

Spotted Profits



VS.



Solid Profits

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Presentation Overview

- Introduction
- Review of Other work/Background
- Methods
- Results
- Conclusions/Recommendations

Dairy Background

- Most view dairy steers as by products
- Slightly less than 9 million dairy cows in U.S.
- About 4 million dairy steers born in U.S.
- Steers are taken off mother shortly after birth and sent to growing program then feedlot
- Between 2.64 and three million dairy steers will enter beef markets as finished steers
- The remaining enter calf slaughter programs to produce veal
- Average slaughter weight 1200 lbs

Beef Background

- Calves are left on the cow for 6-7 months
- Most steers enter backgrounding program to improve uniformity, composition and maturity
- Go to feedlot after backgrounding
- Then begin finishing rations
- Average slaughter weight 1100 lbs

Review of Other Work

- John Maday “By Product or Bonus?”
- Daniel Shaefer (2003) of University of Wisconsin-Madison
 - Dairy meat quality
 - Dairy breeds score higher in marbling, probably due to their age

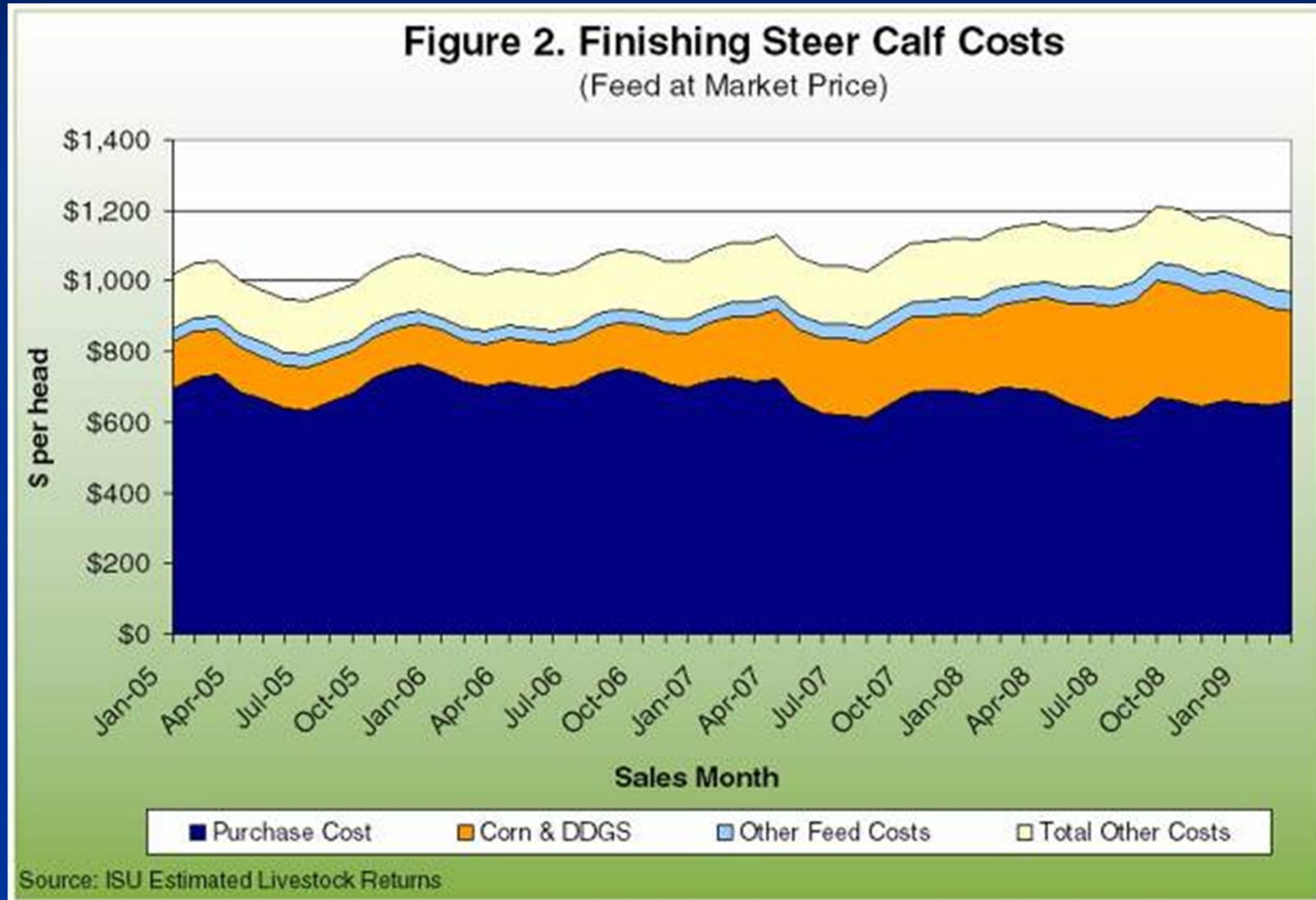
Methods

- Benefit Cost Analysis
- Dairy data versus Angus data
- Feed/input prices
- Dairy meat quality versus Angus meat quality
- Compile Break even

Results

- Overall, not significant differences
- Production and marketing differences clearly exist, but both sectors face similar factors
- Holstein steers take longer to finish out than Angus steers
- Angus more sought after

Finishing Steer Calf Costs



Dairy Break even

Cost to raise Holstein steers on a conventional (roughage) ration.
(100 to 1270 lbs.)

Item	Unit	Price	Cost
Calf cost			\$125.00
Feed cost			
Milk replacer	45 lbs.	\$45/bag	\$40.50
Starter mix	50 lbs.	\$.15/lb	\$22.50
Alfalfa hay	330 lbs.	\$60/ton	\$9.90
Corn silage	8447 lbs.	\$30/ton	\$126.70
Corn	4166 lbs.	\$1.80/bu.	\$133.90
40% protein	1038 lbs.	\$325/ton	\$168.67
Total feed costs			\$502.17
Veterinary	per head		\$9.00
Medicine	per head		\$9.00
Yardage		\$0.20/day	\$93.20
Death loss		5.0%	\$15.65
Total cost			\$754.02
Expected income	1270 lbs.	\$0.60/lb.	\$762.00
Expected profit			\$7.98

Days on feed: 462

Average daily gain: 2.5

Lbs. feed/lb. gain: 12.03

Feed cost/lb. gain: \$0.43

Break even price: \$0.59/lb. at 1270 lbs.

*Source: University of Nebraska,
Cooperative Extension, Feeding and
Managing Holstein Steers, G93-1177-A*

Beef Break even

Table 3. Feeder Cattle Breakeven Worksheet

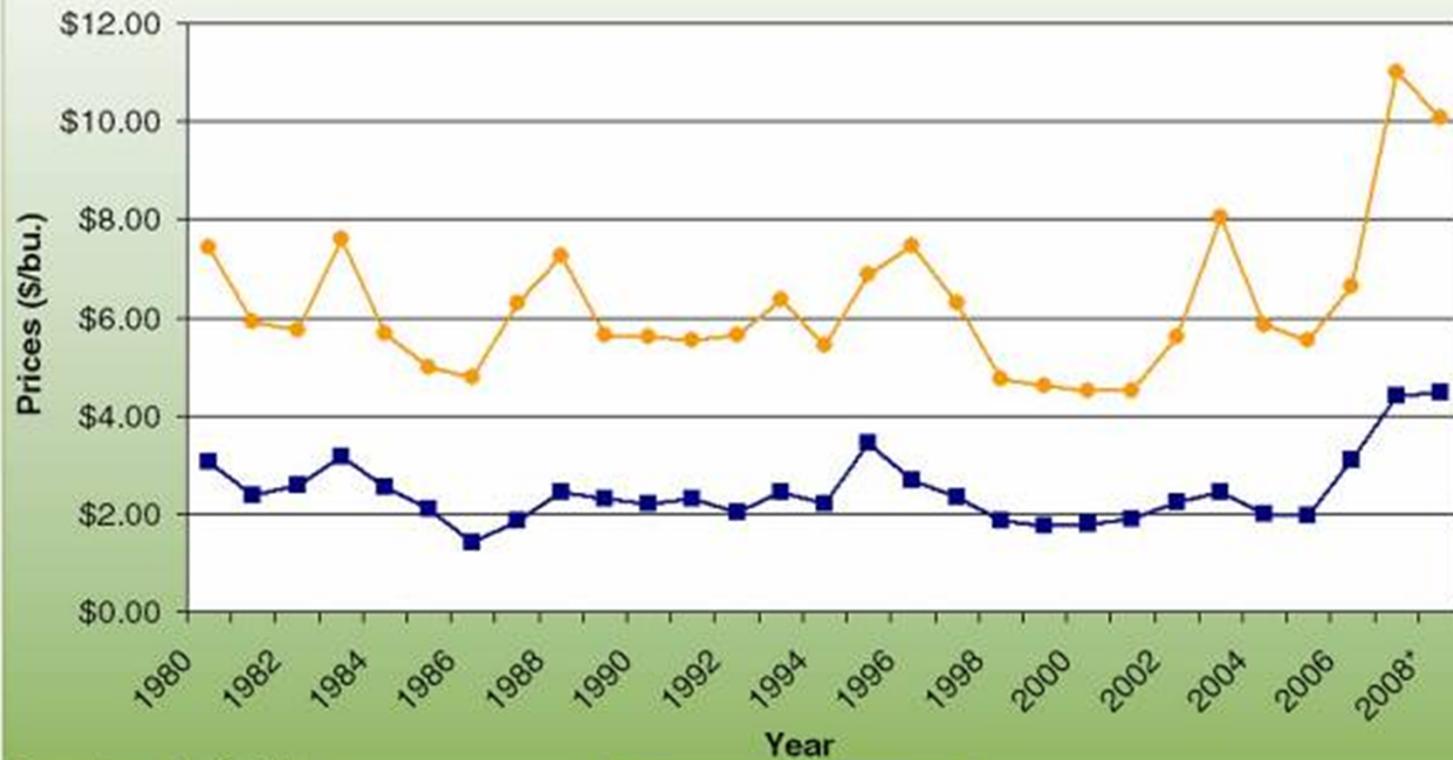
Calf Value (500 lbs live wt x \$1.25/lb)	\$625.00
Projected Sale Value (800lbs sale wt x \$1.17/lb)	\$936.00
Feed Costs (\$/day)	
Hay (12lbs x \$0.03/lb)	0.36
Rolled Barley (5 lbs/day x \$0.05/lb)	0.25
Supplement (includes Elanco Rumensin®) (0.75 lbs/day x \$0.15/day)	0.11
Total Daily Feed Cost	\$0.72
Total Feed Costs (total daily feed cost X days on feed)	\$108.00
Other Costs	
Profit and risk margin	\$5.00
Veterinary, medicine and induction costs	\$9.00
Yardage (\$0.35/day x 150 days)	\$52.50
Death loss (2 % x \$625.00/head)	\$12.50
Total Other Costs	\$79.00
Total Production Costs (feed and other)	\$187.00
Total Costs (calf, feed and other)	\$812.00
Net Profit = Projected Sale Value – Total Cost	\$124.00
Cost/lb of gain =	\$0.66/lb of gain
Total Production Costs 300 lbs.	
Breakeven Sale Price =	\$1.02/lb live wt
Total Cost/Head 800 lb sale wt.	

Major Input Costs

- Feed Cost
 - Corn and Soybean
- Animal cost
 - Holstein \$125
 - Angus \approx \$650

Feed Costs

Figure 1. Corn and Soybean Average Marketing Year Price (1980-2008)



Source: Iowa Ag Statistics
* Preliminary Marketing Year Average

—○— Soybeans —■— Corn

Dairy Meat Quality

- Dairy breeds take longer to finish out than traditional beef breeds
- Maintenance requirement is 20% higher than traditional beef due to milk production and metabolic capacity
- Low muscle to bone ratio
- Holsteins do not convert feed as efficiently as Angus, making cost of gain greater

Traditional Beef Meat Quality

- Demand has changed in the past 50-75 years
- Consumer has asked for leaner, smaller cuts of meat
- Angus generally grade USDA Choice, or better

Conclusions / Recommendations

- Cheaper to finish Angus steers
- Angus easier to market
- Feeding Holsteins can be profitable-niche markets
- Profit depends on type of market (sale barn, private sale, video auctions)

Ideal Study

- Controlled study with same number, sex, weight of each animal breed
- Each breed to be fed similar rations
- Each breed to be slaughtered at similar weights

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Questions

