



Jimmy Kearney and his son Michael have been contract rearing replacement heifers for dairy farmer Adrian Casey (right) for the last six years. Read how it has worked out for them in our case study on pages 12-13. Pictures: Mark Moore

## Making contract rearing a 'win-win' for all involved

Contracting out heifer rearing offers many benefits once both parties take time to draw up a tailor-made agreement that covers all the potential scenarios that can arise

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Cuts to organic nitrogen stocking rates, difficulties sourcing land to lease, high land rents and labour shortages are some of the reasons dairy farmers might consider having their replacement heifers contract reared by another farmer.

For the contract rearer the pluses include not having to buy stock, a steady income through the year and

the reduced financial risk associated with a turbulent beef market.

Dairy farmers faced with reducing their stocking rate have several options including:

- Cutting cow numbers.
- Scaling back, or eliminating, the beef enterprise, if they have one.
- Contract rearing the replacement heifers.
- Investigating the possibility of cows dropping a nitrates band.
- Leasing additional land.
- Exporting slurry. (The assigned nitrogen content of slurry was reduced in 2023 from 5 to 2.4kg N/m<sup>3</sup>.)

The result is that you have exported double the volume to reduce the same level N).

There are financial considerations with all of the above but, in some cases, the cost savings may considerably outweigh the outlays. A combination of the above options should also be considered.

### Animal performance

For a contract-rearing arrangement to work long term, it is important that it is a "win-win" for both the dairy farmer and the contract rearer. The dairy farmer must be confident that the rearer is capable of managing his stock, achieving good animal performance, reaching the target weight-for-age milestones and returning the heifers in-calf and ready to join the dairy herd.

### Payments

The contract-rearer must receive healthy calves that have received sufficient colostrum to maximise their well-being and future performance. They must receive a fair price for their labour and payments must be made on time.

There should be regular contact with the dairy farmer to update them on how the stock are performing and to discuss any possible issues promptly.

Each contract-rearing agreement should be tailor-made. There are many different arrangements operating successfully on farms and it is important that time and effort is invested into drawing up an agreement. All parties are most likely to be happy if they fully understand what is expected of them.

Making sure that as many potential scenarios as possible are covered in the agreement will result in a better understanding of each party's role. This will help to prevent possible disagreements in the future. Teagasc has developed template agreements to help in this process.

### Stocking rates

Removing the replacement heifers from the dairy farm can have a significant impact on the overall farm

stocking rate. A farmer with 44ha (110 acres), 100 band II cows, 20 R1s and 20 R2s would have had a whole farm stocking rate of 245kg organic N/ha.

By contracting out the rearing of those heifers from when they are calves to 21 months old, he is able to drop his overall stocking rate to 217kg organic N/ha.

This also allows for the ground used by the heifers to be allocated to the dairy cows, which should have benefits for cow performance and also save on input costs. In this example, an additional 6ha (15acres) would be required to meet the same equivalent level of organic nitrogen reduction per ha. Where leasing additional land is being considered, it is important that the financial implications are addressed. In many cases it would make more economic sense to have the heifers contract reared rather than leasing additional ground.

If you are considering contract rearing there are a number of aspects that should be considered. There are advisors in each of the Teagasc area units who have been assigned the role of supporting clients that may be interested in looking at contract rearing.

These advisors can discuss your

options and help you decide if this might be an arrangement that might suit you and your farm. In addition, the Teagasc contract rearing template is a useful document for starting the conversation as to how the arrangement could work.

In addition, there is an Excel-based calculator that can be used to determine the proposed costs

This allows for the costs associated with each rearing term to be divided up into six distinct time periods, starting with calf rearing and going right through to the point of calving.

The programme can therefore be tailor made to suit all of the different rearing arrangements that are in place. It also takes into account your own labour, a land opportunity cost and your estimated rates for the associated variable costs. Depending on the term of each specific arrangement, costs will be based on your own input cost guidelines. These calculations can be done with your Teagasc advisor, who can guide you through the process. Contact your local Teagasc office for further details.



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Following the breeding season, Adrian Casey will pick 50 to 55 of the early-calving heifers and the remainder are then the Kearneys to sell when they choose.

## ‘The arrangement has taken huge pressure off the system at calving – it’s saving both time and labour’

### Contract rearing in action: James & Michael Kearney and Adrian Casey, Co Waterford

**J**ames (Jimmy) Kearney and his son Michael farm 45ha (plus commonage) in Ballysaggart, County Waterford. They have been rearing replacement heifers for dairy farmer, Adrian Casey for the last six years.

“Prior to this, we were running a Friesian calf-to-beef system on the farm, purchasing bull calves from Adrian,” says Jimmy.

Adrian says that “Back then I lost

a parcel of leased ground that I was using to rear my replacement heifers. That spurred me to think about contracting out the rearing of my replacements. Naturally, Jimmy and Michael came to mind.”

The Kearneys were an obvious choice as Adrian knew their set-up and was confident that the stock would be well managed. “We used the Teagasc contract rearing template agreement during the initial discussions,” says Jimmy.

The agreement was drawn up for an initial three years and covered all aspects of the arrangement including transport, dosing, vaccination,

breeding, weight targets, conception rate targets and also what costs were to be borne by each party.

They also agreed a maximum mortality rate and infertility rate and if levels were above this, a penalty system would apply. The contract covered all aspects of the agreement in case any issues arose. Thankfully, in this case, there haven’t been any.

“There is give and take and there must be trust on both sides,” says Jimmy.

Once they had agreed the terms of the contract, the price was the last topic to be discussed. The fee is discussed at the beginning of

the year and the Kearneys are paid the agreed fee by monthly standing order.

Each spring, the Kearneys collect approximately 80 calves in batches from Adrian. Calves are transferred from 14 days old. "I only need approximately 50 replacements per year for the 250-cow dairy herd, and we have agreed that there should be no other bovine stock on the Kearneys' farm," says Adrian. "So I have to provide sufficient numbers to fully stock the farm."

Following the breeding season, Adrian will pick 50 to 55 of the early calving heifers and the remainder are then the Kearneys to sell when they choose. Adrian's in-calf heifers return home on a phased basis from October to December at 21-23 months of age.

“There is give and take and there must be trust on both sides

Adrian covers the cost of transporting the heifers home, vaccines and breeding (a combination of synchronisation, AI and stock bulls to mop up) – Jimmy and Michael cover all other costs.

### Target weights

A chart of target weights is pinned to the wall above the crush where stock are weighed regularly. "The figures are available for Adrian when he visits," says Michael. The agreed weight targets are based on Teagasc guidelines and it is up to James and Michael to ensure that the heifers reach these targets.

Adrian says he feels that it is important that the feed costs are borne by the rearer. "It encourages them to ensure stock meet their weight-for-age targets as economically as possible rather than the livestock owner paying higher feed costs if stock are behind target," he says.

The agreement is working well for both parties. The Kearneys have regular, repeat customers for the in-calf heifers that they sell themselves and they appreciate that they are no longer at the mercy of a volatile beef market.

Given that Adrian doesn't have the replacements for the first winter, this has ensured that he is able to meet his slurry storage requirements for the retained stock. He says this arrangement has also taken huge pressure off the system at calving time, saving both time and labour. Long may it last!



## Contract rearing agreement checklist and essentials

- Arrival and removal date of animals on the contract rearer's farm. Who pays for the transport? Will heifers be mixed with stock from other farms?
- How often will the owner visit the rearer's farm to check on stock?
- How will heifers be managed during the winter?
- How will they be managed over the grazing season?
- Will stock be weighed during the contract and if so by whom and when?
- Is reaching weight targets part of the agreement and what are the implications if targets are not met?
- What happens in the event of a regulatory disease outbreak?
- What is the agreed cost? Outline what this includes and excludes in detail. What method and interval of payments will be in place?
- The breeding programme – is it AI or a stock bull? Who does the heat detection and what costs are included/excluded from the agreement?
- How will mortality and empty heifers be addressed?

### MORE INFORMATION:

Scan the QR code to view the Teagasc contract rearing agreement template

