



Options for Calves

TECHNICAL UPDATE

In order to protect and enhance the reputation of the dairy industry and individual farms we must ensure that all calves produced as a consequence of dairy farming are respected, valued, and ideally profitable for the beef supply chain. Some milk contracts have stipulated this as a requirement, and it is likely to soon become industry standard. Farmers now have an opportunity to proactively drive industry change rather than having it imposed upon them.

The future will see farmers adopting solutions for their individual businesses that minimise the economic and labour cost of caring for the calves, while maximising their health, welfare and growth potential, so value from these calves can be realised further up the supply chain.

It seems challenging to consider a change in policy at a time when margins are under pressure. However, it is essential that the industry and farmers are proactive in their approach to demonstrate to consumers that our values align with theirs and that calves are considered not as a by-product but as an asset.

This document outlines the options available, and their key considerations, to best achieve that end.

Available options

1) Is it possible and practical to rear calves on the home farm?

- Do you have space to accommodate additional animals? If not, what level of capital investment in infrastructure would be required?
- What does it cost to rear to the age they would leave the farm?
- Do you have the required labour?

If you are choosing to rear calves on farm where existing facilities are at capacity, investment in upgrading and/or extending existing infrastructure will be required. There will be a large range in the level of investment depending on the existing system, infrastructure and capacity. Those who already rear



calves beyond weaning may need to invest only in additional calf hutches to supplement existing equipment but those who currently sell calves much younger may find extension of buildings and additional equipment necessary.

For those with no existing facilities, setting up a dedicated unit on a greenfield site could extend to £700 - £1000/calf space with the associated groundwork, housing and equipment costs and depending on the final specification and size. Those with a flat calving profile all year round may be able to achieve a throughput of 4 calves / space / year to optimise this investment.



It is well established that there is a large variation in heifer rearing methodology and costs between farms and it is expected that even larger differences could be seen in beef rearing. For those rearing calves on farm it is essential that you not only meet health and welfare key performance indicators but ensure the calf realises it's potential and is therefore commercially saleable. We have calculated costs of rearing beef animals to various ages in the table as below:

Calf Rearing - Beef calves

	0-2 weeks	0-4 weeks	0-8 weeks	0-10 weeks
Milk Replacer				
6 litres/day for 14 days	£21.42	£21.42	£21.42	£21.42
Subsequent 8 litres/day	£-	£28.56	£71.40	£85.68
Step down weaning	£-	£-	£5.35	£5.35
Feed	£1.96	£5.04	£12.32	£18.20
Bedding	£2.24	£4.48	£8.96	£11.20
Vet and Med	£4.50	£4.50	£4.50	£4.50
Labour				
Critical first 5 days	£13.33	£13.33	£13.33	£13.33
Non-critical milk period	£9.00	£23.00	£51.00	£65.00
Sundries	£3.00	£3.00	£3.00	£3.00
Total	£55.45	£103.33	£191.28	£227.68

2) Could you rear calves on a separate unit under your ownership?

- What is the availability and cost of suitable units?
- Do you have the required labour?

Although this option would mean you are still bearing the cost of rearing calves (in the table) it would limit the capital investment required, and therefore would not stifle growing businesses. It may offer an option to grow the home business further by taking all calf rearing and replacement heifer rearing off the existing unit. Heifer rearing agreements and associated contract templates are well established and a similar contract could be used for calves. In this agreement, compliance with processor standards can be ensured.

3) Sell via calf buying group e.g. Meadow Quality / Buitelaar

- Are you able to consistently meet their specifications?
- Will collections be timely and regular?
- What price will you realise?
- How will you ensure compliance with processor standards?
- Do they have outlets for TB animals?

Many of the traditional calf buying groups are already working closely to create retailer-supported, integrated supply chains. Whilst there is an opportunity to sell independently to these groups, there are several specifications and standards that you will need to meet to sell calves via this route including ensuring they meet a minimum weight and are well grown for their age. These groups certainly have more appetite for larger-framed dairy-sired calves born from Hol/Fr cows than calves bred from a cross bred or smaller-framed cow and may refuse or charge for collection, calves which do not meet their criteria.

Whilst these buyers generally guarantee collection from any existing calf suppliers who find themselves under TB restriction,

with TB calves realising around half of their clean value, they are unlikely to have capacity for TB calves from new suppliers.

4) Sell via livestock markets

- What price do you expect to realise?
- What is your “Plan B” if the calf doesn’t sell?
- How do you ensure compliance with processor standards?
- What if you are under TB restriction?

This option allows market values to be realised for all calves, both dairy-sired males and beef crosses, but with more calves available, market forces will likely come into play and there could be further downward pressure on prices. See Figure 1 below for average auction market prices for dairy sired bull calves since 2014. Animals presented in sub-optimal condition or showing poor growth rates are at best likely to face harsh price penalties or at worst remain unsold.

Most of the larger calf markets have already indicated they will assist in ensuring the seller’s requirements are met by ensuring buyers sign a declaration and selling calves in a separate section of the sale. Whilst this increases confidence in compliance, the added stipulation for buyers to comply with dairy processor standards may lead to a further price differential.

Calves under TB restriction cannot go to market and must go directly to an Approved TB rearing unit, whilst markets might be able facilitate relationships between TB sellers and buyers, these are likely to be very limited.

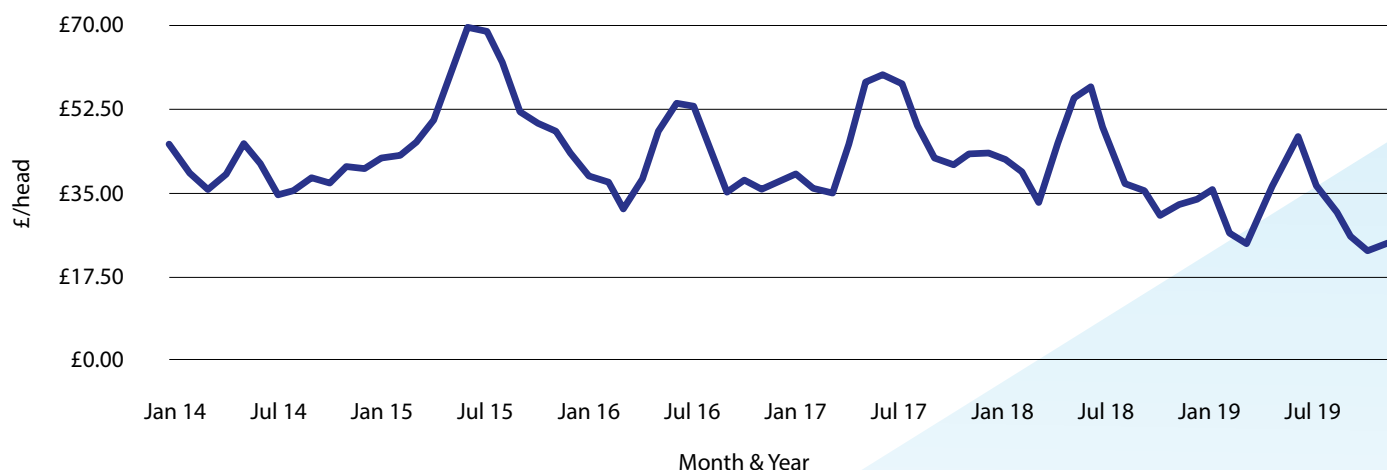
5) Sell to an individual buyer under a collaborative agreement

- How can you make the agreement work in the long term for both parties?
- Will collections be timely and regular?
- How will you ensure compliance with processor standards?
- What if you are down with, or go down with TB?

For dairy producers entering into these agreements the value lies in ensuring guaranteed compliance with dairy processor standards which grants them a ‘licence to produce’. This is achieved through ensuring a long-term guaranteed outlet for all calves, whilst minimising the capital, operational and opportunity costs to the business. Dairy producers entering into these agreements should be looking to include the following conditions:

- A guarantee that all calves will be reared in a manner that ensures they enter the beef supply chain
- Targets for calf mortality rates are below industry average
- All calves are collected in a timely manner that meets your specific farm needs – for those block calving or with a calving skew at certain times, this could mean increased collection frequency
- Agreed pricing mechanism – unlikely this will be full market value given the nature of the agreement, but pricing should look to take account of weight, sex, breed and grade of the animal with possible negative values for the least desirable animals
- All calves are collected, regardless of breed, sex, age
- Provisions for taking calves if the farm falls under TB restriction

Fig 1. Friesian / Holstein X Bull Calf Average Auction Market Price





A focus on maximising returns per cow space on dairy farms has contributed to improved productivity in the sector and a successful beef enterprise is likely to have the same focus on optimising output/space. For the agreement to be mutually beneficial dairy producers must expect calf rearsers entering into long term agreements to include conditions relating to the following:

- Maximum number or percentage of the least desirable calves. This will include both dairy-sired bulls and possibly native-sired heifers
- Influence in complementary breeding – using beef breeds and the best possible genetics within those breeds to maximise the calf's beef credentials
- Timely and sufficient quantity and quality of first feed colostrum, possibly with a condition in the agreement stating that calves will be randomly tested on arrival at the rearing unit to verify
- Minimum health standards including vaccinations – possibly including some routine management procedures being done at birth farm. Any animals which do not meet health standards may be subject to delayed collection

- Fair pricing reflective of the marketability of the calf and fluctuations in the beef market – this may be cost compensation for taking the least desirable calves and modest pricing of more desirable calves or an agreed price/kg which tracks or accurately reflects the beef price

TB Specific challenges and considerations

Those farms who are under (or at risk of being under) TB restriction face a seemingly lose-lose situation where at a time when the business is facing additional financial, time and mental pressure their options are reduced further by the requirement to keep and rear calves.

It is not within the scope of this document to undertake specific risk assessment and scenario planning in relation to the potential likelihood and impact of TB on individual farms. However, we encourage farmers to consider additional factors when conducting a risk assessment in relation to the potential impact of a TB breakdown on their available options:

Frequency, typical length and cycle of TB breakdowns

Those in high risk areas who are in a cycle of frequent and lengthy TB breakdowns, and under the associated movement restrictions, may have no alternative other than to consider



investment in infrastructure to keep calves past weaning and for an indeterminate length of time, possibly up to reaching slaughter specification

In low risk areas, where TB breakdowns are uncommon, generally infrequent and short-lived, investment in infrastructure will be less necessary

Access to TB specific rearing, growing or finishing units

Older, short-term finish animals are generally easier to place than younger store animals or calves.

Buying groups who are collecting clean calves on a regular basis will generally be able to provide an outlet for calves which have gone under TB restriction but are unlikely to take on new clients if the farm is currently under TB restriction.

Opportunities

Sexed Semen – Increasing the use of sexed semen is the easiest way of reducing the number of the least desirable dairy-sired bull calves on the farm. Moving from conventional to sexed semen carries a modest cost and the advances in technology mean conception rates achieved are almost comparable. Maximising the use of sexed semen should be a priority especially on heifers along with high genetic merit or highly productive cows.

Heifers – Farms which are experienced in rearing heifers at modest cost may wish to consider their capacity to increase this enterprise. This should only be considered by those who have fully calculated their heifer rearing cost and know it to be viable to adopt this strategy and whilst this will reduce the potential impact of the requirement in the short term, it is likely to become less financially rewarding in the long term.

Profit Share – With finished beef prices currently challenging profit margins, it may be difficult to find a calf rearer willing to undertake even an attractive agreement for fear of longer-term unpredictability and unprofitability in the beef sector. In the short term, a profit share agreement, where the cost of the calf, management fee and associated rearing costs are deducted and the remaining profit is split may be a more palatable option for some.

Limiting calf numbers – Data which predicts cows able to maintain yield through an extended lactation is not yet available,

but should predictive data become available, through advances in genomic testing, this may be an option to reduce the number of calves born.

Block Calving Herds – Traditionally block calving herds have been reluctant to fully utilise sexed semen due to reduced conception rates and its associated effect on the “block” along with the limited choice of sexed semen in the breeds associated with this production system. Whilst block calving herds should not lose sight of the key technical and financial drivers in their herd, the lack of desirability of bull calves in this system means options will be limited and as such this is likely to increase cost in other areas of the business. Inevitably, if there is an increase in demand for sexed semen in breeds traditionally used in this system, the semen suppliers in this market will respond.





Success requires a change in mindset...

Certainly, many of the options presented will be unpalatable, unprofitable and some might be practically very challenging, but our industry has an issue that we must accept and address. A significant shift in mindset is required, one which results in the dairy farmer aligning their values with the values of the consumer. This is a dairy industry issue for which the responsibility to find solutions lies firmly with dairy farmers and supported, where possible, by dairy processors and not the beef industry which is arguably already making returns below those of a dairy producer. Calves are unlikely to be a profit-making enterprise but rather a cost of milk production, so the aim should be to find the 'least cost, maximum benefit' solution. That said, the UK is still a net importer of beef and despite the current challenges in the beef industry, there is an opportunity to displace imports with quality beef of UK provenance.



Summary and recommendations

All factors, as outlined in this document, need to be considered in order to make informed decisions about the best route for your own dairy farming business.

There is an opportunity for integration between dairy and beef supply chains both via industry supported initiatives and by farmers at a local level. Those wishing to establish local level, mutually beneficial relationships with calf rearers and beef producers are encouraged to address this challenge sooner rather than later. Dairy producers should expect that any agreements of this type are likely to be financially creative to minimise the risk to both parties, including some agreement on how to share the benefit and consequences of fluctuating beef prices.

Innovative approaches will be required, such as exploring mechanisms where calf purchase prices track finished beef prices either at the time of purchase or finishing via a retrospective adjustment. What's more, careful consideration must be given to the system chosen, as systems designed to move calves off their birth farm for rearing are vulnerable in the event of a TB breakdown, for example.

Dairy producers should be willing to embrace the necessary culture change, and to implement practical and commercial solutions to ensure every calf has a value in the supply chain. It might not be easy, but it will be possible.

If you'd like support to address this issue in your business, then please contact your local Kite consultant.



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