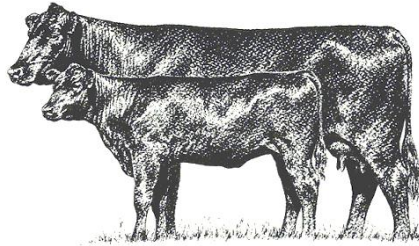


# Large Animal Newsletter

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## **Drought Issues and Taxes**

Even with the recent rains that have fallen across parts of Nebraska, drought continues to plague farmers and ranchers and always brings up the questions of consequences to the tax bill.

### Livestock Deferrals:

There have always been two options when talking about an election to defer the gain on sale of livestock to future years. The first is a one-year deferral for cash basis farmers that allows income received in the year of disaster to be recognized in the year following, if the normal business practice is to sell the "crop" the following year. This one-year deferral applies to all livestock.

For example, if you "normally" sell your calf crop in January, but are forced to sell at weaning in 2006, you can elect to recognize the gain on your 2007 tax return. This is an election that must be filed with your 2006 tax return and a calculation to

determine your "normal" sale amount based on a three-year average must be made.

Draft, Dairy & Breeding livestock has a second option that received some "tweaking" in the recent past. Previously, you had a two year period in which to replace breeding livestock sold due to drought conditions and not have to recognize the gain on the sale of those animals. Due to the continuous drought conditions, they have lengthened that time to 4 years. In addition, they have added the clause that at the end of the 4 year window, if it is still not feasible for reinvestment, the gain may be invested in other property that is used for farming purposes. Although, they did exclude land from that option, you could sell cows now and in four years, purchase a new tractor. Until the end of the four years though, you can only replace livestock with livestock of the same purpose (dairy for dairy, etc).

### What Constitutes a Drought?

You must be able to prove that the drought did in fact cause the livestock to have been sold. With the recent request of 36 Nebraska Counties to be declared Federal Disaster Areas due to drought, those counties, and those surrounding them have sufficient cause to use the elections. Other things to use as proof are the release of CRP for grazing or haying.

### No Questions Then, Right?

There may be several good reasons why it wouldn't be in your best interest to use either of these elections in 2006.

1. If you don't intend on replacing the breeding animals, or fail to get them replaced, the gain must be recognized in the year of sale. This means that if we don't plan on the income this year, you may end up paying much more tax on those animals than was originally needed.

2. Raised breeding livestock animals are subject to preferred

capital gains rates of 5% or 15% at this time. If you defer the income and replace them in two years, your basis in the new animals becomes significantly lower. This basis is the amount that you would be able to depreciate, which offsets self-employment as well as income taxes.

For example: You have 25 hd. of raised cows to sell at \$1,200 per head. Since they are raised, they have no basis and a gain of \$30,000 would be realized. If you recognize that gain in 2006, your tax would be \$3,000 (assuming 5% Federal and 5% State). If you then purchased animals back in 2 years for the same \$30,000, you would have depreciation spread over 5 years that would offset \$30,000 of income and self-employment taxes of \$10,590 (assuming 15% Federal Income tax, 5% State Income Tax and 15.3% Self-Employment Taxes). By recognizing the gain today and having the basis in the future, you would save \$7,590 in taxes over the time period. If instead of recognizing the gain, you take the election to defer the \$30,000 gain, you pay no tax in 2006. You also will have \$0 basis (and therefore \$0 depreciation) when you replace the animals since you will take the \$30,000 purchase price minus the \$30,000 gain deferred.

3. The drought may have a negative effect on all your income in 2006 and the gain on the sale of the livestock may be needed this year to avoid showing a loss on the tax return.

## What About Crops?

Crop Insurance due to any conditions works in a similar manner to the one-year deferral for livestock. If you are a cash basis farmer, normally sell your crop in the following year, and receive payment for a crop loss, you may elect to defer that income to the following year.

Conclusion:

As in any tax situation, each case is unique and the circumstances surrounding each year is unique. The important thing to remember is that the option exists and that the election doesn't have to be made until the return is filed. Please call your tax preparer if you have any further questions.

Tina Barrett, Executive Director Nebraska Farm Business, Inc. June 20th, 2006

## Early Weaning Management Strategies

Once again, Mother Nature has been rather stingy with the moisture this year. As I write this newsletter, we have only received about 60% of normal moisture. Probably one of the best management strategies for cow/calf producers is that of early weaning. Probably one of the best management strategies for cow/calf producers is that of early weaning.

Traditionally, calves are weaned at six to seven months of age. Early weaning refers to weaning calves at about half that age. There are many advantages to early weaning.

1. **Improved cow body condition.** Lactating cows tend to lose body condition due to the increased nutritional demands of producing milk in combination with the lack of nutrition available in drought stressed pastures. When the calves are weaned early, the nutritional demand on the cow is decreased and cows are able to maintain or sometimes even gain condition. Also consider that it is far cheaper and easier to maintain a cow's condition throughout the winter months than it is to feed them to gain condition, it just makes sense to wean the calves before they start to "pull" the cows down.
2. **Improved calf performance.** During a drought, calves might not be able to compete with cows for adequate forage. Creep feeding may help replace some of the forage part of the

calf's diet, but the calf will still continue to pull down the cow by nursing. By weaning early and providing the calf with a higher quality diet, the calf will be able to meet it's growth potential. There has also been research at several universities that have shown that early weaning coupled with a high concentrate diet has resulted in increased quality grades at slaughter.

3. **Improved conception rates.** Early weaning can result in improved conception rates in the current breeding period, assuming that the calves are weaned during the breeding season. This would mean calves would have to be weaned at a very young age (45 to 105 days of age). When weaned early enough, cows have a better chance to rebreed in an optimum time frame and an increase in conception rate can be expected. Early weaning will improve future conception rates by maintaining condition in the cowherd.
4. **Improve forage availability for the cow.** Early weaning reduces the cows dry matter intake while reducing forage demand from the calf at the same time. This can help reduce the demand on the pasture, and enhance sustainability for future use.

**As with any situation, there are also some disadvantages.**

1. **Increased attention to management is required.** Early weaning requires greater attention to proper health, nutrition, and management practices.
2. **Increased cash costs.** Early weaning will increase cash costs. Instead of feeding the cow to feed the calf, we are now feeding the calf directly by feeding it high quality grains, hays, protein supplements,

and/or commercially prepared feeds. Furthermore, producers must have the facilities and equipment to feed calves or hire a custom feeder, or backrounder to do this work.

## Reducing the Nutrient Requirements of the Cow Herd

Lactation represents the largest nutrient requirement in a year-long production cycle. It impacts the cow's requirement for energy, protein, and other nutrients. Early weaning can reduce these requirements anywhere from 33-50% depending on the milk production of the cow. Early weaned calves can achieve adequate growth rates if given access to a high quality ration. By the time calves reach 3 to 4 months of age, they are eating significant amounts of forage. At 6 to 7 months of age, they are eating about half of a mature cow. Early weaning reduces the demands on the pastures by reducing the cow's nutritional demands and by removing the calves completely.

Producers may consider early weaning only a portion of the herd. In that case, the logical candidates for early weaning would be those cows nursing their first or second calf. These animals have nutritional requirements for growth along with their requirements for maintenance and lactation. The requirements for lactation and growth are given higher priority than that of reproduction. So, by reducing the demands of lactation by early weaning, the demands of growth and reproduction receive a greater portion of the nutrients available. Producers may also consider early weaning for cows that are in thin or poor condition.

## Bunk Management

Early weaned calves should consume 2.75% to 3.25% of their weight in dry matter daily. The ration must be palatable and free of dust. The best balanced ration in the world won't work if the calves don't consume it.

Offering a creep feed two to three weeks prior to weaning will help acclimate calves to eating processed feeds and make the weaning transition less stressful.

Initially calves should be fed long stem grass hay. Top dress the commercial feed or concentrate mix on top of the hay on days 3 to 5. Once the calves are eating these feedstuffs readily start offering mixed diets. Gradually adjust the calves to higher levels of concentrates. Adding a liquid supplement such as molasses, condensed distillers solubles, or commercial liquid supplements will help control dust, improve palatability and reduce sorting.

Do not start calves on silage or ensilage. The fermented odor can cause feed aversion in freshly weaned calves. Wait until the calves are eating adequately to start blending in these feedstuffs.

## Facilities

Place calves in a small secure pen or pasture during weaning. If possible, sort calves by weight into smaller pens, so that small calves are not trying to compete with larger calves for feed and water.

If possible, allow for across fence weaning. This is when the cows are kept across the fence from the calves that are being weaned. The cows and calves are allowed to socially interact with each other for 4 to 7 days after weaning. Research has shown that this is a lot less stressful on the cows and the calves. Research has also shown that calves spend less time vocalizing and more time eating and drinking during the first few days of weaning.

During dry conditions, dust can be a problem. Consider using sprinklers to control dust in the pens.

Waterers and feedbunks should be placed along the fenceline to allow the calves to find feed and water easily. Calves will spend a lot of time

walking the fence, and placing the feed and water in the center of the pen will make it more difficult to find. Also, if you use automatic waterers, make sure the calves are drinking from them. We have seen cases where the calves' first introduction to a waterer was at weaning and they were afraid to drink from it. In these cases, adding a stock tank may be warranted until they are drinking adequately from the waterer.

## Health Considerations

To ensure the health and well being of early weaned calves, producers must provide an excellent health and vaccination program. The doctors at Twin Forks Clinic will be happy to design a vaccination program to help you reach your goals. Below are some other considerations to take into account beyond the vaccinations.

- Treat for internal and external parasites.
- Provide protection from flies
- Provide a good quality trace mineral and vitamin supplement for all calves
- Consider using growth implants. They will increase weight gain and improve feed efficiency. Do not implant potential replacement heifers.
- Provide access to adequate, good quality food and water. Clean watering equipment on a routine basis.
- Monitor calves daily for signs of respiratory disease, digestive problems,

As with all animal health products, be sure to read and follow label directions, and be sure consult your veterinarian if you have any questions.

Drought conditions are a periodic occurrence in the Great Plains. Early weaning is one management tool that can help you better manage your

forage resources while allowing for minimum herd reductions. With proper attention to management, nutrition and health, early weaning can be an effective and low stress management strategy.

Kevin L. Cawthra, Animal Scientist, Twin Forks Clinic

## Twinforksclinic.com is Up and Running!

The staff at Twin Forks Vet Clinic is proud to announce our new website, [www.twinforksclinic.com](http://www.twinforksclinic.com). With the help of Eric Schrader with SitesbyE.com, we have put together a website with some good information.

There's something for everyone on the site. For the small animal clients, there is the ability to request a refill of heartworm, and flea and tick control and other prescriptions on the website. Just fill out the prescription form and the website will send us an email with your request. Please make sure you include your name, phone number and pet's name so we can contact you with questions about the request.

Small animal clients can also go online before they come in for a procedure and print out the necessary forms and have them filled out ahead of time to save time in the office later.

Large animal clients will find such things as information on equine dentals, vaccinations and deworming. Clients can also find information on BVD, beef vaccinations, and heifer development; you can even find an archive of these Large Animal Newsletters on the site.

We have also included several links on our website to other websites that can help you. We have included large animal websites that are excellent resources for information on current issues. The links to register your premises for animal ID in Nebraska and Colorado are included also. There are also some sites that have information on some of the products and services that we carry.

Also be sure to check out our Blog page. This is a page that we will update fairly routinely with news, information and general reminders for your pets and livestock.

As mentioned earlier, you can download the Large Animal newsletter from the website. If you would rather download the newsletter instead of receiving them through the mail let me know at [tfcbenkelman@twinforksclinic.com](mailto:tfcbenkelman@twinforksclinic.com) and I will email you a notice when a new newsletter is available on the web.

## Cow/Calf Trade Show, August 19<sup>th</sup>

Mark your calendar now for August 19<sup>th</sup> for the Cow/Calf trade show hosted by Twin Forks Clinic. The trade show will be at the Benkelman Community Center (The old Friends Church).

We will have representatives from Pfizer, Novartis, Intervet, Dakota Tags, Schering-Plough, Fort Dodge, and Boehringer Ingelheim there to answer any questions about their products. You will have the opportunity to early book your products for a discount.

Please check the Blog page on [twinforksclinic.com](http://twinforksclinic.com) for further details as they become available.

## For Sale

Twin Forks Clinic has a hydraulic tilt table available for sale. Would be perfect for hoof trimming. Call Kevin at 308-423-2895

The Dundy County 4-H Council has 4 used Central City scale cells for sale call 308-423-2021 for more information.

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