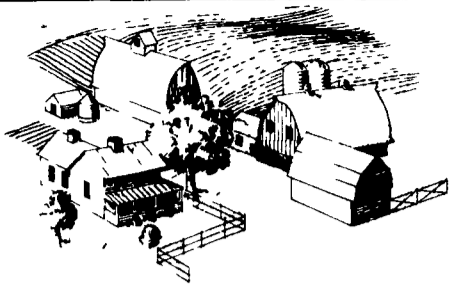


FARM MANAGEMENT



DAIRY HEIFERS
Luther B. Smith
Multicounty Farm
Management Agent

A common question that is asked by dairy farmers is should I raise my own replacements or pay someone else to do it for me?

The only way to accurately answer that question is to compare what it costs you to raise a heifer to calving vs. having to pay someone else to do it.

Don't only consider the direct (variable) costs but also keep in mind the fixed costs and the opportunity costs. Opportunity costs are what it costs someone to do one thing as opposed to another.

If you are considering having someone else raise your heifers on a contract basis, or you might be thinking of raising heifers for other farmers, the following example might be of some help.

The source of some of my information is the Penn State Farm Management Handbook, DHIA averages, and personal estimates.

The three farm situations are the same farm. If an item, such as total debt load, is not mentioned it was the same for all three situations.

The primary question to be addressed is "I need more cash flow. Should I expand the herd with or without heifers?" We focused on raising our own heifers vs. having someone else do it. So in our example, the heifers return to the farm they were born on and

the original owner retains ownership.

Please keep in mind that the results are based on the given situation, and with certain factors, such as prices and yields, you might not get exactly the same results with differing factors.

Base Plan (Present Farm Situation)

75 tillable acres, 19 acres (135 bushels/acre) feed corn, 26 acres (20 tons/acre) corn silage, and 30 acres total hay (4.8 tons/acre, average for new seeding and established stand).

Farm produces 65 percent of the hay, 100 percent of the corn silage, and 39 percent of the corn grain needs.

60-cow herd, 60 heifers (all ages), 17,000 pounds milk/cow/year, \$13.00/cwt. average annual gross milk price.

Approximately a 14-month calving interval with heifers calving at 28 months of age and weighing 1,100 pounds.

First calf heifers milk 80 percent of herd average (13,600 pounds) and represent 25 percent of the herd.

Second calf heifers milk 85 percent of herd average (14,400 pounds) and represent 25 percent of the herd.

Culling rate is 25 percent and mortality on heifers (birth to fresh) 5 percent.

Limiting factors are land and the size of the dairy barn. There is room for 10 more cows with some

remodeling but that space is taken up at present by heifers.

Results From Base Plan Situation (Figures Annual Basis)

Purchased Feed \$17,490 (this includes heifers), purchased corn \$11,170, purchased hay \$6,750, milk income \$120,998, net cash farm income \$30,170, cash available after all expenses, taxes, family living, debt payments are paid = \$1,936.

Alternative #1 Same Farm With Changes

24 acres feed corn, 21 acres corn silage, 30 acres hay. Farm produces 100 percent of the hay, 100 percent of the corn silage, and 49 percent of the corn grain needs.

70-cow herd, no heifers raised on the farm, heifers return to the farm 2 months before calving, and this amounts to 17 springing heifers on the farm over a year's time. Same milk herd average and price.

Barn was remodeled to add the 10 cows at a cost of \$500/head, totalling \$5,000 financed for 2 years at 9 percent.

Heifers are contract raised at a cost of \$1.48/heifer/day for 56 heifers per year.

Culling rate is 25 percent and mortality on heifers is less than 1 percent.

Heifers calve at 24 to 25 months of age and weigh 1,200 pounds. First calf heifers milk 85 percent

of herd average (14,400 pounds) and represent 25 percent of the herd.

Second calf heifers milk 95 percent of herd average (16,200 pounds) and represent 25 percent of the herd.

Results From Alternative #1, Annual Basis

Purchased feed \$13,504, purchased corn \$9,224, purchased hay \$0, milk income \$147,186, heifer raising contract \$30,252, net cash farm income \$40,980, new debt payment \$2,881, cash available after all expenses, taxes, family living, and debt payments = \$7,305.

Alternative #2

Same situations as the base plan but the herd was expanded to 70 cows and the heifers were also expanded to 70 total. The dairy facilities were expanded as in alternative #1 and heifer facilities were built to accommodate 70 heifers at \$500/heifer.

Total new debt is now \$40,000 (\$5,000 for 10 more cows and \$35,000 for heifer facilities) financed for 7 years at 9 percent. The cropping program is now 15

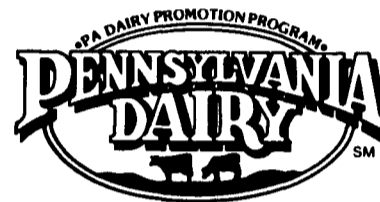
acres of corn grain, 30 acres of corn silage, and 30 acres of hay. The farm produces 58 percent of the hay, 100 percent of the corn silage, and 26 percent of the corn grain needs.

Results From Alternative #2, Annual Basis

Purchased feed \$20,405, purchased corn \$15,675, purchased hay \$10,250, milk income \$141,550, net cash farm income \$31,869, new debt payment \$8,216, cash available after all expenses, taxes, family living, and debt payments = \$608.

The purpose of this article is to demonstrate that contracting someone else to raise heifers might be a possible way to increase cash flow. I strongly suggest that before you decide to do something like this that you develop a long-range budget for your farm situation and determine all the positives and negatives.

The above results were generated by using the Finpack financial program. If you would like to discuss this or other farm-related financial situations, please call your county Penn State extension office and ask to talk to a farm management agent.



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