

A Glance at the Bred and Open Heifer Market

Andrew P. Griffith

UT Agricultural and Resource Economics

Throughout 2014, producers across Tennessee and the country either participated in or watched with great intrigue the market for bred and open females start high and finish higher. The main focus in the market was led by bred heifers and open replacement quality heifers. The market for bred and open heifers has moderated to some degree as calf and feeder cattle prices have come off their record highs, but the market for replacement females continues to offer a good marketing opportunity especially for producers with replacement quality heifers.

There have been several instances where open replacement quality heifers have been marketed for the same price as same weight steers. The ability to market heifers at the same price as steers could result in \$100 to \$150 of additional revenue for each heifer. The ability to market heifers of this quality generally requires a strong genetic program, a solid vaccination and health program, additional effort from the producer to manage and develop heifers to fit the environment, and increased market awareness to locate buyers. There are some buyers looking specifically in this market, because it allows the purchaser the opportunity to finish developing the heifers and then breed those heifers to sires with genetics that will produce the desired offspring. For instance, a heifer destined for Texas may be bred to produce offspring with more heat tolerance than a heifer shipped to northern parts of Kansas or Nebraska.

The open heifer market has been strong the past year or so, but the bred heifer market has received the most attention from buyers and sellers. There were several instances in 2014 where commercial bred heifers sold for prices as high as \$3,200 with the majority of bred heifers being marketed in the range of \$2,600 to \$3,000. In the long run, it could be difficult for producers to profit on heifers purchased on the top side of this range. The determining factors will be how long feeder cattle prices remain elevated, potential for alternative marketing opportunities for calves produced by the cow, and the unpredictable factor called weather.

As with any market there are buyers and sellers. The current heifer market is a seller's market and several producers are taking advantage of the market and capturing higher values for their heifers than through traditional marketing avenues (i.e. marketing feeder cattle). Alternatively, there are several producers who could be capitalizing on the heifer market that are not doing so. There are several reasons producers with high quality heifers may not be marketing heifers as either open or bred replacements. Some of those reasons include the perception of the additional effort it takes to produce replacement heifers, the additional costs that will likely be incurred, fear that markets may reverse resulting in significant losses from heifer development and forgone income, not having the resources to develop heifers, and a myriad of other reasons that may be specific to a producer.

It is difficult to ease all the fears or reduce all the concerns related to cattle markets and the heifer market is no different. However, most market indicators support the idea that the bred and open replacement heifer markets will remain strong the next couple of years. The one unknown is always in relation to the weather and drought. For instance, Texas cattle producers, the leader in cattle numbers, continue looking to rebuild herds. The reason they had a herd reduction was due to drought. Currently, only 15.5 percent of their land area is experiencing severe or worse drought compared to 65.1 percent one year ago. Nearly 60 percent of Texas is considered to have no drought issues at this time compared to 5 percent one year ago. Similarly, Oklahoma drought conditions have improved considerably. Only 46.2 percent of the state is

experiencing severe or worse drought whereas 66.0 percent were experiencing the severe or worse drought one year ago.

As with any business, risks must be taken to have an opportunity at the reward. Producers should evaluate all marketing opportunities and alternatives in order to make calculated risk decisions. The difference in revenue received from marketing a feeder heifer versus a bred heifer could range from \$800 to \$1,200 dollars per head. The question a producer must ask themselves is if they can carry that heifer from one stage of production to a later stage of production for less than the additional revenue that could be received. Developing and breeding heifers as a marketing method is not for everyone, but there are several folks who could do it successfully and add to their bottom line.