Buying Versus Raising

by ***Heather Smith Thomas***

There are many factors to consider in deciding whether to raise or to buy replacements. These include feed costs, labor costs and availability, environmental factors, genetics, cattle prices, tax issues, etc. It's not always easy to determine what might be best for a certain ranch — and it may change from one year to another.

Iowa State University Assistant Professor of Economics Lee Schulz, says a recent survey showed 83% of producers hold back heifers and about 37% buy heifers. "Many ranchers retain some heifers as well as buy some," he says. "Many people raise their own but still take advantage of opportunities to buy a few heifers, due to accelerated expansion in recent years."

Schulz says it's not always a clear-cut decision. "You have to look closely to see if it really costs you less to raise them than buy them," he adds. "There are significant costs and some risks in developing heifers. There's quite a bit of time between when you decide to retain them and when you get a calf from them."

Advantages of raising your own

Many commercial cattlemen raise their own heifers because those heifers are acclimated to the ranch environment. Purchased heifers may be too fat because some people who develop heifers overfeed them, and they get too big or have other problems from being overweight. Heifers need to be fed with the goals of soundness, fertility and ensuring a long, productive life, and they shouldn't be carrying as much weight as a feedlot heifer.

Their genetics may also have a different focus than what you'd want in your cow herd. Some breeders concentrate too much on growth and not as much on maternal traits — purchased heifers may end up being bigger than desired and are less efficient cows in your environment.

Disposition is another important trait in the cow herd. An advantage when raising replacements is knowing they are safe to handle. Herefords are generally better in disposition than some other breeds, but this is still an important trait to consider.

Cattle raised on your place know how to cope with their environment — where to go to get out of a storm and how to use the pastures. If cattle are purchased from somebody else and brought home, they may not always mingle into the herd; they tend to separate out with their own buddies. There's usually a higher success rate among raised heifers; they don't fall out of the program as often — since they are already adapted to your environment and feeds.

"A ranch needs adequate numbers to consider keeping replacement females."
— Rick Funston

Many ranchers' breeding programs involve several generations of cattle selected for maternal traits, fertility, longevity, disposition, etc. that would be difficult to replicate in purchased animals. The on-farm replacements are already adapted to their present environment and handling methods. Health risks for the herd can also be minimized by not bringing in new cattle. Raising your own gives better opportunity to evaluate their growth, phenotype and temperament.

Advantages of buying bred heifers

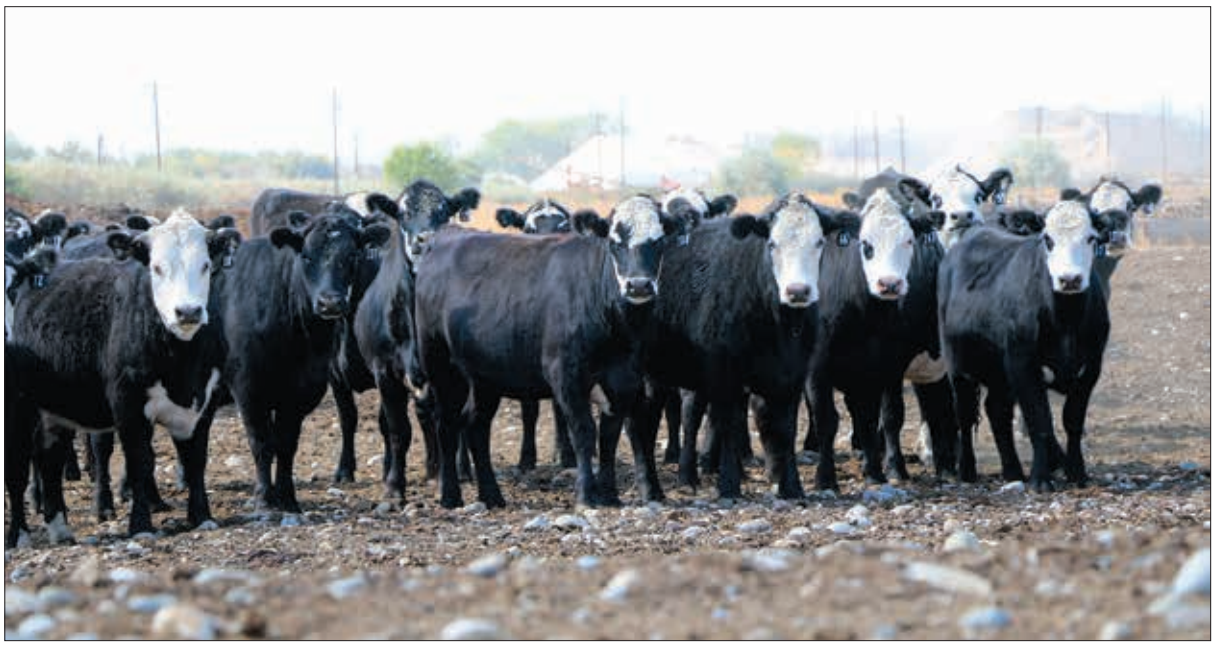
Rick Funston, University of Nebraska, says there are many good arguments against raising heifers and for buying bred heifers instead. "In economic analyses, sample budgets compare raising them versus purchase. There's more opportunity to use a terminal sire system, for instance, if you purchase your heifers," he says.

If you raise your own, you need two different herds in order to utilize a terminal cross and still keep heifers. "Otherwise you give up a lot of productivity, selecting for calving ease instead of production," Funston says.

Funston worked with several ranches that don't keep any heifers. "It's all terminal crosses and they outsource their replacements. They don't want to put in the time, money and labor for two years before those heifers have calves. Many ranchers have either not considered or not understood the performance issues they are giving up by having replacement heifers, along with the opportunity of going to a terminal sire." he says.

Other advantages include less need for "heifer bulls" and a chance to reduce bull numbers. Herd size can also be increased quicker, if you have the opportunity to expand. Producers may be able to purchase replacement heifers from someone who specializes in producing heifers or a breeder who has annual production sales that include bred heifers. This option gives the rancher an opportunity to specify the breed cross or genetic profile of the purebred or composite heifers purchased, as well as the breed and individual sire to which heifers are bred. Commercial developers often utilize estrous synchronization in conjunction with artificial insemination, which can increase genetic merit of progeny and eliminate the potential for reproductive disease transmission. This approach also allows producers to obtain heifers that conceived over a short time frame and have a shorter calving window — with more chance to breed back quickly.

Some large ranchers with challenging range conditions think they should keep their home-raised genetics. Yet many operations, especially the small ones, find it makes sense economically to go to a known breeder that can provide proven



Replacement Heifers

genetics and a verified reputation to buy replacements.

When heifer calves have good value at weaning, it is often best to sell them and then reinvest some of that income in a bred heifer or, better yet, a bred two-year-old or three-year-old from a reputation ranch. Then you can readily see they have a sound udder and sound feet and legs and have been reproductively sound to have a calf and then breed back. Having this opportunity takes the gamble and lots of the work and expense out of heifer production, and often you can improve on genetics by going to a successful breeder for replacement heifers.

The real cost of weaning, growing and breeding a heifer calf can easily be overlooked in the two years you own her before she produces any income. You have two years of feed, labor, vaccines, etc. in a group of replacement heifers you raised, plus any cull and death loss. There may be a certain percent that don't breed or breed late to start their production career late, thus weaning a smaller calf and possibly coming up open the next year or calving late again.

Small operations often do not have the facilities or separate pastures to feed and grow weanling heifers, and keeping them requires the investment of a "heifer-bull" to breed them. The end result is often a lower pregnancy rate, a higher rate of calving problems plus a lower weaning weight and less income to show for all the time and work dedicated to keeping those replacement heifers. It may be more profitable to sell them at weaning and to reinvest in proven producers. Eliminating replacement heifers on many operations will eliminate a lot of expense and labor and will allow for investing in genetics that have greater production value.

Things to keep in mind when raising replacements

"If you do keep replacement heifers, consider using artificial insemination (AI) and not giving up so much performance," Funston says. "Today there are an abundance of AI terminal sires with calving ease, but pay attention on this, because generally those calves are not something you'd want to keep as replacement females."

Funston says if you are breeding by natural service, growth traits and calving ease are generally antagonistic and a lot of performance for calving ease is given up. "The calves from first calf heifers won't be your bigger calves at weaning time," he says. "A ranch needs adequate numbers to consider keeping replacement females. In many small operations cattle are not the primary income source. Some of the smaller operations that keep replacement heifers may only have one or two bulls, so they focus on calving ease, which is not needed as much in mature cows."

A person keeping heifers must keep a few more than needed because they may not all conceive in a timely fashion during their first breeding season. "If you are going to keep heifers, ideally you should keep them all and treat it as a yearling operation," he says. Then you can keep the very best that breed early and sell the rest.

"There are plenty of sources to find replacement females economically, which enables you to have fewer bulls, and fewer management groups," he says.

Do your homework

Iowa State University Cow-Calf Specialist Patrick Gunn says from a management perspective, there are several things that help in the decision on buying versus raising.

"It often comes down to infrastructure, and also how much control you want of your genetics," he says. "First and foremost you want to make sure you will be able to feed heifers separate from the mature cow herd. But even within a group of developing heifers we often don't have the uniformity we'd like, in terms of age and weight. In some cases it's best to manage heifers in more than one development group."In some parts of the U.S. where cow herds are a lot smaller," Gunn says, "cattlemen may not have the number of animals to justify the additional space, feed and labor required to do an adequate job of developing females."

There are tools to help you in these decisions, such as looking at the net present value of those heifers. This investment decision — either raising your own or purchasing them on the open market — is a long-term investment, anticipating at least five or more calves out of that replacement animal. You should consider economic conditions today but also the longer term regarding what the prices and costs are going to be.

When purchasing heifers, look at that multi-year gain potential in genetics, and realize it's not just a one-year investment. The genetic potential will exist over the life of that female. Sometimes you can buy genetics that are better in certain aspects than what you have. On the flip side, sometimes the genetics you've worked many years to create are better suited for your purposes on your own ranch than what you can go out and buy.

There are many factors at play, and you must make your own decision. It's difficult to give any really good rule of thumb because there is a lot of variability in expectations of price and costs.

"No one recommendation fits all when it comes to replacement heifers," Gunn says. "There are many different ranch sizes, management practices and goals for various operations. The decision may change from year to year, for some producers, based purely on economics. If you are truly running it as a profit-based enterprise, there are some critical evaluations that need to be done each year, in terms of which the best option might be."

It's always a gamble, but the more homework you can do, trying to pencil it out and predict costs, the more able you are to make the right kind of gamble. "Look at costs and productivity — in the best-case scenario and worst case scenario — if you buy or raise your replacements," Gunn says. "Look at where the risks are in each situation."

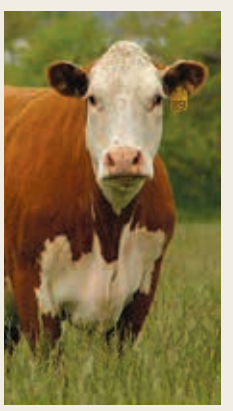
It's an evolving situation. What might be better one year might not be better in another. You need to look at these things each time you make this decision. HW

The genetic question

Iowa State University Cow-Calf Specialist Patrick Gunn says genetics play a major factor in the decision to raise or purchase replacement heifers.

"If you want to control every aspect of the genetics you are working with, developing your own females has advantages," he says. This is especially true if cattlemen have worked to develop the type of animal that works well in a particular environment and ranch situation, for example a rugged range operation rather than irrigated pasture.

If the decision is to purchase heifers, do so from an operation with a similar background. Gunn says, "Sometimes you can form a relationship with a breeder who produces the kind of cattle that you know will work in your environment." HW



Advantages of buying cows instead of heifers

Rick Funston, University of Nebraska, says ranchers need to think in terms of the most appropriate replacement female. It might be more feasible and productive sometimes to purchase young cows that are already producing rather than bred heifers.

"There are some advantages to purchasing or making arrangements with another ranch as your source for something other than a heifer," Funston says. "Bred heifers are the most expensive to buy and the least productive; it takes a couple years before they reach peak production. Our data shows that females are less productive until they get to be at least 3 to 5 years of age. The best alternative might be a young cow rather than a heifer." HW