost ratio (ranked in order of importance)

- Bull evaluation
- Pregnancy examination
- Herd health/preventative medicine programs
- Nutrition
- Implant program management
- Parasite control

Veterinarians felt that their clients ranked services in the following order of importance.

- Emergency service
- Calving, C-sections
Pregnancy examination

Bull evaluations

Preventative medicine (testament and vaccination protocols)

Veterinarians felt clients ranked production medicine below emergency service in importance, because most producers view "professional consultation" as friendly advice, a marketing bonus attached to the price of drugs and biologicals. Prescription fees on drug sales and over-the-counter consultation fees are not commonplace, if they exist at all.

Conclusions and Discussion

The value private practitioners’ return to the beef clients is substantial. Routine obstetrics, pregnancy testing, semen testing, and the rational distribution of biopharmaceuticals produce significant benefits to cattle production. Any one of the services studied generates 2 to 5 times more benefit than total billings for all services provided by the average practitioner in the province. Veterinary services offered to beef clients are extremely cost effective.

The authors realize that there are many variables that would modify benefit over cost calculations. For example: Not all cows undergoing routine obstetrical procedures conceive and open cows often cycle through the winter and would be culled without pregnancy examination. Even with these adjustments, there was consensus amongst a cluster of experienced practitioners that accrued benefits far outweigh service costs. Despite the value placed on service dispensed to clients, large animal practitioners – as a group – were disinclined to adjust fees accordingly.

Large animal veterinary fees may be too low to sustain the existing network of veterinary practices into the future. The beef industry’s primary concern is maintaining the level of service in rural Saskatchewan; fees are not an issue. Increasing professional fees will not only fortify practice income, but also further an owner’s ability to attract investment by succeeding...
generations of veterinarians. It’s the foundation of survival for many rural Saskatchewan practices.

Although data collected are specific to Saskatchewan veterinarians and beef producers, it has relevance across much of North America.

The root cause of mediocre veterinary fees rests not in the economic realities of animal agriculture, or client opposition, but rather in practitioner attitude. Competition, both real and perceived, may be a factor. All too frequently high volumes and low fees supplant service quality. Professions need to concentrate on “quality first”, “fees second” and “volume third”.

Growth in professional fees is subtle, often one practice at a time Fees spiral downward with little effort; it takes fortitude and willpower to promote them steadily upward.

No other professional holds the client’s economic well-being at heart more so than the food animal practitioner, yet undervaluing one’s service is purely a short-term benefit for clients if practices are not sustainable. The veterinary profession must address the value they place on service, the quality with which it’s delivered and fees they charge for it. Delay will not only blunt the desire for new grads to seek opportunity in food animal practice, but negatively impact clients the profession was originally designed to serve.

References


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