

Why Do They Discount My Heifers So Much?

T.A. Thrift and J. Savell
University of Florida

 **3 Habits**
"ONE OF THESE MUST BE YOURS"



The storefront is densely packed with neon signs and advertisements. On the far left, a blue neon sign reads "Modelo especial" next to a bottle-shaped sign. Below it is a green neon sign with a circular logo. In the center-left, a red and white "BECK'S" sign is visible, along with a "Notary" sign in green neon and a "FAX SERVICE" sign in green neon. The central double doors have a "215" address sign above the left door and a "49" address sign above the right door. Above the doors is a black sign with a yellow smiley face and the word "open". To the right of the doors, a "WESTERN UNION" sign is prominent. Further right, a sign for "ON TAP DO'S EQUUS XX IMPORTED BEER" is visible, along with a blue "ATM Network" sign. On the far right, a blue neon sign for "Miller HIGH LIFE Slight" is positioned above a green "LOTTERY TENNESSEE" sign. A "WELCOME TO 3 HABITS" sign is posted on the lower part of the double doors, featuring a large "99¢" price tag. A wheelchair accessibility sign is located on the left wall.

Heifers have traditionally
been

\$10/cwt back on calves

\$6/cwt back on yearlings

"I expect the overall discount of heifers to steers of the same weight to be smaller on average for the next couple of years if herd expansion is indeed underway"

Derrell Peel OSU November 2013

Today heifers are
\$20/cwt back!

What Happened?
Is It That Way
Everywhere?

Price Discounts for Heifers (550 wt basis, \$/cwt)

<u>State</u>	<u>hd</u>	<u>Steers</u>	<u>Heifers</u>	<u>Diff</u>
Montana	1652	219	200	19
Missouri	10870	216	190	26
Texas	1498	214	184	30
Georgia	-	194	174	20

March 2014 USDA Livestock & Grain Market News
Crystal Richburg - personal communication



The
discounts
do depend
on how you
market your
heifers

Are more people holding back the "GOOD" heifers to breed and sell as bred heifers or young cows?

So potentially fewer good ones to support the price?

Are more people
"CASHING IN" on
\$1000 heifers?

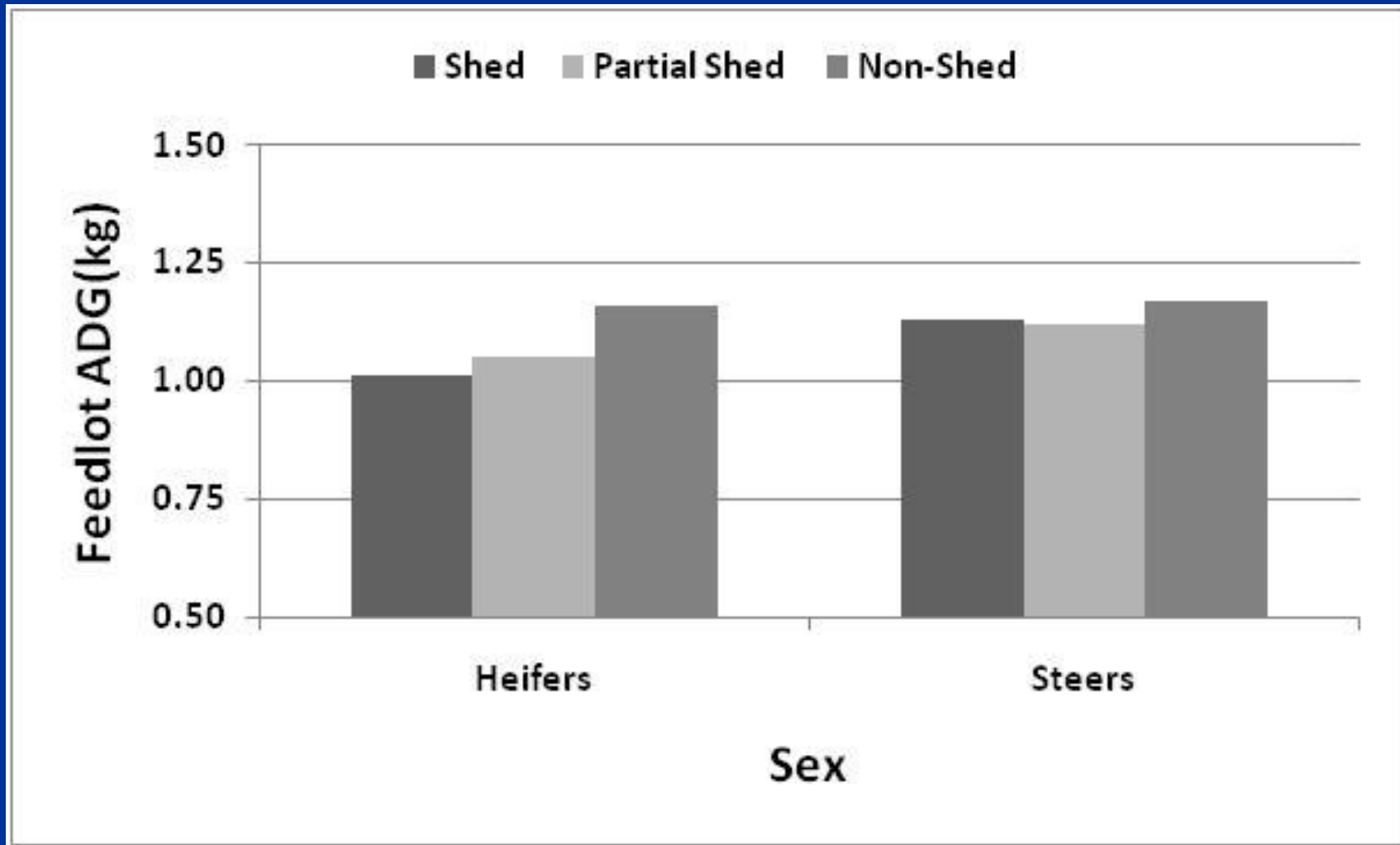
Which Heifers Are You Sending to Town?

Angus sired heifers that you have kept the top 50%
Brangus sired heifers that you have kept the top 75%
Brahman sired heifers that you have kept the top 90%

OR

Charolais, Limousin or Simmental terminal sire heifers

Effect of "Keeping Heifers" on ADG



What Are the "REAL"
Performance
Differences Between
Steers and Heifers?

Performance Differences Between Steers and Heifers

Heifers eat the same amount at similar body weight
-medium frame heifers eat 10% less (fat effect)

Heifers start on feed lighter (75-100 lbs)

Steers gain faster (.3-.5 lbs/d)
-.3x150 days dof=45 lb diff in gain

Steers finish at a higher weight (75-150 lbs)
-most of it retained in carcass
-162 lb live diff
-130 lb carcass diff (*may 2014*)

Additional Performance Differences and Similarities Between Steers and Heifers

Dressing percentage is similar

Live price is similar

Dressed price is similar

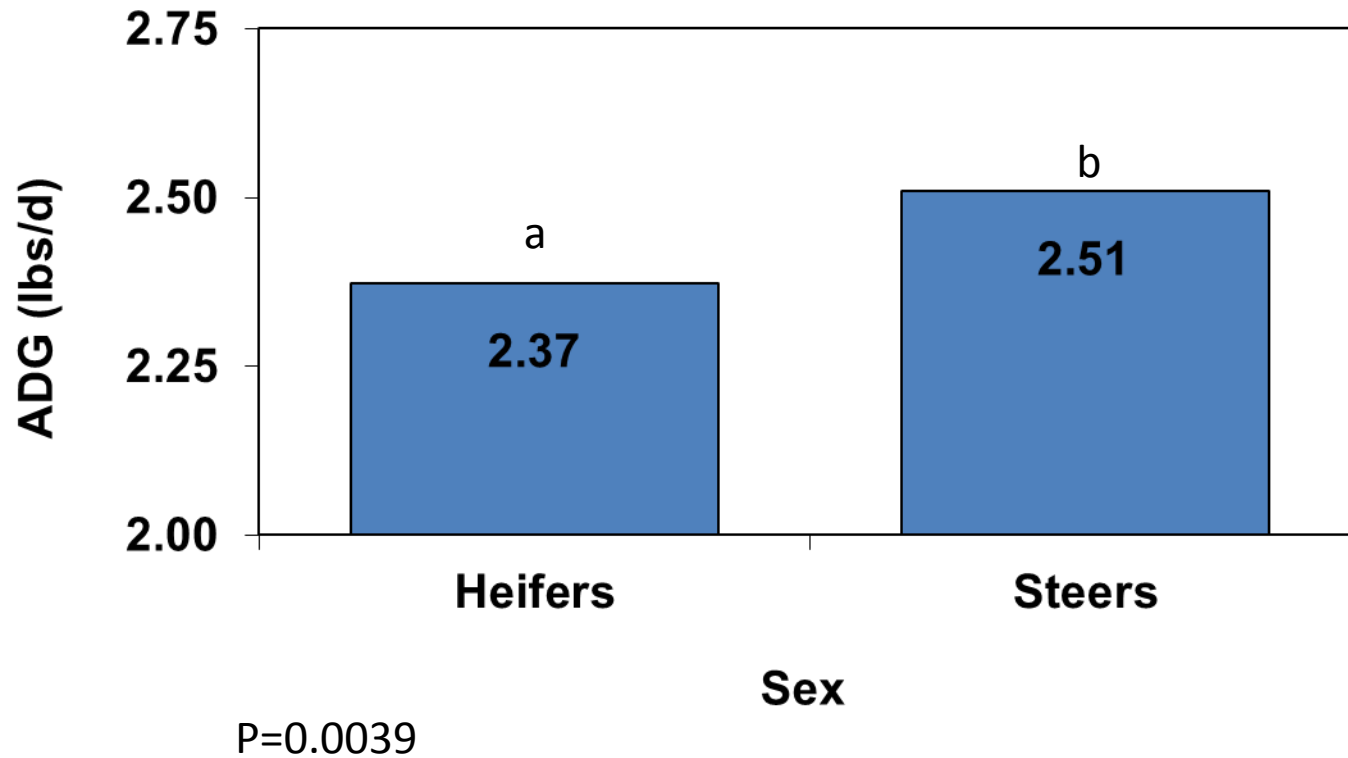
Steers have the ability to be "overfed" and not be discounted

Steers are often implanted more aggressively

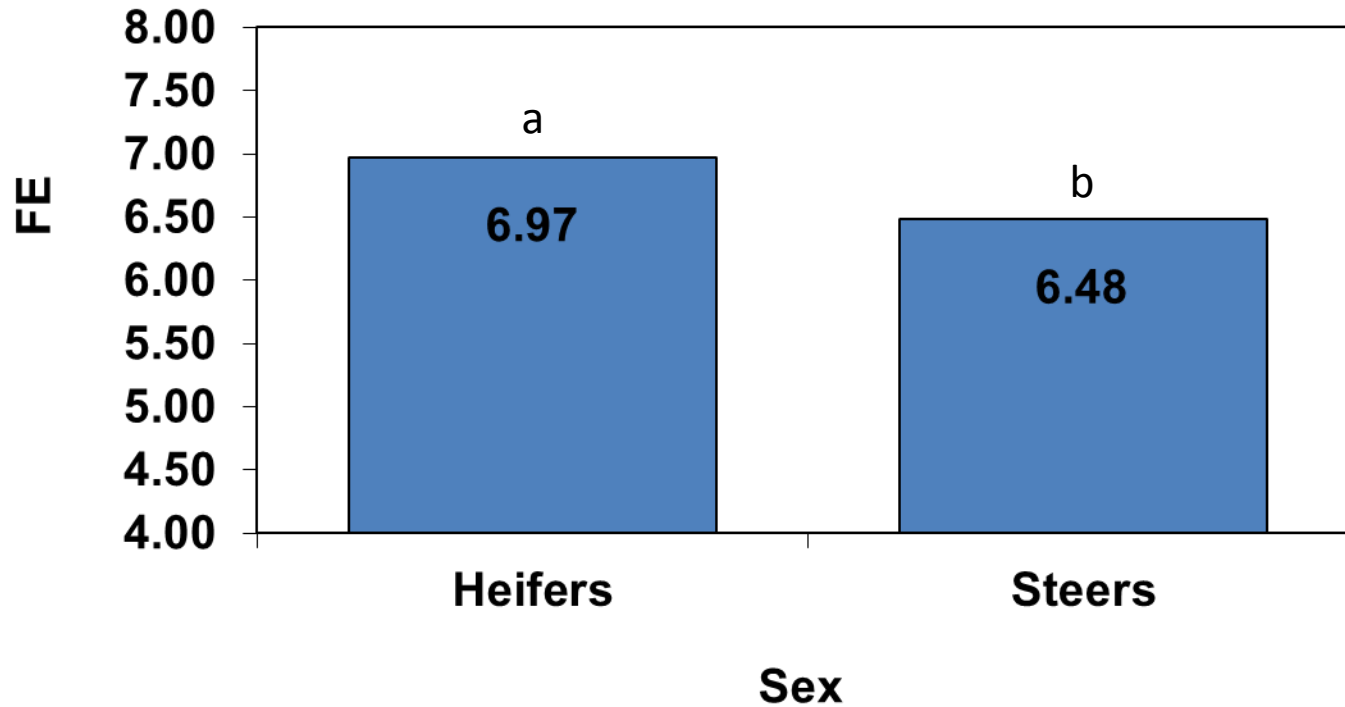
Heifers can be pregnant

Heifers must be fed MGA or reduction in ADG will occur

Steer vs Heifer Feedlot Average Daily Gain



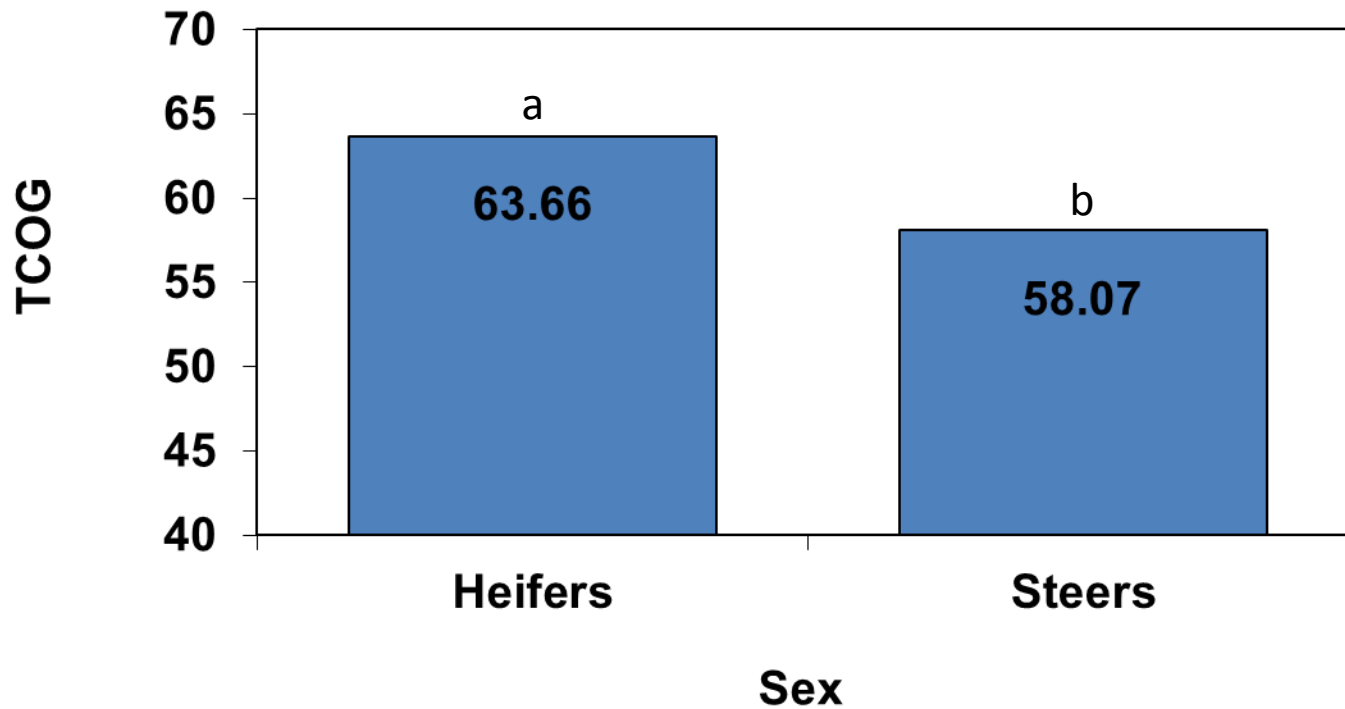
Steer vs Heifer Feedlot Feed Efficiency



P=0.0259

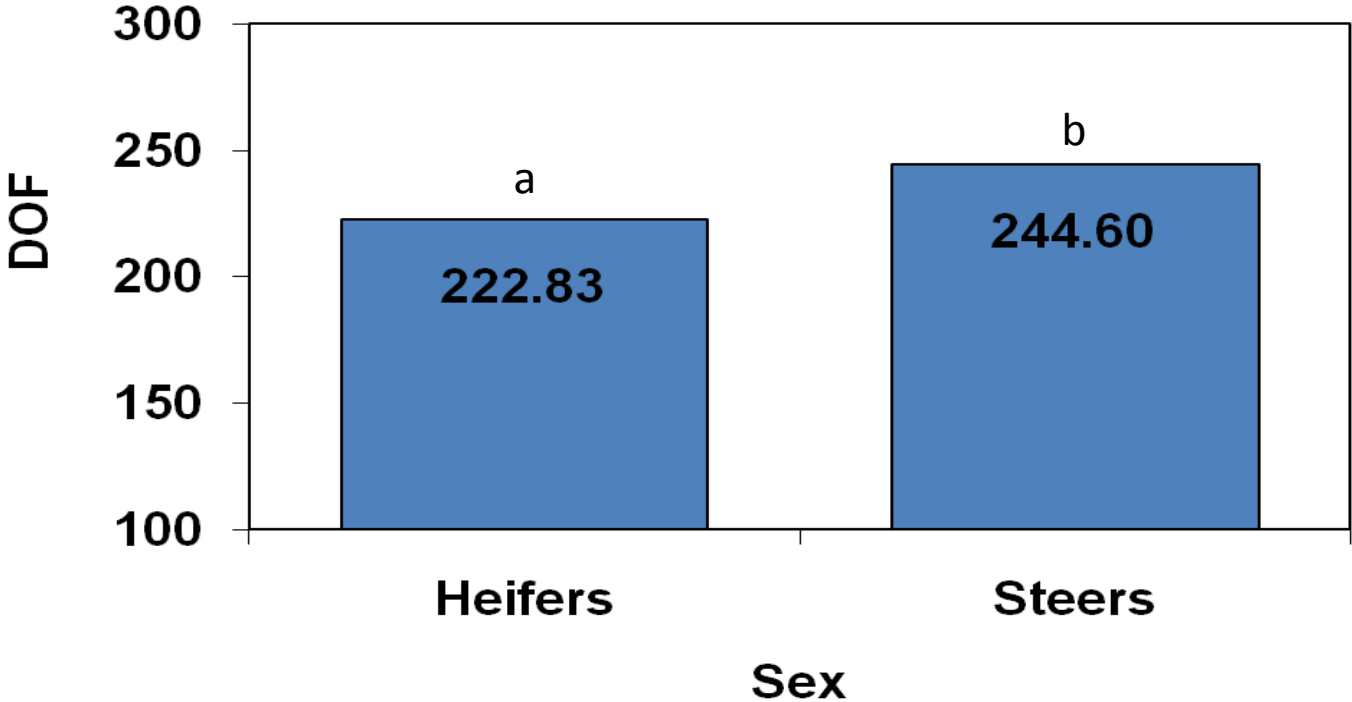
Steer vs Heifer

Feedlot Total Cost of Gain



P<.0001

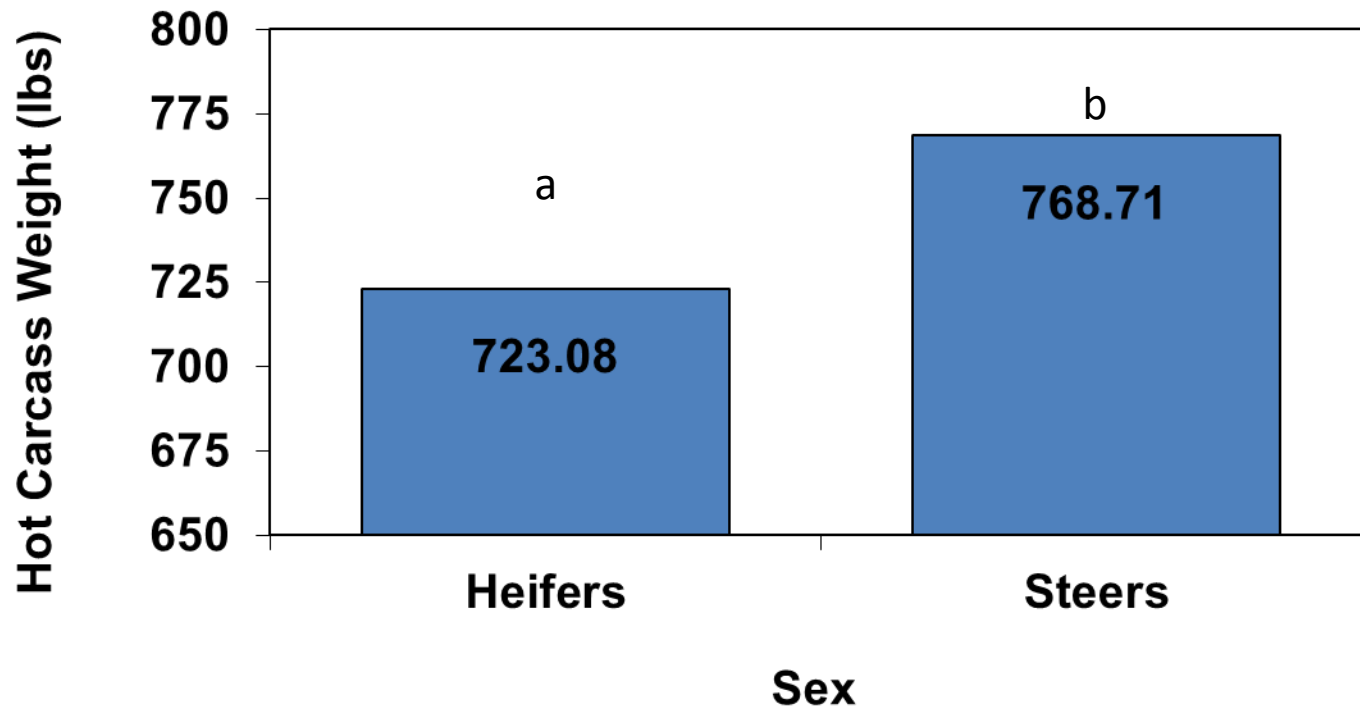
Steer vs Heifer Feedlot Days On Feed



P<0.0001

Steer vs Heifer

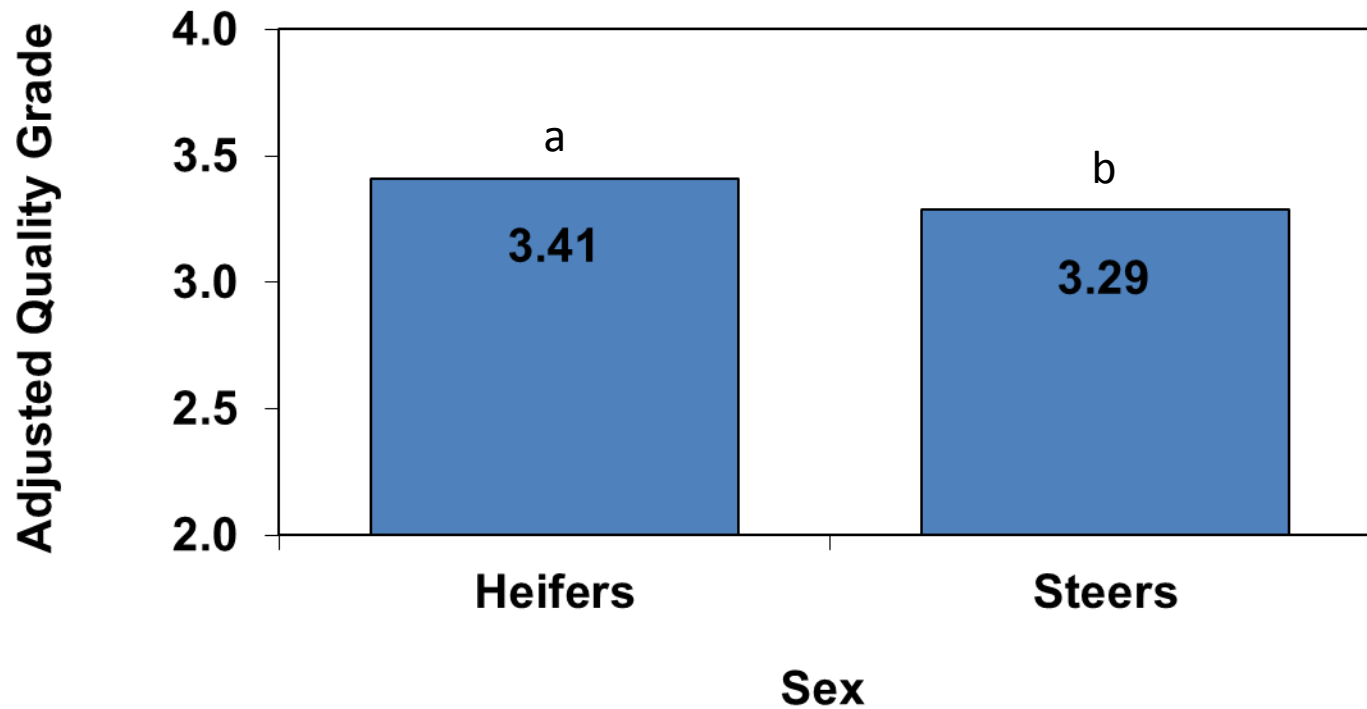
Hot Carcass Weight



a,b means differ $P < 0.05$

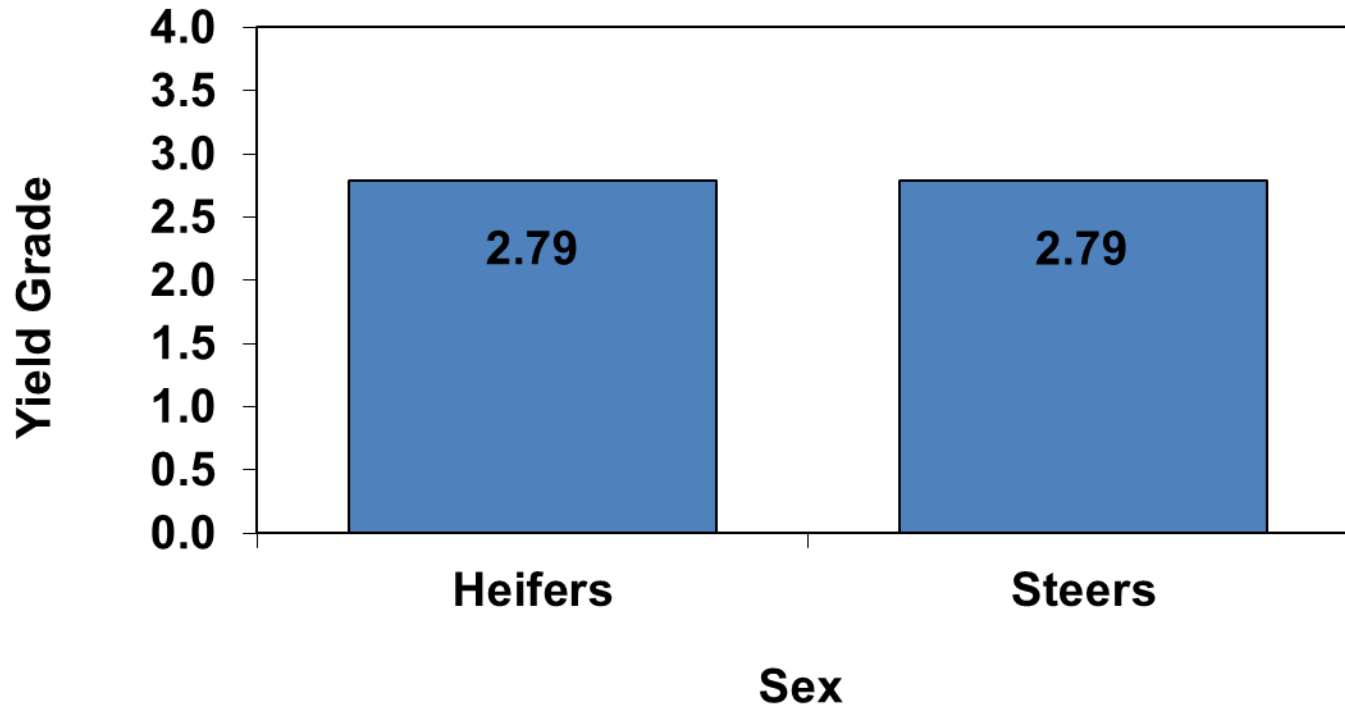
Savell 2008

Steer vs Heifer Adjusted Quality Grade



a,b means differ $P < 0.05$

Steer vs Heifer Yield Grade

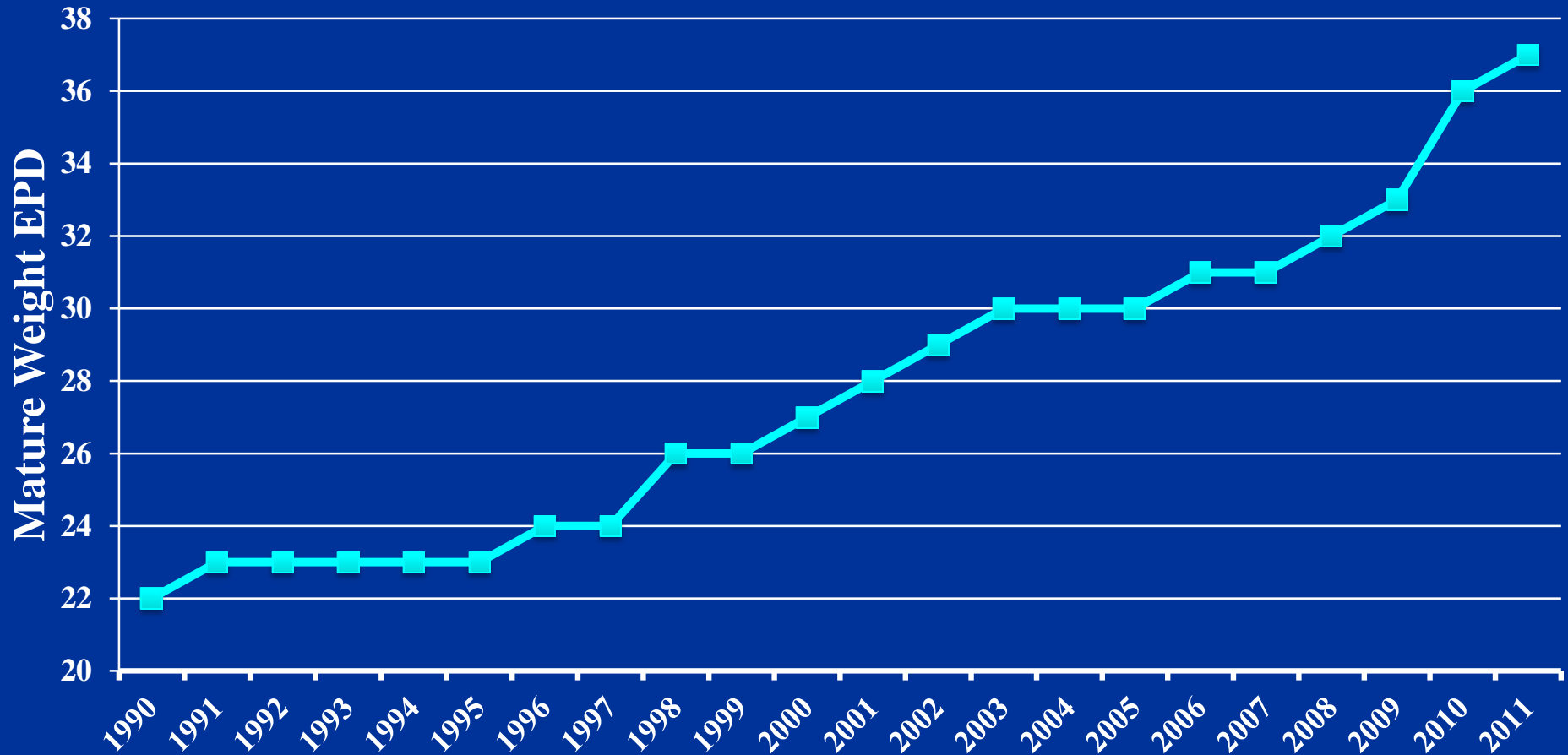


P=0.9390

Have we turned all
the heifers to British
type that fatten
earlier?

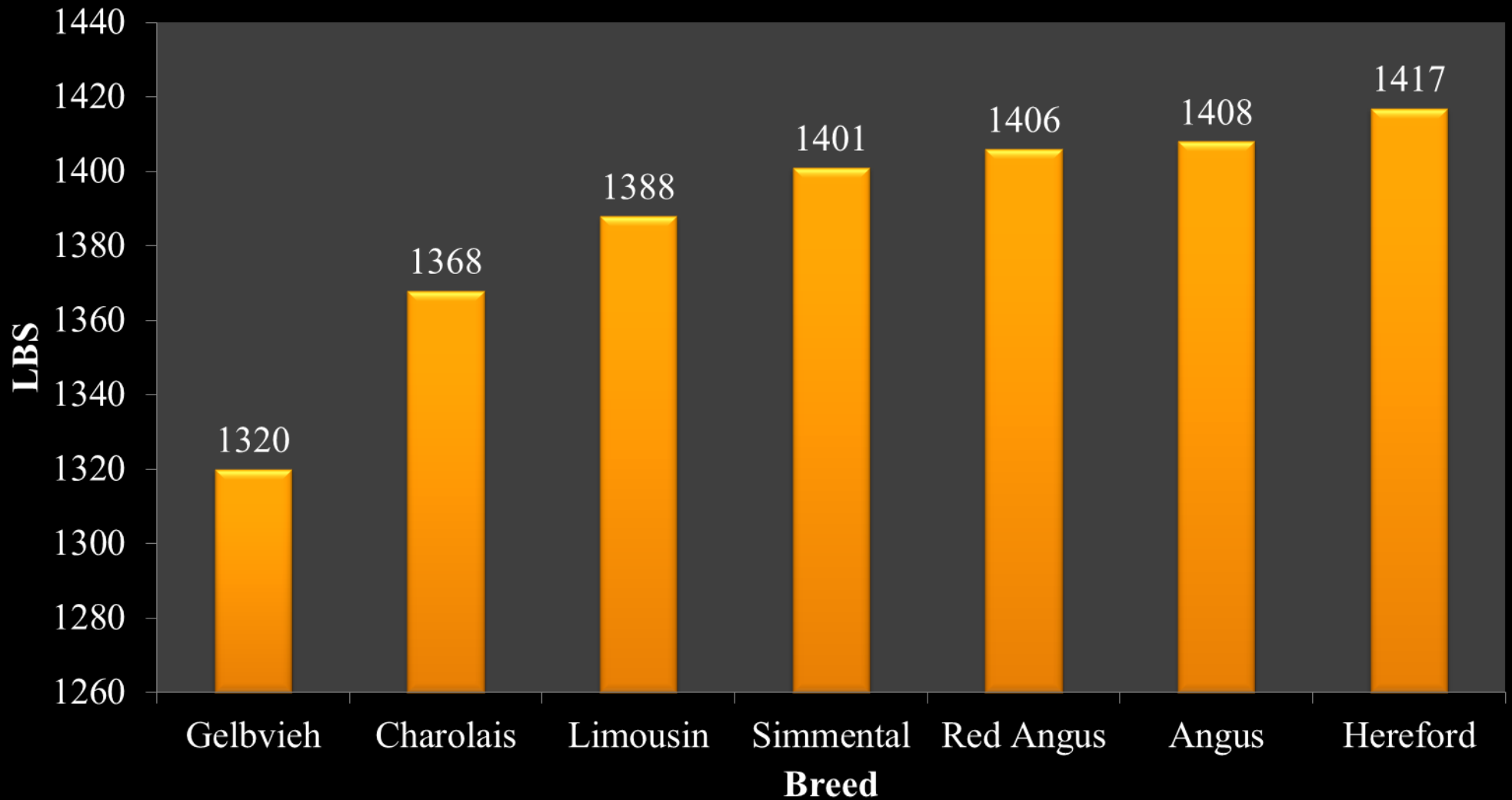


Genetic Trend For Mature Weight Angus



Genetic trend for mature height has been flat since 1987

How big are they now?



Real World Performance Differences Between Steers and Heifers (632,206 hd)

	Steers	Heifers	Diff
DOF	163	163	0
Start wt, lb	796	708	88
Final wt, lb	1345	1197	148
Carcass wt, lb	875	763	112
Feed intake, lb/d	20.7	19.0	1.7
ADG, lb/d	3.42	3.04	.38
Feed Efficiency	6.05	6.25	.20

Galyean et al., 2010

Real World Price Differences Between Steers and Heifers (632,206 hd)

	Steers	Heifers	Diff
Start wt, lb	796	708	88
Feeder price, \$/cwt	180	173	7
In value, \$/hd	1433	1225	208
Final wt, lb	1345	1197	148
Fat price, \$/cwt	140	140	0
Shrunk wt, lb	1291	1149	142
End value, \$/hd	1808	1609	199

Adapted from Galyean et al., 2010 and OKC west market report May 8, 2014

Based on These Estimates What Should the Heifer Discount Be?

- 0.38 lb/d lower ADG
- 1.7 lb/d lower feed intake
- 4\$/cwt higher total cost of gain
- lighter finished weight

1 To find a woman you need Time and Money therefore:

$$\text{Woman} = \text{Time} \times \text{Money}$$

2 "Time is money" so

$$\text{Time} = \text{Money}$$

3 Therefore

$$\text{Woman} = \text{Money} \times \text{Money}$$

$$\text{Woman} = (\text{Money})^2$$

4 "Money is the root of all problems"

$$\text{Money} = \sqrt{\text{Problems}}$$

5 Therefore

$$\text{Woman} = (\sqrt{\text{Problems}})^2$$

$$\text{Woman} = \text{Problems}$$

(A+)

What Should the Heifer Discount Be?

\$6.80/cwt is warranted for 750 wt
\$8.50/cwt is warranted for 650 wt
\$10.75/cwt is warranted for 550 wt

It appears that ALL weight classes are currently over discounted!

Are They Paying Too Much for the Steers?

Current OKC west price for 800 lb feeder steer
= \$180/cwt

Calculated breakeven feeder steer price
= \$150/cwt

Calculated breakeven finished steer price
= \$158/cwt

Heifers Have Other Options?

Stockered for 6 months

Bred for 45 days

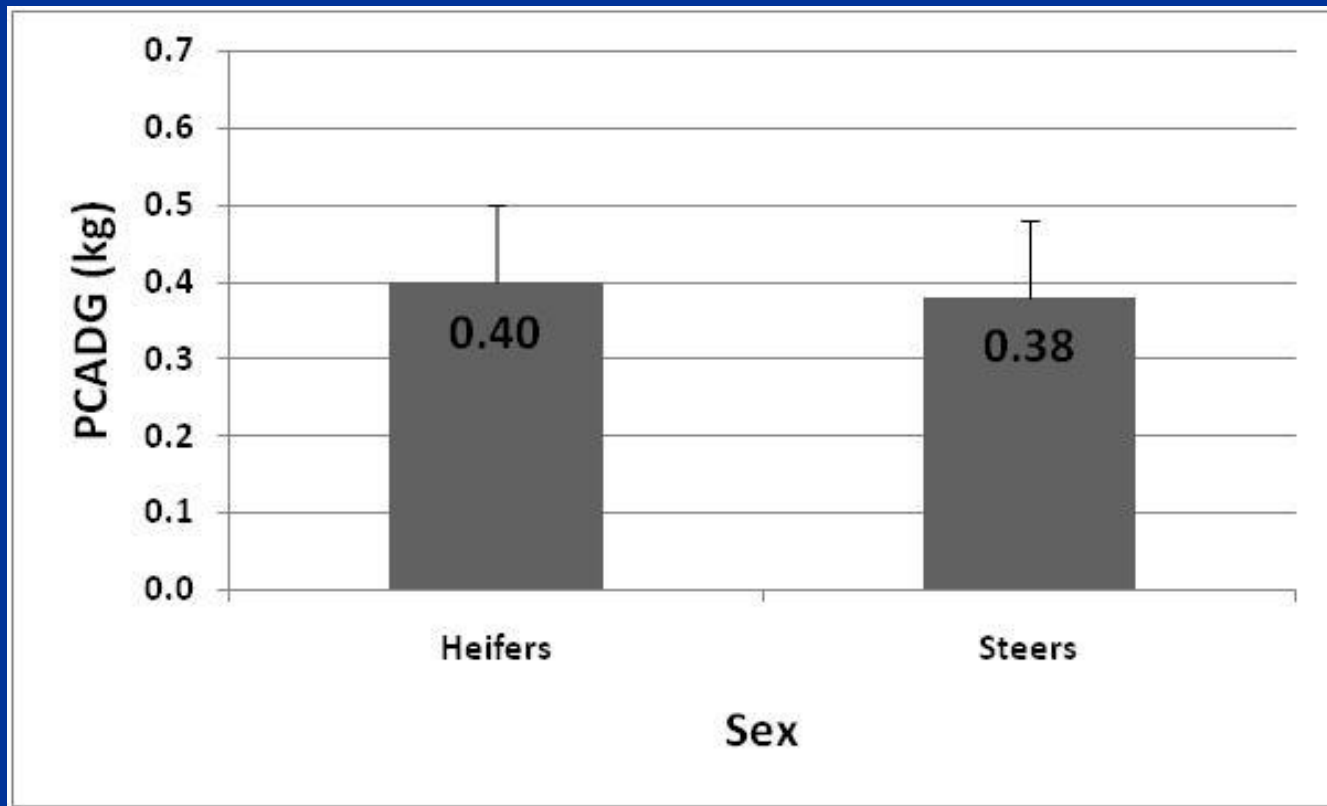
1/3 pregnant

Sold as bred heifers

- for the same price as a fat heifer (OR MORE)

- without the feeding expense!

Steers and heifers on pasture during preconditioning



Final Thoughts on Heifers

Good Keeping Type Heifers should be at the same price as steers OR MORE

It appears herd rebuilding is in motion as heifer placements are 6% lower than 2013 (USDA April 25th 2014)

Why do they discount my
heifers?.....BECAUSE THEY CAN!

So What Should I Do?

- Consider stockering heifers
- Consider breeding more than you need and selling replacements
- Consider feeding terminal sire heifers as their performance is similar to steers
- Insist on a smaller discount when selling private treaty
- Realize that if you are selling the bottom 20% of your heifers as feeders they probably deserve a fair sized discount

A photograph of a man with long hair and a beard, wearing a grey hat and a green and black plaid shirt. He is smiling broadly and holding a dark cup. The background is a wooden wall with a framed sign that says "Coors LIGHT" in red and silver lettering. To the right, a portion of a Budweiser sign is visible.

Coors LIGHT

Realize that
your cull
heifers are
still worth
\$1000/hd
and smile!

Any Questions?



**WHY DOES TOILET PAPER
NEED A COMMERCIAL?**



WHO IS NOT BUYING THIS?

*Any
Questions*