

Management and Marketing Series

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Contract Raising Heifers

Geoff Benson, Ph.D *Associate Professor and Extension Economist*

Typically, about one-third of the cows in a dairy herd leave every year, creating the need for a steady stream of replacements. Most dairy farmers in the Mid-Atlantic states raise their own replacements and this represents a significant commitment of time and farm resources. Contract heifer raising is growing in popularity and may offer advantages under certain circumstances. However, it must be evaluated carefully from an economic and legal standpoint. There are two basic approaches to contract raising, an option contract and a contract for growing out heifers.

Option contract. Under the option contract the dairy farmer supplies heifer calves to the heifer raiser (grower), usually after weaning or older. The dairy farmer may or may not retain ownership but the value of the calf is established based on market prices. If ownership transfers to the grower, the heifer grower finances the raising costs. If ownership is retained by the dairy farmer it is customary for that farmer to pay the grower an amount sufficient to cover the out-of-pocket costs, say monthly, throughout the raising period. When the heifers are close to calving, the dairy farmer decides whether to take back or buy back the animals. If the dairy farmer buys the heifer(s) he or she pays the agreed price less the total amount already paid to the grower and the original value of the calf. The value of the animal is usually based on the current market price. If the dairy farmer does not wish to buy the heifer(s), the grower is free to sell the

heifers. However, the grower must repay the dairy farmer for any payments made to cover raising expenses and pay the original value of the calf. Under this approach the cost to the dairyman and the net income to the grower will fluctuate depending on heifer prices, which is one reason this type of contract is not popular.

Growing-out contract. A growing out contract is the more common heifer raising arrangement. The dairy farmer retains ownership of the heifers and is obligated to take all of them when they reach the agreed age or stage of pregnancy. Normally, the grower receives monthly payments based either on a daily rate or on weight gain. From the dairy farmers perspective it is preferable to base these payments on changes in weight because this provides an incentive for proper feeding and care. These payments should reflect the growers cost of raising the animals, including compensation for the heifer raiser's time and management. There might be a final settlement in addition to the monthly payments, for example, tied to achieving specific age or body condition targets.

Heifer raising contracts should include several components. These include:

1. The individuals involved in the agreement, that is, the dairy farmer who owns the cattle and the grower who will raise them, should be clearly identified. Addresses, telephone numbers and other contact information should be included.
2. The length of the agreement should be specified, including provisions for renewal and ter-

- mination and the advance notice required for changes. Normally, agreements may be terminated at any time for “just cause”, i.e., a breach of the agreement by either party.
3. The animals covered by the agreement should be clearly identified, for example, by head count and by means of a permanent numbering system such as branding or by a written or photographic description. Also, the owner may wish to obtain a security interest, such as a lien, to protect his or her investment in the cattle.
 4. The agreement should specify who owns the animals. For option contracts with a buy back provision, the agreement should specify how the purchase price is to be determined.
 5. The basis for the payments to the grower must be described together with the frequency and timing of payments. The amount of each payment must be specified and will reflect the specific features of the agreement. Payment rates may vary over the life of the contract, for example, to reflect differences in raising costs for animals of different ages.
 6. The contract should specify the basis for accepting or rejecting any of the animals delivered to the grower, including age, weight and health.
 7. For growing out contracts, major management practices should be described and the person responsible for performing specific tasks and paying specific costs should be identified, including:
 - Growth targets, including height, weight and body condition at specified ages. A schedule for periodic weighing and body condition scoring of the heifers may be included.
 - Housing
 - Nutrition, including ration balancing and provision of pasture, stored forages and supplementary feeds
 - Labor and practices such as a schedule for checking on heifers
 - Routine herd health procedures, including vaccinations, deworming, foot treatments, etc.
 - Procedures for emergency veterinary treatment
 - Time and age or size at breeding, bull or semen selection, and breeding method
 - Other arrangements desired by one or other of the parties
 8. When ownership of the heifers is retained by the producer, Procedures for inspecting the heifers by the producer, for example, during normal working hours with a minimum of one-day advance notice.
 9. For growing out contracts, procedures for deciding on culling poorer quality and infertile animals, the sale of these animals and the ownership of the sale proceeds should be specified.
 10. Some death loss is likely, so the agreement should specify who will absorb the costs associated with these deaths, including the value of the animal and the raising costs previously incurred. Also, specify whether insurance is required and, if so, who will pay the premiums and who will receive the payments from the policy.
 11. The contract should specify when and by whom the heifers will be delivered to the grower and returned to the producer.
 12. To protect each party from unrelated liabilities, the agreement should state that no partnership or joint business venture is created and that compliance with environmental regulations is the responsibility of the grower.
 13. Other provisions should be clearly stated, including dispute settlement procedures. As for all types of business arrangements these contracts should be in writing, should be drawn up by an attorney and should cover all of the animals being raised under contract. Dairy men should consider several factors

before making a decision including the quality of the raised animals, risk, cost, the use and value of freed up resources, and tax consequences.

Quality and risk. Heifers are valuable and they represent the future of the herd. Clearly, it is important to select a contract raiser who has the appropriate skills and experience and who can be trusted. This will ensure losses are kept low and the replacements will meet agreed upon quality standards. References should be sought from current and previous customers of the grower. There is an increased risk of disease because heifers will be raised on another farm and may be co-mingled with other animals. The risk of disease should be discussed with the contract raiser and a veterinarian to develop a mutually agreed plan of action.

Producers interested in contract raising heifers are also advised to conduct financial and environmental “due diligence” investigations of potential growers before signing any contracts. Both the producer and the grower should be careful to abide by all environmental regulations. Proposed changes in animal numbers and management practices may require amendments to existing nutrient management plans or create a need for new ones. Environmental violations may disrupt the arrangement and cause problems for the producer and grower alike. Likewise, both the producer and the grower should evaluate the financial health of the other party. Heifers owned by the grower fall under the control of the bankruptcy court if the grower files for bankruptcy. Heifers owned by the producer but in the possession of the grower may suffer the same fate if ownership cannot be proven. Even if ownership can be proven, time and energy may be expended and significant legal fees incurred in the process of reacquiring the heifers.

Profitability. Any dairy producer who is contemplating contracting out the raising of his or her heifers is advised to develop a budget for current rearing costs. Then, a partial budget should be developed to evaluate the impact of

contract rearing on net income, including related changes such as an increase in the number of mature cows to use the resources that will not be needed by the heifers. A partial budget looks at four possible effects from making a particular change: What income will be added or lost, and what costs will be added or saved. The net effect of these income and cost changes will show if a change will be profitable. Contract heifer raising likely will affect both income and costs. Similarly, the grower should develop a budget as the basis for determining costs, payments and profitability. If the contract rearing arrangement is not beneficial to both parties it will not be sustainable over time.

Costs. Heifer raising is not cheap. The enterprise budget below provides an estimate of the full economic cost of raising a large breed heifer such as a Holstein to calve at 24 months. The 24-month budget is sub-divided into growth stages. The total economic cost of raising the heifer is \$1,468 and includes the initial value of the newborn calf. The average cost per day is \$1.71 and the cost per pound of gain is \$0.99. If the value of the calf is excluded, the cost drops to \$1,212. The rearing cost from birth to weaning is estimated to be \$136 per head in this budget, and from weaning to six-months costs \$207. Raising a heifer from six-months to breeding age adds another \$358 per head and breeding to pre-calving adds \$488 more. These costs include an allowance for death losses.

Additional NCSU dairy heifer enterprise budgets can be found on the following web site. http://www.ag-econ.ncsu.edu/extension/dairy_heifer.htm These budgets cover a variety of feeding systems, growth rates and age at calving. As with all budgets, producers and growers should modify these budgets by including the performance, costs and returns that apply to their farm situation.

The value of the newborn heifer calf is included as a cost in the enterprise budget because the potential sale income is given up when

a calf is kept and raised rather than sold. Feed represents the largest cost and includes milk replacer, grain, minerals, pasture and hay. Non-feed cash costs include health costs, breeding, interest, and death losses. Labor is charged at \$8.50 per hour. Fixed costs include depreciation and interest on investment.

Heifer raising programs vary from farm to farm. Depending on the birth month and the desired month of calving, the target age at calving may be 22 to 27 months. This, coupled with the feed and facility resources available, will affect costs and animal performance. Death losses, health programs, etc. will also vary from farm to farm. Therefore, each dairy farmer should estimate the rearing costs for his or her particular farm. If a producer normally purchases some replacements to supplement those raised on the farm, this cost should be factored into the total cost of providing replacements. Conversely, if the farm produces surplus heifers for sale, the net profit or loss on these sales should also be figured into the financial impact of changing to contract heifer raising.

Not all of the rearing costs listed in the enterprise budget would be saved under contract heifer rearing and so the partial budget prepared by the producer would include selected items only. The value of the newborn calf is included as a cost in the enterprise budget, but it would not enter into a partial budget because this cost is incurred whether the heifer is raised on the dairy farm or by a grower. Most growers take animals that have been weaned (or older), so costs incurred before the move, remain the responsibility of the dairy farmer, including death losses.

A large part of the dairy farmer's operating costs would be saved if heifers were to be raised under contract. However, the payments to the grower would be an added cost. The grower must be able to raise heifers more cheaply if there is to be a net saving in operating expenses. It is unlikely that contact raising will reduce the dairy farmers out-of-pocket costs dramatically

and they may increase.

Depreciation charges reflect the annual cost of specialized heifer facilities such as housing and feed bunks. If these facilities already exist, then there are no savings to the dairy farmer. However, if new investment in heifer raising facilities would be necessary for the dairy farmer to continue to raise his own heifers, this cost could be avoided under contract raising.

The grower will expect to be compensated for his labor and this labor charge may be larger or smaller than the dairy farmers labor savings. A producers labor cost may not be reduced under contract rearing. If family members raise the heifers, but are not paid a wage, there would be no cost savings. When labor for heifer raising is only part of the responsibilities of a hired worker, it may not be feasible to reduce the weekly wage, even if the amount of work is reduced. If the labor freed up from heifer raising is "let go" there will be cost savings. However, if this labor is kept and is put to productive use there may be income benefits to offset the cost.

Income. A producer may increase farm income in one of two ways. If the grower does a better job of raising heifers, death losses may be reduced and a larger number of replacement animals may be available. It may be possible to cull more heavily to raise herd profitability or more income may be generated through the sale of surplus heifers. Heifer quality may be better, resulting in higher milk production. Second, and more important, the land and labor made available if heifers are raised under contract may be put to a profitable use. For example, it may be possible to increase the number of cows or grow more feed for the cows. These changes should be incorporated into the partial budget.

Tax consequences. Changing to contract raising may affect the nature and timing of the income and expense flows of the business, leading to changes in taxable income. When heifers are raised at home, the expenses are normally deducted as they are incurred and

reported on Schedule F. The resulting heifers have a zero tax basis and when they are resold all of the proceeds is treated as a capital gain (and reported on Form 4797). Under contract raising, payments to the grower would be deductible as ordinary expenses. These expenses may be larger or smaller than the cost of rearing heifers at home. These heifers would also have a zero tax basis, comparable to the home rearing case.

Under the sale and buy back option, there would be no operating expenses to deduct and the heifers would be treated as capital purchases, so depreciation allowances could be claimed. When the heifers are sold there may be some recapture of previously claimed depreciation allowances and the sale may create a capital gain or loss, depending on the difference between the tax basis and the proceeds of the sale.

Tax liability depends on many factors and if the expected changes are likely to be significant, it may be prudent to seek the advice of an experienced tax advisor.

Summary. Contract heifer raising is not likely to be significantly less expensive, and may be more costly, than raising heifers at home. However, if death losses are lower, quality is better, or the labor and other resources released from heifer raising can be profitably employed in some other activities then both the dairy farmer and the grower can reap financial benefits. These benefits can be determined only if the dairy farmer knows his rearing costs and develops a partial budget to estimate the impact of the changes on costs and income. Similarly, the grower should estimate his or her costs to estimate the profitability of the arrangement.

As with any business contract, a heifer-raising contract should be in writing and should be developed with the assistance of an attorney with appropriate experience in these matters. Potential income tax consequences should be discussed with an experienced tax advisor.

DAIRY HEIFERS

Budget 10-6
November-01

Estimated annual revenue, operating expenses, ownership expenses and returns to land, overhead and management for rearing large breed dairy heifers to calve at 24 mo. at 1350 lb, using pasture and hay.

ITEM	UNITS	PRICE	QUANTITY	VALUE	YOUR VALUE
		\$		\$	\$
GROSS REVENUE:					
1. Springing heifers		1,400	49.7	69,557	_____
2. Cull heifers			2.6	1,111	_____
3. Total revenue				70,668	_____
OPERATING EXPENSES:					
4. Day old calves	Head	200	58	11,600	_____
5. Milk replacer	lb.	0.90	2,801	2,521	_____
6. Concentrates	Tons	148.43	71.6	10,625	_____
7. Byproducts fed	Tons	0.00	0.0	0	_____
8. Hay	Tons, as fed	70.00	131.4	9,198	_____
9. Corn silage	Tons, as fed	0.00	0.0	0	_____
10. Pasture	Tons, as fed	10.00	632.8	6,328	_____
11. Bedding		5.00	93	464	_____
12. Vet and medication				1,094	_____
13. Breeding	Head	35.00	49.7	1,739	_____
14. Utilities, fuel and oil				2,364	_____
15. Supplies and Misc.				893	_____
16. Repairs				1,728	_____
17. Death loss and culling				3,313	_____
18. Interest on operating capital				5,258	_____
19. Total operating expense				57,127	_____
20. Returns over operating expenses				13,541	_____
OWNERSHIP EXPENSES:					
21. Specialized cattle facilities machinery and equipment				6,988	_____
22. Returns to land, overhead, labor and management				6,553	_____
23. Labor for livestock	Hours	8.50	1,170.4	9,948	_____
24. Returns to land, overhead and management				-3,395	_____
25. Total cost per head, including initial calf value				\$1,468	_____
26. Cost per head excluding initial value of calf				\$1,212	_____
27. Cost per pound of gain				\$0.99	_____
28. Cost per head per day				\$1.71	_____

This budget assumes that heifers are transferred to a transition feeding group 3 weeks before calving. These costs are not included in the budget.

Prepared by

G.A. Benson, Extension Economist, NCSU; Telephone: (919) 515-5184

B.A. Hopkins, Extension Dairy Specialist, NCSU; Telephone (919) 515-7592

DAIRY HEIFERS

Budget 10-6
November-01

Estimated annual revenue, operating expenses, ownership expenses and returns to land, overhead and management for rearing large breed dairy heifers to calve at 24 mo. at 1350 lb, using pasture and hay.

TABLE 5A: Initial investment in specialized buildings and equipment, and annual ownership costs for rearing dairy heifers

ITEM	HEIFER SHARE	LIFE YEARS	INITIAL COST \$	SALVAGE VALUE \$	DEPREC- IATION \$	INTEREST \$	INSUR- ANCE \$	PROP. TAXES \$	TOTAL \$
Rate Charged, percent	%	YEARS	\$	\$	\$	\$	\$	\$	\$
						9.00%	1.00%	0.60%	
1. Calf housing	100%	10	3,750	0	375	169	19	11	574
2. Cattle housing & feed bunk	100%	15	15,000	0	1,000	675	75	45	1,795
3. Fence-line feed bunk with concrete pad	0%	0	0	0	0	0	0	0	0
4. Fencing	100%	15	4,000	0	267	180	20	12	479
5. Water supply	100%	15	5,300	0	353	239	27	16	634
6. Horizontal silo	100%	15	2,000	0	133	90	10	6	239
7. Hay storage	0%	15	17,500	0	0	0	0	0	0
8. Corral	100%	20	10,000	0	500	450	50	30	1,030
9. Pickup truck	100%	15	2,250	0	150	101	11	7	269
10. Tractor	55%	8	16,000	4,034	823	496	55	33	1,407
11. Large round bale handler	20%	20	17,900	6,151	117	216	24	14	372
12. Silage wagon	30%	10	1,500	0	45	20	2	1	69
13. Nutrient management	0%	12	10,400	825	0	0	0	0	0
14. Other	100%	15	1,000	0	67	45	5	3	120
14. Other	0%	1	0	0	0	0	0	0	0
Total			106,600	11,010	3,830	2,681	298	179	6,988

SENSITIVITY ANALYSIS

This table shows the returns to land, overhead and management (a measure of profit) under various assumptions about costs and returns. Specifically, the cost and returns shown in the enterprise budget are believed to be fairly representative of conditions in North Carolina. However, there is a wide variation in heifer raising systems and in farm performance among farms. Also, costs and the value of heifers change from year to year. The table shows the effects of returns that are 10 percent higher and lower than for the basic budget. Similarly, the table also shows the effects of total costs that are 10 percent higher and lower.

RETURNS TO LAND, OVERHEAD AND MANAGEMENT:

		REVENUE		
		10% Lower	Base Budget	10% Higher
-10%		-\$3,055	\$4,012	\$11,078
EXPENSE	Base	-\$10,461	-\$3,395	\$3,672
+ 10%		-\$17,868	-\$10,801	-\$3,734

DAIRY HEIFERS

Budget 10-6
November-01

Stage 1. Estimated annual revenue, operating expenses, ownership expenses and returns to land, overhead and management for rearing large breed dairy heifers to calve at 24 mo. at 1350 lb, using pasture and hay.
Birth to weaning

ITEM	UNITS	PRICE	QUANTITY	VALUE	YOUR VALUE	
		\$		\$	\$	
GROSS REVENUE:						
1. Weaned heifer calves	Head		300	53.4	16,008	_____
2. Cull heifers	Head		0	0.0	0	_____
3. Total revenue					16,008	_____
OPERATING EXPENSES:						
4. Day old calves	Head	200	58.0	11,600	_____	
5. Milk replacer	lb.	0.90	2801.4	2,521	_____	
6. Calf starter feed	lb.	0.11	2334.5	257	_____	
7. Concentrate feed	lb.	0.00	0.0	0	_____	
8. Hay	Tons, as fed	0.00	0.0	0	_____	
9. Pasture	Tons, as fed	0.00	0.0	0	_____	
10. Other feed		0.00	0.0	0	_____	
11. Bedding	Cwt.	5.00	40.0	200	_____	
12. Vet and medication	Head	6.00	53.4	320	_____	
13. Misc.	Head	2.00	53.4	107	_____	
14. Utilities, fuel and oil	Head	5.00	53.4	267	_____	
15. Supplies	Head	5.00	53.4	267	_____	
16. Repairs				75	_____	
17. Death loss and culling				928	_____	
18. Interest on operating capital				141	_____	
19. Total operating expense				16,683	_____	
20. Returns over operating expenses				-675	_____	
OWNERSHIP EXPENSES:						
21. Specialized cattle facilities machinery and equipment				574	_____	
22. Returns to land, overhead, labor and management				-1,248	_____	
23. Labor for livestock	Hours	8.50	186.8	1,587	_____	
24. Returns to land, overhead and management				-2,836	_____	
25. Total cost per head, this stage, including initial heifer value				\$353	_____	
26. Cost per head excluding initial value of heifer				\$136	_____	
27. Cost per pound of gain for this stage				\$2.26	_____	
28. Cost per head per day for this stage				\$3.23	_____	
Average daily gain, lb/head/day =		1.43				

Prepared by

G.A. Benson, Extension Economist, NCSU; Telephone: (919) 515-5184

B.A. Hopkins, Extension Dairy Specialist, NCSU; Telephone (919) 515-7592

DAIRY HEIFERS

Budget 10-6
November-01

Stage 2. Estimated annual revenue, operating expenses, ownership expenses and returns to land, overhead and management for rearing large breed dairy heifers to calve at 24 mo. at 1350 lb, using pasture and hay. Weaning to 6 months

ITEM	UNITS	PRICE	QUANTITY	VALUE	YOUR VALUE
		\$		\$	\$
GROSS REVENUE:					
1. Heifer calves	Head	500	52.8	26,413	_____
2. Cull heifers	Head	0	0.0	0	_____
3. Total revenue				26,413	_____
OPERATING EXPENSES:					
4. Weaned calves	Head	300	53.4	16,008	_____
5. Calf starter feed	lb.	0.11	3,081.5	339	_____
6. Grower concentrate	Tons	151.00	5.9	890	_____
7. Other concentrate feed	Tons	145.00	11.3	1,642	_____
8. Hay	Tons, as fed	70.00	6.8	477	_____
9. Other Hay	Tons, as fed	0.00	0.0	0	_____
10. Corn silage	Tons, as fed	0.00	0.0	0	_____
11. Pasture	Tons, as fed	10.00	58.0	580	_____
11. Bedding	cwt.	5.00	52.8	264	_____
13. Vet and medication	Head	5.00	52.8	264	_____
14. Misc	Head	2.00	52.8	106	_____
15. Utilities, fuel and oil	Head	5.00	52.8	264	_____
16. Supplies	Head	2.00	52.8	106	_____
17. Repairs				446	_____
18. Death loss and culling				160	_____
19. Interest on operating capital				645	_____
20. Total operating expense				22,190	_____
21. Returns over operating expenses				4,223	_____
OWNERSHIP EXPENSES:					
22. Specialized cattle facilities machinery and equipment				2,159	_____
23. Returns to land, overhead, labor and management				2,064	_____
				0	_____
24. Labor for livestock	Hours	8.50	308.2	2,619	_____
25. Returns to land, overhead and management				-555	_____
25. Total cost per head, this stage, including initial heifer value				\$511	_____
26. Cost per head excluding initial value of heifer				\$207	_____
27. Cost per pound of gain for this stage				\$0.83	_____
28. Cost per head per day for this stage				\$1.48	_____
Average daily gain, lb/head/day =			1.79		

Prepared by

G.A. Benson, Extension Economist, NCSU; Telephone: (919) 515-5184

B.A. Hopkins, Extension Dairy Specialist, NCSU; Telephone (919) 515-7592

DAIRY HEIFERS

Budget 10-6
November-01

Stage 3. Estimated annual revenue, operating expenses, ownership expenses and returns to land, overhead and management for rearing large breed dairy heifers to calve at 24 mo. at 1350 lb, using pasture and hay. Six months to pre-breeding age

ITEM	UNITS	PRICE	QUANTITY	VALUE	YOUR VALUE
		\$		\$	\$
GROSS REVENUE:					
1. Open heifers	Head	750	52.3	39,224	_____
2. Cull heifers	Head	0	0.0	0	_____
3. Total revenue				39,224	_____
OPERATING EXPENSES:					
4. Growing heifers	Head	500	52.8	26,413	_____
5. Concentrate mix	Tons	135.00	16.6	2,236	_____
6. Other concentrates	Tons	151.00	17.1	2,579	_____
7. Byproducts fed	Tons	0.00	0.0	0	_____
8. Hay	Tons, as fed	70.00	36.3	2,540	_____
9. Other Hay	Tons, as fed	0.00	0.0	0	_____
10. Corn silage	Tons, as fed	0.00	0.0	0	_____
11. Pasture	Tons, as fed	10.00	192.5	1,925	_____
11. Bedding	cwt.	0.00	0.0	0	_____
13. Vet and medication	Head	5.00	52.3	261	_____
14. Misc	Head	2.00	52.3	105	_____
15. Utilities, fuel and oil	Head	17.00	52.3	889	_____
16. Supplies	Head	2.00	52.3	105	_____
17. Repairs				554	_____
18. Death loss and culling				264	_____
19. Interest on operating capital				2,131	_____
20. Total operating expense				40,002	_____
21. Returns over operating expenses				-778	_____
OWNERSHIP EXPENSES:					
22. Specialized cattle facilities machinery and equipment				1,882	_____
23. Returns to land, overhead, labor and management				-2,660	_____
24. Labor for livestock	Hours	8.50	353.0	3,001	_____
25. Returns to land, overhead and management				-5,660	_____
25. Total cost per head, this stage, including initial heifer value				\$858	_____
26. Cost per head excluding initial value of heifer				\$353	_____
27. Cost per pound of gain for this stage				\$0.78	_____
28. Cost per head per day for this stage				\$1.31	_____
Average daily gain, lb/head/day =			1.67		

Prepared by

G.A. Benson, Extension Economist, NCSU; Telephone: (919) 515-5184

B.A. Hopkins, Extension Dairy Specialist, NCSU; Telephone (919) 515-7592

DAIRY HEIFERS

Budget 10-6
November-01

Stage 4. Estimated annual revenue, operating expenses, ownership expenses and returns to land, overhead and management for rearing large breed dairy heifers to calve at 24 mo. at 1350 lb, using pasture and hay.
Breeding to pre-calving

ITEM	UNITS	PRICE	QUANTITY	VALUE	YOUR VALUE
		\$		\$	\$
GROSS REVENUE:					
1. Springing heifers	Head	1400	49.7	69,557	_____
2. Cull heifers	Head	425	2.6	1,111	_____
3. Total revenue				70,668	_____
OPERATING EXPENSES:					
4. Open heifers	Head	750	52.3	39,224	_____
5. Concentrate mix	Tons	134.00	8.4	1,129	_____
6. Other concentrates	Tons	162.00	9.6	1,554	_____
7. Byproducts fed	Tons	0.00	0.0	0	_____
8. Hay	Tons, as fed	70.00	88.3	6,182	_____
9. Other Hay	Tons, as fed	0.00	0.0	0	_____
10. Corn silage	Tons, as fed	0.00	0.0	0	_____
11. Pasture	Tons, as fed	10.00	382.4	3,824	_____
11. Bedding	cwt.	0.00	0.0	0	_____
13. Vet and medication	Head	5.00	49.7	248	_____
14. Breeding	Head	35.00	49.7	1,739	_____
15. Utilities, fuel and oil	Head	19.00	49.7	944	_____
16. Supplies & misc.	Head	2.00	49.7	99	_____
17. Repairs				653	_____
18. Death loss and culling				1,961	_____
19. Interest on operating capital				3,004	_____
20. Total operating expense				60,561	_____
21. Returns over operating expenses				10,107	_____
OWNERSHIP EXPENSES:					
22. Specialized cattle facilities machinery and equipment				2,373	_____
23. Returns to land, overhead, labor and management				7,734	_____
24. Labor for livestock	Hours	8.50	322.4	2,741	_____
25. Returns to land, overhead and management				4,993	_____
25. Total cost per head, this stage, including initial heifer value				\$1,299	_____
26. Cost per head excluding initial value of heifer				\$488	_____
27. Cost per pound of gain for this stage				\$1.06	_____
28. Cost per head per day for this stage				\$1.90	_____

Average daily gain, lb/head/day = 1.80

This budget assumes that heifers are transferred to a transition feeding group 3 weeks before calving. These costs are not included in the budget.

Prepared by

G.A. Benson, Extension Economist, NCSU; Telephone: (919) 515-5184

B.A. Hopkins, Extension Dairy Specialist, NCSU; Telephone (919) 515-7592