

COST OF DEVELOPING BRED HEIFERS

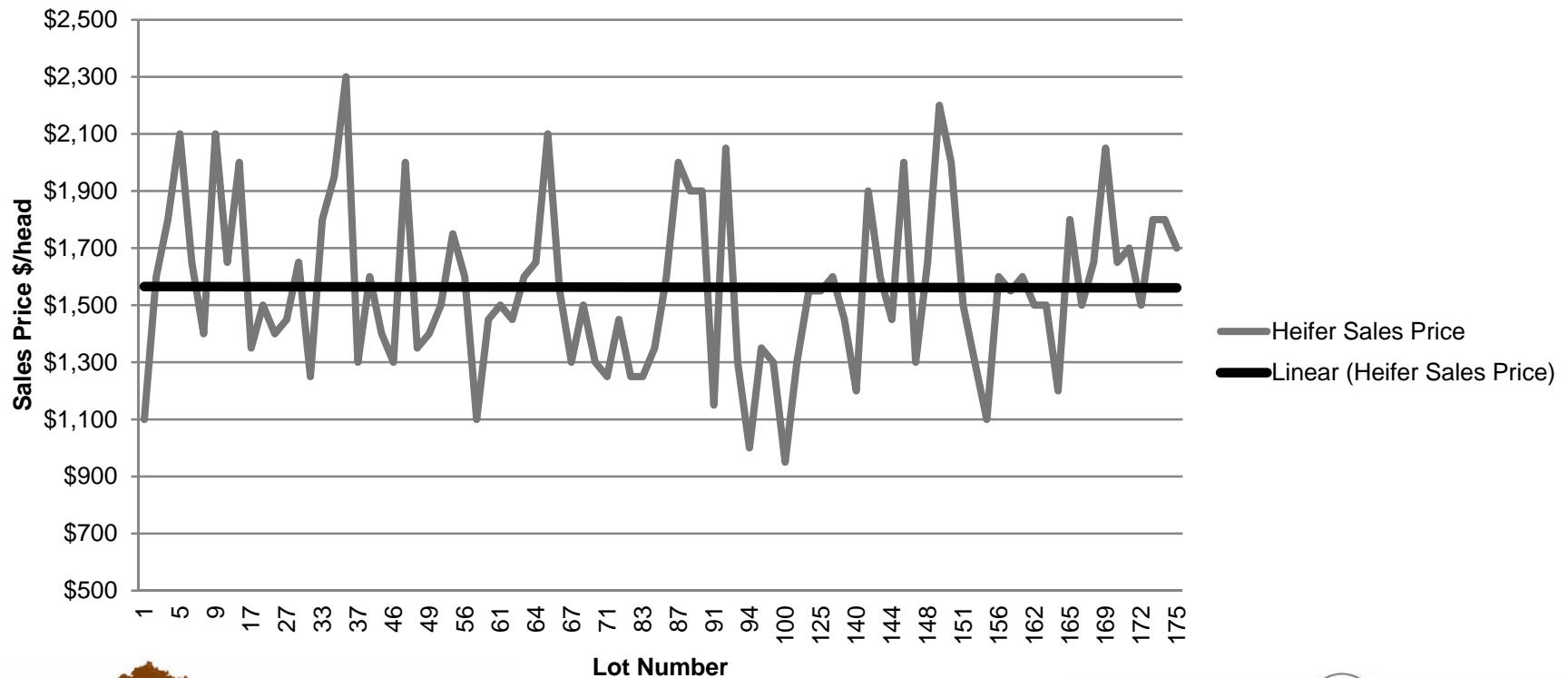


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HOW MUCH IS TOO MUCH FOR A HEIFER?

**UGA Tifton HERD Sale Results,
April 19, 2011**



TWO MAJOR QUESTIONS

1. How much does it cost?
2. How can I lower my cost?



BASIC HEIFER (OR ANY OTHER ASSET) REPLACEMENT MATH

$$PV = -Inv + \frac{NCF_0}{1} + \frac{NCF_1}{(1+i)^1} + \frac{NCF_2}{(1+i)^2} + \dots + \frac{NCF_n}{(1+i)^n}$$

Where:

PV = Net Present Value

CF = Net Cash Flow

Inv = Investment value

i = interest rate

n = Number of Periods



MAJOR ITEMS TO CONSIDER

$$PV = -\text{Inv} + \frac{NCF_0}{1} + \frac{NCF_1}{(1+i)^1} + \frac{NCF_2}{(1+i)^2} + \dots + \frac{NCF_n}{(1+i)^n}$$

Current replacement cost/Purchase price of heifers

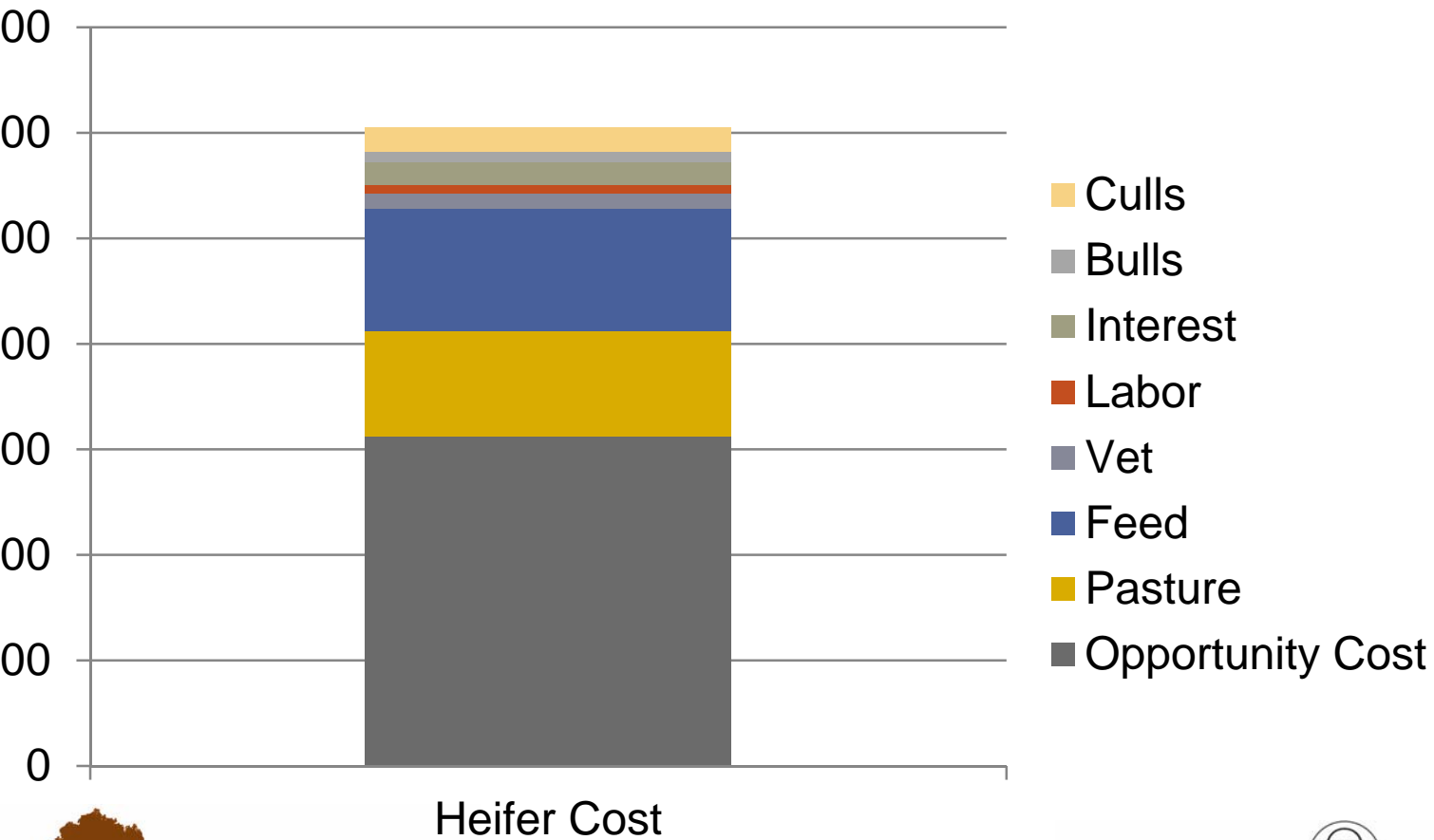


Heifer Development Budget				
Item	Unit	Cost/unit	Quantity	Item cost
Heifer	cwt.	\$ 125.00	5	\$ 625.00
Winter Pasture	ac	\$ 150.00	0.67	\$ 100.00
Coastal Pasture	ac	\$ 150.00	0.67	\$ 100.50
Other Pasture	ac	\$ -	0.67	\$ -
Hay	ton	\$ 75.00	1.65	\$ 123.75
Feed - Developing Heifer	lbs	\$ 0.13	540	\$ 67.50

Doesn't include land or management!!

Vet & Med - Preg check	hd	\$ 3.00	1	\$ 3.00
Labor	hrs	\$ 10.00	1.5	\$ 15.00
Total Variable Costs	hd			\$ 1,100.87
Interest	hd	8.00%	\$ 550.44	\$ 44.03
Bull Costs	hd	\$ 19.20	\$ 1.00	\$ 19.20
Non-breeders	percent	15.00%	\$ 1,144.90	\$ 171.74
Total Costs of Retaining Heifers	hd			\$ 1,335.84
Adjustment for cull heifer sales	hd	\$ 105.00	800	\$ 126.00

STATED ANOTHER WAY



HOW DO I
REDUCE MY
COSTS?

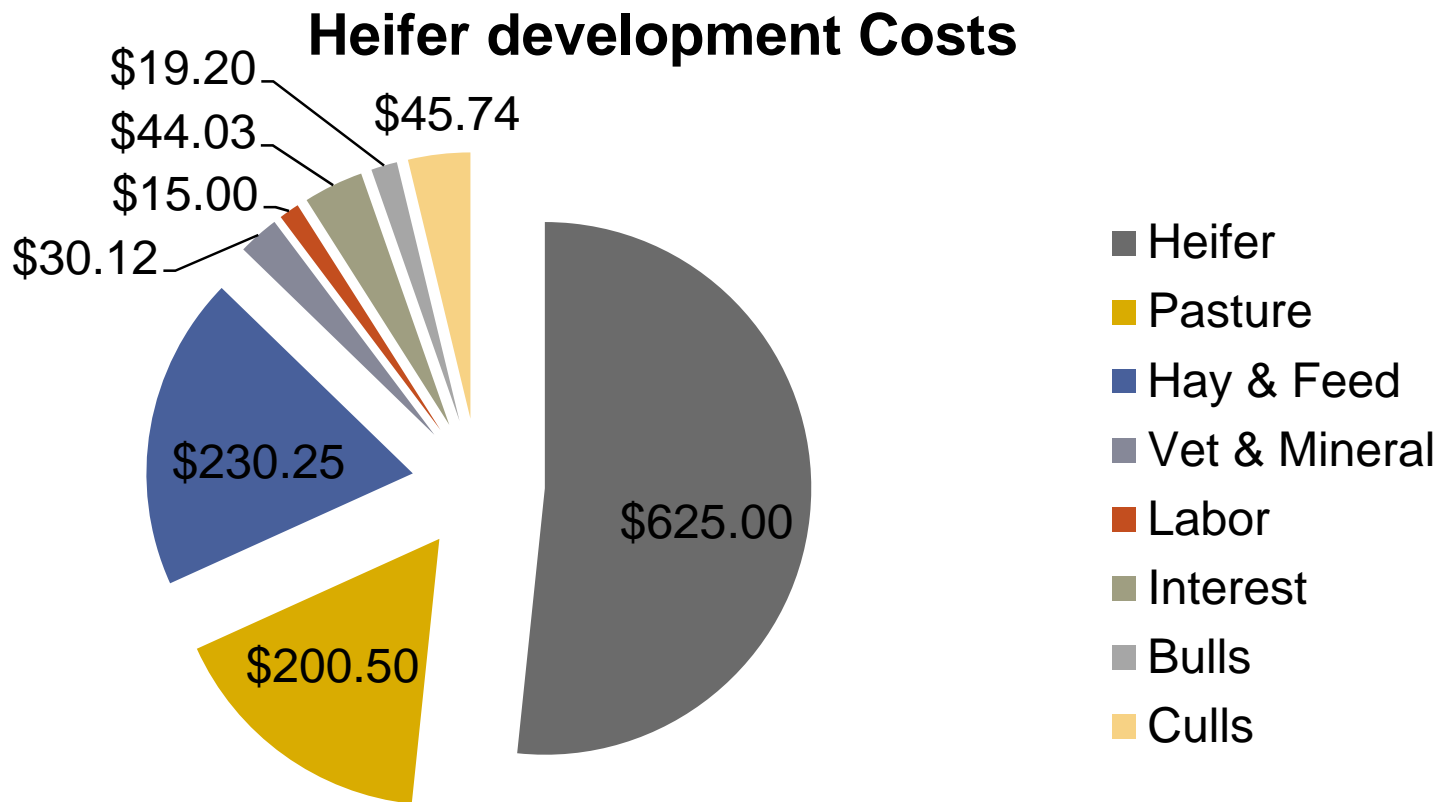


A MODEL FOR REDUCING COSTS

1. Determine the total cost
2. Arrange individual costs from largest to smallest
3. Begin by finding ways to reduce the largest costs first
→ Saving 10% on \$500 = 50% of \$100
4. Work your way through the list focusing on ways to reduce all items



HEIFER DEVELOPMENT COST



WHAT ARE THE MAJOR COSTS?

Opportunity cost of the heifer - \$625

Pasture + Feed = \$431

Cull costs = \$46

Interest = \$44

Vet + Mineral = \$30

Bulls = \$19

Labor = \$15



WHAT IS THE NUMBER 1 OBJECTIVE IN RAISING
REPLACEMENT HEIFERS?

PRODUCE A
HEALTHY CALF
TO MARKET!!



WAYS TO REDUCE COSTS

Opportunity cost on the heifer - \$625

1. Use call options or feeder cattle futures to minimize “purchase price”
2. Retain fewer heifers when prices are high

Pasture + Feed = \$431

Cull costs = \$46

Interest = \$44

Vet + Mineral = \$30

Bulls = \$19

Labor = \$15



WAYS TO REDUCE COSTS

Opportunity cost of the heifer - \$625

Pasture + Feed = \$431

1. Match female needs to resources → do you need to adjust your calving season?
2. Get more from your pastures → high quality forages, rotational grazing, legumes, etc.
3. Reduce purchased forage needs → conserve hay, stockpiling, baleage, etc.
4. Manage the feed bill --> supply only their needs, use seasonalities to make feed purchases, consider buying in bulk, learn about feeding by-products
5. Consider getting someone else to grow them for you

Cull costs = \$46

Interest = \$44

Vet + Mineral = \$30

Bulls = \$19

Labor = \$15



WAYS TO REDUCE COSTS

Opportunity cost of the heifer - \$625

Pasture + Feed = \$431

Cull costs = \$46

1. Don't have many culls → BSE for bulls, evaluate synchronizing and AI
2. Don't skimp on the groceries → there is a difference in minimizing feed costs and skimping on nutrition
3. Consider alternative markets for cull heifers → freezer beef, retained ownership, somebody just looking for a cow, etc.

Interest = \$44

Vet + Mineral = \$30

Bulls = \$19

Labor = \$15



WAYS TO REDUCE COSTS

Opportunity cost of the heifer - \$625

Pasture + Feed = \$431

Cull costs = \$46

Interest = \$44

1. Reducing other costs will reduce interest costs
2. Reducing development time will also reduce interest costs

Vet + Mineral = \$30

Bulls = \$19

Labor = \$15



WAYS TO REDUCE COSTS

Opportunity cost of the heifer - \$625

Pasture + Feed = \$431

Cull costs = \$46

Interest = \$44

Vet + Mineral = \$30

1. Consider alternative sources of supplies
2. Consider purchasing in bulk or with other producers
3. Maintain adequate nutrition of heifers
4. Evaluate purchasing mineral in bulk
5. Others???

Bulls = \$19

Labor = \$15



WAYS TO REDUCE COSTS

Opportunity cost of the heifer - \$625

Pasture + Feed = \$431

Cull costs = \$46

Interest = \$44

Vet + Mineral = \$30

Bulls = \$19

1. Can you use the same bull for cows and heifers?
2. Can you lease a bull?
3. Can you and a neighbor share a bull?

Labor = \$15



WAYS TO REDUCE COSTS

Opportunity cost of the heifer - \$625

Pasture + Feed = \$431

Cull costs = \$46

Interest = \$44

Vet + Mineral = \$30

Bulls = \$19

Labor = \$15

1. Locate heifers closer to the labor
2. Schedule intensive feeding and management activities around existing labor slack times.
3. Is day labor cheaper than year-round labor?



CAN YOU BUY THEM CHEAPER THAN YOU CAN RAISE THEM?

RAISE HEIFERS

Biosecurity

Known genetics

**Utilize excess labor
or other resources**

PURCHASE HEIFERS

Genetic progress

**Lack of land, labor,
management.**

**Quicker herd
expansion**



HOW CAN I DETERMINE WHAT IS BEST FOR ME?

JGA

REPLACEMENT

FEMALE

CALCULATOR



SUMMARY AND IMPLICATIONS

It costs more to raise a heifer than many people think!

Consider all of the costs.

Cost of the heifer, feed and pasture are the largest expenses.

To effectively manage costs rank them from largest to smallest and focus on the largest ones first.

Utilize the Replacement Female Calculator to determine your costs.



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