

So you want to raise Holstein Steers: Will it Pay

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Helping Iowans become their best.

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."