

# So you want to raise Holstein Steers: Will it Pay

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*Helping lowans become their best.*

## Who's interested in the answer

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- ❑ Transitioning dairy farmers
- ❑ Operating dairy farms
- ❑ Feeders looking for profitable calves
- ❑ Farm nutritionists and advisors

## The answer depends on the farm's situation

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- ❑ 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

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- ❑ 100-350 pounds
- ❑ 350-700 pounds
- ❑ 700-finishing
- ❑ Full feed diets



## Why analyze this way?

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



## 100-350 pound calves

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- 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

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### □ 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

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### □ Pros

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



## Financial analysis

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



## Projects income

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- 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

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- ❑ 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

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- ❑ 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

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



## LRP

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- 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

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- 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

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- 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."