Opportunities and Challenges for Dairy Steer Production in Northwest Iowa

A.S. Leaflet R1834

Beth Doran, Extension Beef Field Specialist
Ron Orth, Iowa Institute for Cooperatives
John Lawrence, Associate Professor of Economics and Director, Iowa Beef Center

Summary

A dairy steer survey, co-sponsored by Iowa State University Extension and the Iowa Institute for Cooperatives, was mailed to 635 cattle producers in northwest Iowa to assay the potential opportunities and challenges of feeding dairy steers. Replies from 177 surveys were summarized. Thirty-seven percent cited profitability as the major reason they had fed dairy steers. In comparing beef and dairy steers, reduced feeder calf cost was cited as an advantage with dairy steers. However, market access, finished market price and feed efficiency of dairy steers rated poorer than with beef steers. The biggest challenge to dairy steer production was market access, followed by weather and increased health problems. This survey indicates that while there may be opportunities for dairy steer production in northwest Iowa, the number one impediment is restricted market access and, hence, the finished market price.

Introduction

Historically, the basis on corn produced in northwest Iowa has varied from $0.30 to $.50 per bushel. Therefore, adding value to corn is important to improving the economic base. In the past ten years, the number of dairy operations in northwest Iowa has increased by approximately 28 percent. Twelve new dairy facilities are housing an additional 27,000 cows. Thus, the supply of dairy steers has increased.

A year ago, the Iowa Institute for Cooperatives received a grant from the Iowa Corn Promotion Board. The mission was to increase the value of corn via increased dairy steer production. However, little was known about the dairy steer industry in Iowa. The last formal report, conducted in 1992 by Iowa State University and the Iowa Cattlemen's Association detailing the Iowa cattle industry, did not specifically investigate dairy steer production. Therefore, the Iowa Institute for Cooperatives and Iowa State University Extension co-sponsored a survey to assay the potential opportunities and challenges of feeding dairy steers.

Materials and Methods

Six-hundred-thirty-five surveys were mailed in February 2002 to cattle producers in six northwest Iowa counties (Cherokee, Lyon, O'Brien, Osceola, Plymouth and Sioux). One-hundred-seventy-seven (27.9%) were returned.

For questions #4 through #14 of the survey, the responses were tallied only for those producers who were currently feeding or had fed dairy steers.

Results and Discussion

Survey questions and statistics are listed at the end of this report. Over 37% of the producers had experience feeding dairy steers, but almost 68% indicated they had never fed dairy steers and/or did not plan to feed them in the future. The major reason why they had fed or were feeding dairy steers was profitability. Two other frequently cited reasons were that they were a dairy operation feeding out their own calves and the cheaper purchase price of feeders. The major reason cited for not having fed dairy steers or planning to feed dairy steers was the lack of markets. Two other frequent responses were that they fed beef cattle or that they had their own beef cowherd and retained ownership of those calves to feed.

For those producers who were currently feeding or had fed dairy steers, almost 42% marketed less than 100 head annually. When asked what percent of the cattle they fed were dairy steers, 26% of the producers indicated that 75-100% of their cattle were dairy. However, 22.6% of the producers indicated that less than 5% of the steers fed were dairy.

The majority (63.6%) of the dairy steers were Holstein, but 27.3% of the steers were Holstein-beef cross steers. A weighted percentage indicates that 47%, 40.2% and 12.9% of the dairy animals were calves, yearlings or backgrounded calves, respectively. Calf and backgrounding starting weights were 294 and 136 pounds, respectively. The average starting weight of yearlings was 738 pounds. The average selling weight for backgrounded calves was 616 pounds. Typical market weights for calves and yearlings averaged between 1300 and 1400 pounds.

Producers were asked to compare beef and dairy steers. Producers cited a better feeder calf cost for dairy steers. However, market access, finished market price, and feed efficiency of dairy steers were rated as considerably poorer than beef steers. Access to capital was predominantly neutral.

The two most prominent sources of dairy steers were local sale barns and order buyers for out-of-state dairy animals. Auction barns and Packerland (Smithfield) were cited most frequently as places where finished dairy steers were marketed. Most (69.6%) of the backgrounded dairy steers were sold through auction barns. Over half of the finished dairy steers were sold on a live weight basis. Approximately 25% were sold in-the-beef.

The majority of dairy steers were fed in open lots with a shed (41%) or open lots with windbreaks (24.8%).

The biggest challenge to dairy steer production cited was market access, followed by weather and increased health problems. When producers were asked what would help them be more successful in their dairy steer enterprise, the most common response was improved markets and market access.

Implications

This survey indicates that while there may be opportunities for dairy steer production in northwest Iowa, the number one impediment is restricted market access and, hence, the finished market price. Efforts within the state of Iowa needed to be directed toward increasing the number of markets for finished dairy steers and, consequently, competitive bidding.

Acknowledgements

The authors would like to thank the Iowa Corn Promotion Board for funding this survey.

Survey Questions

1. Which of the following describes you (percentage responding to each answer)?

11.9% Currently am feeding dairy steers
17.5% Have fed dairy steers in the past
2.8% Currently am feeding dairy steers & have fed dairy steers in the past
5.1% Have fed dairy steers in the past & don't plan to feed dairy steers in the future
24.3% Have never fed dairy steers
19.2% Don't plan to feed dairy steers in the future
19.2% Have never fed dairy steers and don't plan to feed dairy steers in the future

2. What is the major reason you have not fed dairy steers and/or do not plan to feed dairy steers in the future?

The major reason cited was the lack of markets. Other frequent responses were that the producers fed beef cattle or that they had their own beef cowherd and retained ownership of those calves to feed.

3. What is the major reason why you are currently feeding or have fed dairy steers?

The major reason for feeding dairy steers was profitability. Two other prevalent responses were that the respondent was a dairy operation feeding out their own calves and the cheaper purchase price of dairy feeder steers.

4. On the average, how many dairy steers do you market or have you marketed annually (percentage responding to each answer)?

41.7% <100 head
25.0% 101-200 head
21.7% 201-500 head
11.7% >500 head

5. What percent of the cattle that you feed are dairy or dairy-cross steers (percentage responding to each answer)?

22.6%	1-4%	0.0%	15-19%	5.7%	30-49%
9.4%	5-9%	3.8%	20-24%	9.4%	50-74%
13.2%	10-14 %	9.4%	25-29%	26.4%	75-100%

6. How would you describe the dairy animals you are feeding or have fed (percentage responding to each answer)?

63.6% Holstein steers
27.3% Holstein x beef steers
5.7% Other dairy steers
2.3% Other dairy x beef steers
1.1% Holstein x beef heifers

7. What percent of the dairy steers you are feeding or have fed are (weighted percentage for all responding to the question):

47.0% Calves? Typical Starting Weight 294 Typical Market Weight 1314
12.9% Calves? Typical Starting Weight 136 Typical Market Weight 616
40.2% Yearlings? Typical Starting Weight 738 Typical Market Weight 1393

8. Compared with feeding beef steers, how would you rate dairy steers on (percentage responding to each answer):

	Worse Than Beef Steers			Equal To Beef Steers			Better Than Beef Steers
	1	2	3	4	5	6	7
Availability of Feeder Calves	10.0%	15.0%	26.7%	25.0%	10.0%	6.7%	6.7%
Feeder Calf Cost	11.9%	8.5%	18.6%	10.2%	20.3%	23.7%	6.8%
Average Daily Gain	11.7%	13.3%	30.0%	30.0%	8.3%	6.7%	0.0%
Feed Efficiency	14.8%	21.3%	37.7%	21.3%	3.3%	1.6%	0.0%
Sickness/Death Loss	19.7%	13.1%	18.0%	32.8%	6.6%	8.2%	1.6%
Adaptability to Your Facilities	3.3%	11.5%	14.8%	36.1%	13.1%	14.8%	6.6%
Management Required	6.5%	12.9%	29.0%	29.0%	9.7%	9.7%	3.2%
Carcass Quality	5.2%	22.4%	29.3%	24.1%	10.3%	5.2%	3.4%
Finished Market Price	30.0%	36.7%	25.0%	6.7%	1.7%	0.0%	0.0%
Market Access	47.5%	26.2%	11.5%	14.8%	0.0%	0.0%	0.0%
Profitability	8.6%	17.2%	31.0%	31.0%	12.1%	0.0%	0.0%
Access to Capital	5.3%	10.5%	8.8%	71.9%	1.8%	1.8%	0.0%

9. Where do you obtain your dairy steers (percentage responding to each answer)?

12.3% Privately from local dairies
39.5% Local sale barns
11.1% Order buyer (Iowa dairy animals)
29.6% Order buyer (out-of-state dairy animals)
6.2% Home raised
1.2% Field man for feed company

10. Where do you market your (percentage responding to each answer):

Finished Dairy Steers?

34.6% Packerland (Smithfield)
17.9% IBP
35.9% Auction Barn
11.5% Other

Backgrounded Dairy Steers?

17.4% Private Treaty
69.6% Auction Barn
4.3% Order Buyer
8.7% Other

11. What percent of your dairy steers are marketed (weighted percentage for all responding to the question):

53.5% Live Weight?
24.5% In-the-Beef?
10.5% Grade and Yield?
1.5% Grid?
6.0% On a Forward Contract with Carcass Specifications?
4.0% Other?

12. How would you describe the facilities where you feed or have fed dairy steers (percentage responding to each answer)?

13.3% Open lots
17.1% Open lots with mounds
24.8% Open lots with windbreaks
41.0% Open lots with shed
2.9% Partial confinement
1.0% Total confinement

13. What would you describe as your biggest challenge in dairy steer production?

Market access was cited as the biggest challenge. However, weather and increased health problems were frequently mentioned.

14. What would help you be more successful in your dairy steer enterprise?

The most common response was improved markets and market access.