So you want to raise Holstein Steers: Will it Pay

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Who’s interested in the answer

- Transitioning dairy farmers
- Operating dairy farms
- Feeders looking for profitable calves
- Farm nutritionists and advisors
The answer depends on the farm’s situation

- Are there existing facilities & equipment
- Trying to replace dairy herd income
- Using feed that won’t be eaten by the dairy herd
- Development of feeder calves only
- Buying feeder calves to put on full feed

Let’s analyze the question in stages

- 100-350 pounds
- 350-700 pounds
- 700-finishing
- Full feed diets
Why analyze this way?

- Natural development progression
- Facilities
- Using lower quality feeds
- Risk management

100-350 pound calves

- Pros
  - Simple transition for dairy farmers
  - Ready auction market
  - Easily convert facilities

- Cons
  - Poor calf raising skills
  - Putting together large enough groups of calves to feed & sell
  - High cost stage
  - Health problems
350-700 pounds

- **Pros**
  - High forage period: low cost of gain
  - Can be grazed (MIRG)
  - Readily marketed
  - Can utilize existing facilities
  - Can be moved to farm feedlot

- **Cons**
  - Prices for “green Holsteins”

Full feed diets

- **Pros**
  - Can add value to grain produced on farm
  - Utilize dairy heifer facilities
  - Can be profitable with some caveats
Financial analysis

- New Holstein steer budgeting tool
  - Excel spreadsheet using feeding phases
  - Income projection
- Gives a sense of the financial sensitivity

Projects income

- Calculates labor & management income after all variable costs
  - No building & equipment costs included
- Calculates income after all costs: includes building & equipment costs
Why fixed costs are last

- Using older facilities that won’t be replaced
- Cash income is most important to client
- Repair costs can be included in misc.

Dangers of ignoring labor & fixed costs

- May not make enough money to recapitalize
- Should be paid at least as much as an off-farm job
How much to include for labor & fixed costs

- Labor:
  - An amount you could make some place else
  - An amount you want to make

LRP

- Livestock Revenue Protection
  - LRP protects against price declines only!
    - May be used by smaller producers in lieu of hedge or cash contract
  - This is an insurance product
    - If price index is below guarantee, payment is made
    - Premium subsidy is 13%
    - Guarantee range: 70-95% of index
LRP-2

- Applicable to Holsteins
  - Holstein feeder calves specifically included
  - Maybe used for Fed cattle
    - Make sure your have time on feed correct
    - Sale weights up to 1400 pounds

- Possible problems
  - Cattle take longer to get to market
  - Basis risk: refer to Ken Burdine presentation

So is there profit in Holstein steers

- Yes, maybe
  - To remain in the business, must take ALL fixed costs into account
  - Must pay reasonable wages to yourself

- One feeder’s thoughts
  - “I am in the business in the unprofitable years so I can be there when a lot of money is made. But in the lean years, I budget so I make back all my variable costs and my labor.”