Why The Discount?

Feeder-calf buyers generally pay less for heifers than for steers. Here's a look at why and how producers can manage heifers to increase their value entering the feedlot.

BY BRAD PARKER

To some it only seems fair that females should earn less money — female feeder calves, that is.

According to Rod Jones, Extension livestock production economist at Kansas State University (K-State), feeder-calf buyers are currently offering $4.50/hundredweight (cwt.) less for heifers than steers. That's comparing 750-pound (lb.) steers to 650lb. heifers, a fair physiological comparison by industry standards. That discount, though ever-present, varies with seasonal performance levels and current feed prices, Jones adds.

Recently the spread has been as high as it probably should be. "If that discount gets any bigger, it'll be a real bargain for the feeder," Jones says.

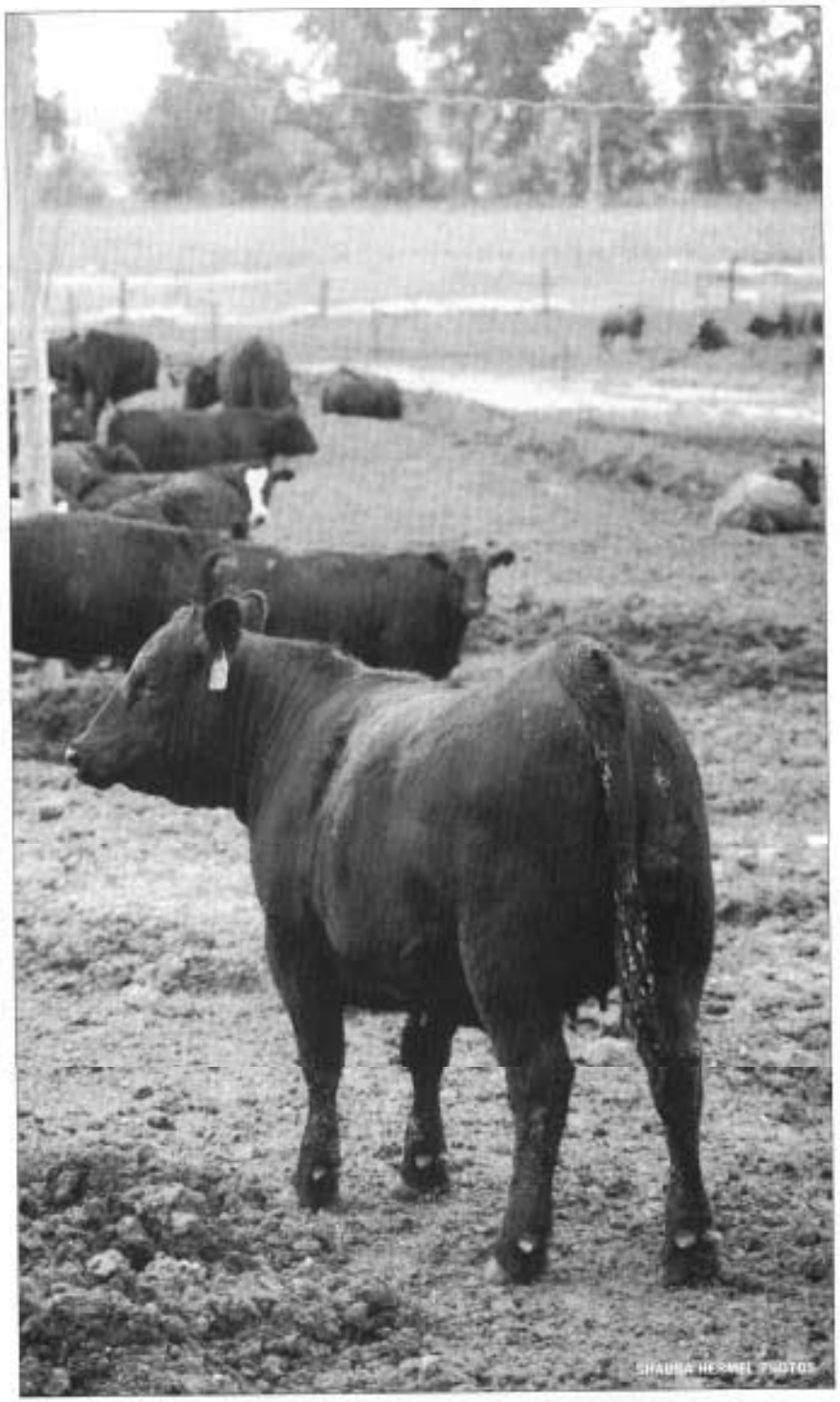
He explains there is no difference in profitability for the feedlot between steers and heifers, although heifers may grade low-Choice 200 lb. lighter than comparable steers.

Reasons why

"There are several reasons that a heifer would be discounted going into a feedyard," says feedlot consultant Bob Smith, who also serves as associate professor of veterinary medicine and surgery at Oklahoma State University (OSU).

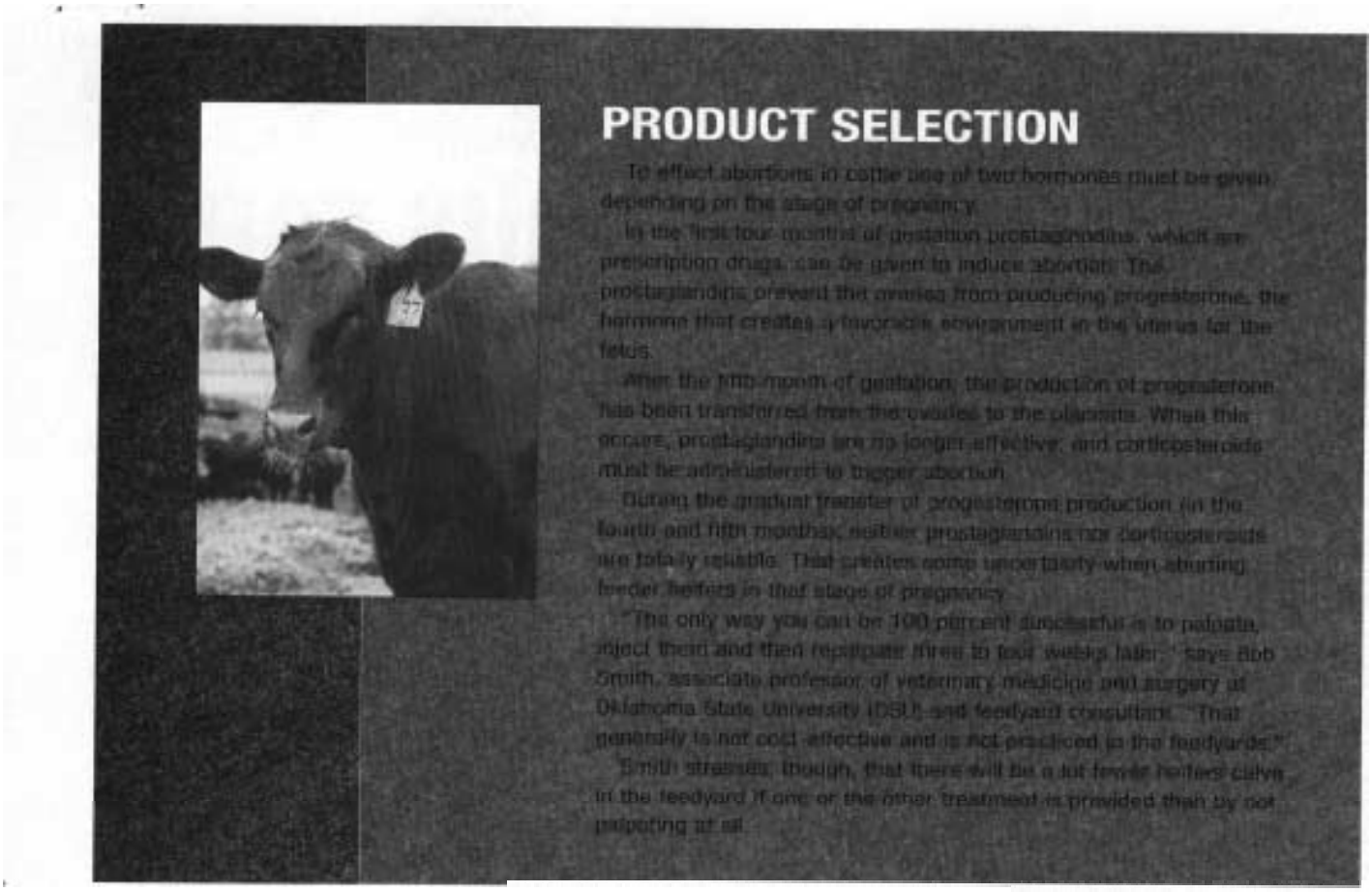
Heifers are usually less efficient at feed conversion. According to Smith, heifers are about 90% as efficient as comparable-quality steers, although a few good pens of heifers will outperform some steer pens. In separate projections from K-State and OSU, heifers are estimated to cost $3-$6/cwt. of gain more to attain market weight. Based on current feed prices and other feedyard expenses, K-State suggests steers cost an average of $43.25/cwt. of gain to finish, and heifers cost $46/cwt.

A reason for this inequality may be due



SHAUNA HERMEL PHOTOS

The biggest risk in keeping heifers in a feedyard is pregnancy. "Many times we manage these heifers to be open prior to feedyard entry, but it's not always possible," says Oklahoma State's Bob Smith. In fall and winter, it's not unusual for 16% of the heifers coming into feedyards to be pregnant.



to the genetics of those heifers going into the feedlot. Since 30%-40% of females are kept as replacements in the average herd, according to literature from the University of Missouri, the genetic potential of those left for the feedyard is greatly reduced.

Whatever differences in value exist disappear during the stay in the feedyard, Smith says. "Marketing heifers on a live basis out of the feedyard results in about the same price per hundredweight as for steers," he explains, "but the heifers are discounted up front to compensate for differences in performance."

Those differences are mainly the result of estrus. The stress associated with the female reproductive cycle reduces heifers' feed efficiencies. To eliminate the stress, feedyards often add a heat suppressant, such as melengestrol acetate (MGA®) to heifer rations. Jones says the cost of the heat suppressant is a small factor in the lower price paid for feeder heifers, but the efficiency difference plays the larger role.

Problem pregnancies

The biggest risk in keeping heifers in a feedyard is pregnancy. "Many times we manage these heifers to be open prior to feedyard entry, but it's not always possible," Smith says. "These pregnancies do occur." Three types of costs are involved when they do.

First, gain is diminished. "This heifer in the feedyard is pregnant and eating for two, so some of that energy is diverted toward fetal growth, and that's a substantial amount," Smith explains. "She's hanging up a lighter-weight carcass."

If the heifer calves in the feedyard, a second set of costs comes into play. Because her rations are formulated for weight gain, she has more fat in her pelvis than grazing heifers, often resulting in dystocia (difficult birthing). These situations usually require assistance, such as cesarean sections, fetotomies or difficult pulls.

Follow-up with medications to combat uterine infections or retained placentas usually is necessary and increases costs more. All of this is compounded by greater inefficiency from the stress of parturition (calving) and recovery. Often the heifers that calve and have complications aren't worth keeping in the yard, Smith says.

The third associated cost results when the heifer doesn't calve in the feedyard and goes to the packer carrying a fetus. In this case dressing percentage (hot carcass weight ÷ live weight) is greatly reduced. The fetus, placenta and fetal fluids can account for 150 lb. of unusable carcass. Smith emphasizes that if the feedyard is selling to the packer on a formula program, dressing percentage is a large factor in the formula, and this will have a dramatic effect on the price paid for that heifer.

Packer-buyers often will protect themselves from the losses associated with pregnant heifers by avoiding those with well-developed udders, Smith says. Not only is this a possible indication of pregnancy, the larger udders themselves have a negative effect on dressing percentage.

Heifer economics

According to research conducted at Colorado State University and K-State, the economics associated with pregnant feedyard heifers depends on the cattle market.

In a low-market model ($60 purchase price and $56 finished price), allowing pregnant heifers to calve in the yard costs an average of $19.04/head when considering the whole pen and $115.42/head when considering just the pregnant animals. If the fetuses are aborted, those costs are reduced to $8.71/head and $52.76/head, respectively.

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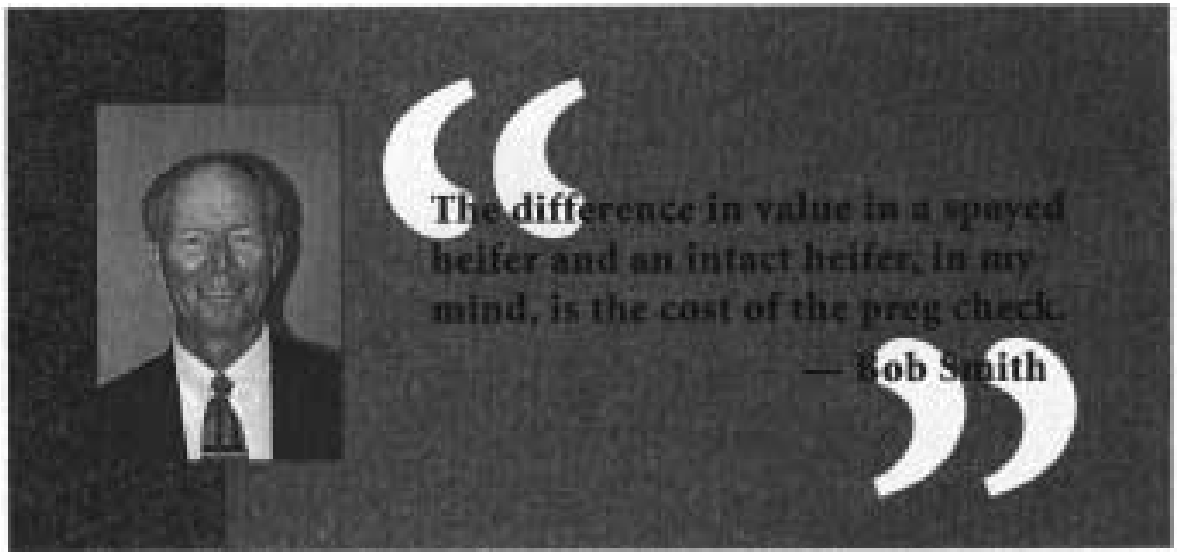
"We reduce our losses, but we never get back to where we'd like to be, and that's back to zero," Smith says.

When using a high-market model ($84 purchase price and $78 finished price), calving costs an average of $24.34/head for the pen and $147.49/head for those having calves. Aborting reduces those costs to $10.22/head and $61.92/head.

These estimates assume a pregnancy rate of 16.5% and Smith says expecting 16% is reasonable in fall and winter, but 9% is more realistic in spring and summer. Heifers are more likely to be bred when coming from situations with dense cattle populations. "It's a reflection of management," he explains.



Keep them open

Feeder-calf suppliers can take precautions to ensure their feedyard customers get open heifers and avoid the costs. "The steps that we would take to prevent pregnancy are really basic management steps," Smith states.

He says the first preventive measure is separating heifers from bulls at a reasonable age. "We are seeing in some cases with these genetically superior heifers that a small percentage are cycling before they're weaned," Smith explains. "We can't avoid that, but we can wean at a reasonable age."

The second hint Smith offers is to maintain adequate fences. "We can make sure that we've good enough fences to keep the heifers separated from the intact males," he says.

Guaranteed open: spayed heifers

Where it's difficult to keep heifers and bulls separate, such as public grazing lands or open range, spaying is an option. Many heifers, especially those in groups of 100 head or more, have been spayed for about $5/head, according to information from the University of Nebraska.

In operations where heifers can be easily segregated, spaying may not be cost-effective, Smith cautions.

He reminds producers that once a heifer is spayed, an active implant must be kept in her to achieve proper hormone levels, thereby maintaining feeding performance. Smith further notes there is no difference in performance between an intact and a spayed heifer if they both have active implants.

"The difference in value in a spayed heifer and an intact heifer, in my mind, is

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the cost of the preg check," Smith says.

Options at home

Palpation to determine pregnancy status is exactly what Smith recommends as the final step in preparing heifers for the feedyard. It's easily added to the processing routine before shipping.

"It's important for us to understand that when we palpate to prepare heifers for the feedyard, they can be a good value, but it's just a matter of making sure they're properly prepared," he says.

Smith encourages feeder-calf suppliers to send only open heifers. Those found to be with calf should be sold as pregnant or kept as replacements. "You have more options at home with pregnant heifers than you do in the feedyard," he says.

If a producer must send a heifer to the feedyard, Smith encourages that her calf be aborted beforehand. "She can be aborted much more safely at home when she's under less stress and on a grass pasture than she can at a feedyard," he says.

Because of the increased risk of contamination associated with abortion in the feedyard, Smith says it makes better sense to abort them at home and send those heifers on a later load.

In the yard

When heifers arrive at the feedyard, management must decide whether to check for pregnancies or not. Many will have their heifers palpated at the encouragement of the previous owners, if the heifers' histories are unknown or as a matter of routine. At $2/head palpation is a worthwhile expense considering the costs associated with pregnancies, Smith says.

Before feedyard heifers are palpated and aborted, Smith cautions they must have time to recover from transporting, commingling and vaccinations and adjust to their new rations. This period can be shortened by proper backgrounding on the part of the feeder-calf supplier: weaning and grouping 45 days prior to shipping and proper vaccination against respiratory disease.

"If the heifers are at low risk of developing respiratory disease when they enter the feedyard, then we can palpate and abort at processing time," Smith says.

If the heifers are still susceptible to respiratory disease, they shouldn't be aborted for at least 21 days after entering the yard so as to manage through the dangers of respiratory disease and shipping fever. "The research has shown us that if a heifer that has been aborted develops pneumonia or respiratory disease, she's got a much greater chance of dying of respiratory disease than a heifer that wasn't aborted," Smith says.

A fact of life

Getting the most for your feeder heifers requires identical steps to getting the most for your steers, K-State's Jones explains. Animals in a load should be uniform, of good overall health and of adequate number. Those goals are no harder to accomplish with heifers than steers.

Although steps can be taken to minimize the difference in prices received for steers and heifers, the K-State economist says it depends largely on feed costs and can't be completely eliminated. "The discount is a fact of life," he says.

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