

# Heifer rearing under contract

Considering rearing heifers under contract? Maybe you should. Done well, returns are very attractive.

**Tom Curran,**  
Teagasc Rural Economy Development Programme,

**Tom Coll,**  
Teagasc Drystock advisor, Sligo.

In its simplest terms, contract heifer rearing is where a dairy farmer pays another farmer to rear his replacement heifers. A written agreement is essential to keep a record of what has been agreed between the two farmers. The arrangement must be built on good communication, honesty and trust between the parties from the beginning.

### Why should you consider it?

**Dairy Farmer:** With the cost of rearing a heifer to two years of age at approximately €1,500, the decision for the dairy farmer is whether to do that work or to pay another farmer to do it and ease the workload. The problem of labour availability is why contract rearing must be considered. It allows the farmer to:

- Free up time to concentrate on the dairy herd.
- Reduce the number of stock groups to be managed.
- Avoid the need to lease in expensive land to carry the heifers which also brings with it an additional labour demand.
- Avoid the need to provide winter accommodation for heifers.
- Increase of stocking rate with milking cows on the grazing platform. Milking cows will give a better financial return per hectare than heifers.

**Heifer Rearer:** Contract rearing provides an opportunity to increase output/hectare and profitability on drystock farms. The average number of land parcels on Irish farms is 4.5.

**Table 1:** Target weights for dairy heifers based on age and breed

	Month	% Mature live-weight	Holstein Friesian	New Zealand / Br. Friesian	Jersey X Holstein Fr.
Birth	February		41	38	34
6 Weeks	March		63	56	56
3 Months	April		90	80	80
6 Months	July	30%	155	148	138
8 Months	September		175	170	160
9 Months	October	40%	220	210	196
12 Months	February		280	267	250
15 Months	March	60%	330	315	295
19 Months	September		450	425	390
21 Months	November		490	470	437
24 Months (pre-calving)	February	90%	550	525	490

\* Source: Teagasc Moorepark

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\* Based on farm data published by Teagasc in the Journal of Dairy Science

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On many drystock farms, there is an opportunity to carry on the existing drystock enterprise while also operating a contract rearing enterprise on another part of the farm. The main advantages for the rearer are:

- It has the potential to deliver good profit if technical performance is good.
- The volatility of buying and selling prices is eliminated as the stock are not bought or sold by the rearer.
- Steady monthly cash flow. Payment is normally by direct debit into the rearer's bank account.
- Farmer experience is that dairy calves are easier to manage on the farm.
- The enterprise can be run part-time.

**What are the rearing stages?**

The cost of keeping an animal varies as they go through the rearing period and the dates for turnout and housing will vary depending on geographic location, weather conditions and land type. The five rearing stages are:

- Calf rearing up to 12 weeks old.
- First grazing season from May 1st to housing.
- First winter housing period.
- Second Grazing Season from mid-February to Housing.
- Second winter housing period.

**What is good performance?**

Performance of the heifers is based on two key criteria. 1) weight gain and 2) incalf rate. Other factors may

include the health status of both herds.

**Daily weight gain:** The weight gain of the heifers is a key indicator of good performance. Regular weighing at intervals during the rearing period is a key management practice that benefits the rearer while reassuring the dairy farmer. Weighing allows lighter animals to be separated into smaller groups and reduces the number of animals that have to be fed meal. This contributes greatly to the profitability of the enterprise for the rearer.

**Incalf Rate:** The target is to have 95% of the heifer's in calf after six weeks' breeding. Weight gain plays an important role in this but practical skills such as heat detection are hugely important. Whether to use synchronisation protocols; who has responsibility to call the technician; or will DIY AI be used. There is also the matter of who provides stock bulls for cleaning up any repeats while also setting a date for when the bull is taken out. All this must be worked out and agreed at the beginning and included in a written agreement.

**Is a written agreement necessary?**

"Word of mouth" or "one page" agreements are fine until there is a problem. Then, if nothing has been written down, it can exasperate even a small issue. The written agreement should set out the key elements of

what is agreed between the dairy farmer and the rearer. It must document practical issues such as weighing dates, vaccination dates, responsibilities, payment rate and payment date. Flat rate, and 'weight bonus' template agreements are available to download from [www.teagasc.ie](http://www.teagasc.ie).

**How profitable is contact rearing?**

For the dairy farmer, the sum is straightforward. It is a comparison of the cost of contract rearing versus the financial benefit of carrying extra cows and/or the cost of rearing heifers themselves. For the heifer rearer, the enterprise must make a profit otherwise it is not sustainable.

The payment rate must factor in who provides key inputs such as AI/Breeding, vaccines etc. It must also factor in the five stages of rearing. However, profitability is not only dependent on the price received. Achieving good technical performance from grazed grass is a major factor.

Table 2 presents three options for the average suckler to weanling farmer to get into contract rearing.

Option 1: Continue on suckling and take in heifers on part of the farm.

Option 2: Get out of suckling and contract rear heifers at the same farm stocking rate.

Option 3: Get out of suckling and increase the farm stocking rate to 1.92 lu/ha.

From the outset it must be said that

the top 1/3 of farmers in this suckler to weanling system are top performers both technically and financially as it is a difficult system to make profit in. The 2016 profit monitor data in Table 2 shows that the average farmer in this system is making a loss and the enterprise is being subsidised by the CAP payments received. So can contract rearing be an option to

improve farm profit?

Table 2 shows that if the average suckler weanling farmer were to get involved in contract rearing either partially or fully, the enterprise has the potential bring the farm into profit before CAP payments. Other factors such as the geographic location and the quality of the land must also be borne in mind.

The figures show that contract heifer rearing can be considered as both a complimentary or alternative enterprise to the existing drystock operation. It also shows that where land type and management ability are good, contract rearing at 1.92 lu/ha or above gives a greater financial return.

**Table 2:** Suckling to weanling/store farm 2018

	Average	Top 1/3	Suckling & Contract Rearing	Contract rearing only LSR	Contract rearing only HSR
Farm Size (ha)	32.1	33.9	32.1	32.1	32.1
Stocking Rate (LU/ha)	1.56	1.92	1.92 (2.5hu/ha)	1.56 (2.08 hu/ha)	1.92 (2.5 hu/ha)
			€1.30/heifer/day at 14 heifer units <sup>1</sup> for 549 days	€1.30/heifer/day at 65 heifer units for 549 days	€1.30/heifer/day at 80 heifer units for 549 days
Gross Output (€/ha)	998	1,412	€998+ €311 = €1,445	€1,309	€1,779
Variable Costs			175	170	
Feed**	144	161	177	152	187
Fertiliser/Lime	121	143	143	121	143
Veterinary	73	83	92	91	112
AI	13	15	32	91	112
Contractor	124	122	122	124	122
Other	75	83	83	75	83
Total Variable	550	607			
Costs (€)	649	654	759		
Gross Margin (€)	448	805	660	680	883
Fixed Costs (€)	484	547	547	484	547
Net Profit/ha Excl. Premia (€)	€-36	€258	€113	€307	€473

\* The figures in shown Table 2 are calculated on a payment rate of €1.30/hd/day for 549 days.

\*\* Meal feeding is based on 300 kgs of meal (@€250/tonne) per heifer unit.

\*\*\*A heifer unit (hu) is equivalent to one heifer calf and one maiden heifer. One heifer unit equates to 77% of a Livestock unit as the calves will be on farm for approximately 8 months of the first year and 10 months of the second year.



**Farmer Profile**

The prospect of a regular income attracted Neill Boland to convert from running a suckling enterprise to contract rearing. After taking over the family farm in the '90s, he moved to convert the dairy enterprise into suckling as the land was fragmented in small parcels and they couldn't carry the number of cows to make dairying viable.

Neill who is married to Catherine and has two young children Eabha (3) and Liam (1) was the first farmer in the area to contract rear dairy heifers. From rearing 30 heifers in 2009 from a neighbouring farm Neill made the decision to sell all his own stock and go full time contract rearing in 2012.

He now plans to rear 300 heifers in 2018 from three dairy farmers one local and two from Meath. "I take in the heifers from as young as four weeks of age in mid-March and return them to the

dairy herds in-calf in November of the following year to calf in February at two years old."

The calves are fed once a day milk replacer and concentrates up until weaning. A leader-follower system is operated whereby the calves graze ahead of the year old heifers on each grazing block. Neill has been using Pasturebase Ireland since 2014 as a grazing management tool to help maximise animal performance at grass.

"The paddocks I cut to maintain grass quality have enabled me to consistently make silage of 75+ DMD which reduces my concentrate usage over the winter period," says Neill. "90% of the farm has been reseeded in the last 10 years and 14.75 tons of grass DM/ha were grown on the home block in 2017.

Neill, who is a qualified AI technician, synchronises all heifers to reduce the time spent on heat detection. "Last year I got 90% of the heifers in-calf in the first three weeks of the breeding

season to AI, a bull was then used for the remainder of the breeding season with 95% of the heifers in-calf after nine weeks." Neill has a contract rearing agreement in place and feels he has a good working relationship with the dairy farmers he rears for. "Good communication and trust are vital" says Neill. "We sit down in January and plan out the year ahead and look back on how the agreement is working."

Neill regularly weighs the heifers and sends the information to the dairy farmers so they can monitor animal performance. "Done right, it works well for everybody," he concludes.

• Neill Boland is a member of the Sligo/Leitrim Contract Rearing Group and is a Focus Farm as part of the Teagasc/Aurivo Farm Profitability Programme. Neill will be hosting an open day on contract rearing on Thursday 19 April at 11am at his farm in Enniscrone, Co Sligo.