



# Introduction

The contract rearing of replacement heifers is a relatively new concept in Ireland which has emerged as dairy farms have expanded and the availability of land around the milking parlour limits further expansion or the amount of milk that can be produced from the farm. As a result, some dairy farmers have entered into arrangements whereby they engage another farmer to rear their replacement heifers. It appeals to farmers who not only have limited land base but also those under labour pressure and with limited accommodation (Teagasc, 2017<sup>1</sup>). For the contract rearer, it provides a regular income, eliminates the need to purchase stock and the associated risk with drystock enterprises and is potentially profitable (better return than drystock enterprises). However, there are risks involved including:

- Risk of disease outbreak;
- Loss of control of the day-to-day management of the heifers (for the owner);
- Risk of poor performance if contract rearer is not skilled manager; and
- Risk of conflict between the parties (Teagasc, 2013<sup>2</sup>).

John O'Connell operates a dairy replacement heifer contract rearing service on his farm in conjunction with his sheep enterprise. His farm is located in Ballinamore, Co. Leitrim which is in the Northwest of Ireland. He is currently rearing heifers for one dairy farmer who is located 120 kms away in Co. Mayo. One batch of heifers have been reared and returned to the dairy farm and the second batch are now on-farm.

John is married with three children who are in primary and secondary level school. John works full-time on the farm and is also a part-time fireman with the local fire service and his wife works full-time off-farm.

John is a collaborator in the BETTER Farm Sheep Programme run by Teagasc which focuses on the adoption of the latest technology to improve the sustainability of sheep enterprises. The programme focuses on: grassland management; breeding; and production methods. As a participating farm, John engages closely with Teagasc and provides on-farm data on implementation of practices and facilitates the sharing of that information with other farmers.

<sup>1</sup>Collaborative Farming Arrangements. Content provided on Teagasc website [www.teagasc.ie \(https://www.teagasc.ie/rural-economy/farm-management/collaborative-farming/\)](https://www.teagasc.ie/rural-economy/farm-management/collaborative-farming/).

<sup>2</sup>Guidelines for the Contract Rearing of Replacement Heifers. Teagasc Moorepark.

# Basic information



Ballinamore, Co. Leitrim

Name Contract Rearing

Year of establishment Started contract rearing in 2014 (current contract began in 2016)

Kind of cooperation Producers group

Number of farmers/ landowners/ entrepreneurs/ enterprises involved 2 Farmers

## Farm Data

### Description

John farms 40 hectares of heavy ground which in production terms is adjusted to the equivalent of 35 hectares. The farm is divided into two blocks of similar size. Some 25 ha are devoted to sheep production and 10 ha for the contract reared heifers. The sheep enterprise is the primary enterprise on the farm with 250 breeding ewes. It includes Suffolk, Belclare and Texel ewes. The flock lamb mid-season with a typical start date of 8-10th March. The flock is run at a high stocking rate (particularly for the land type) and has a high lamb weaning rate.

Traditionally the farm had a dairy herd but this ceased in 2000. John likes and has always had an interest in dairy cows but the land type and high rainfall made it challenging to earn an income from dairying. He replaced the dairy herd with suckler cows and also took an off-farm job. The suckler herd was increased to a level where the farm was effectively 80% sucklers/cattle and 20% sheep.

Economics and profitability brought the suckler enterprise under close scrutiny. The long winter housing period and fodder requirements of the suckler herd meant that they were not profitable and the sheep enterprise was providing a better return per hectare. As a result, he sold the suckler herd in 2013 and increased the sheep flock to the current levels. Despite the heavy ground and high rainfall, John manages to achieve a high level of grass growth on the farm. The advantage of the sheep is that they utilise a much higher proportion of the grass than the suckler cows who tended to trample and waste more grass particularly in poor ground conditions.

He also operates a winter B&B enterprise for some sucklers whereby he provides the winter housing and feed for the stock owned by another farmer. These stock do not graze his farm but he maintains them over the housing period.

# Cooperation Process Data

As part of the enterprise mix on the farm, John is now operating a dairy replacement heifer contract rearing service.

## Origins of Contract Rearing

Following the sale of the suckler cow herd in 2013, John increased the size of his sheep flock. However, he also wanted to consider other options for improving the cash flow and income potential on his farm. He explored his options with his local Teagasc Advisor. He was advised to consider the potential of contract rearing. He had a background in dairy farming, an interest and love for dairy stock so he felt that contract rearing might suit him and also he could achieve good results from it.

His Teagasc advisor set up a 'contract rearer's discussion group' whereby farmers involved in and considering getting involved in contract rearing could share ideas and information. John attended a number of meetings of this group prior to deciding to engage in contract rearing.

John continues to be active member in this group and has hosted group meetings on his farm. There are now 20 farmers involved in the discussion group.

The Teagasc advisor identified a dairy farmer who was interested in getting his heifers reared on contract and put him in contact with John. He has completed one full year of contract rearing for the current dairy farmer and the second batch of heifers are now on his farm. He contract reared for another dairy farmer prior to this.

"Contract rearing is like a marriage"

## Contract Rearing in Practice

Following the initial contact, John met with Teagasc and the dairy farmer and they developed a contract to cover the various elements including: animal performance; management; breeding; and payments. Teagasc provided a template agreement which they modified to suit their own needs. Payments are based a daily rate per heifer and are received over 10 months of the year. The Teagasc Advisor acts as a mediator between the two farmers (if required).

Key elements of the contract relate to growth rate (weight gain) and in-calf rate. The heifers are weighed 3-4 times per year. As part of his contract, John is responsible for inseminating the heifers.

"No two contracts are the same – it depends on the farmers involved"

The spring born heifers arrive on John's farm on the 1st December each year. They are New Zealand Friesian Jersey cross and typically weigh between 130-190 kgs. They remain on the farm for 1 year until the following 1st December when they return in-calf to the dairy farm and a new batch of heifers take their place on the farm.

During the year, the dairy farmer calls to the farm a number of times to monitor progress. Medicines/vaccinations are provided by the farmer and administered by John as required.

"Every time the dairy farmer saw the heifers, he was satisfied and the relationship and trust between us improved"

## Benefits of Contract Rearing

John is now in his second year of contract rearing with this farmer and is satisfied to date. He has not yet undertaken analysis on the exact financial benefits but plans to do so with his advisor. However he identifies a number of benefits to contract rearing including:

- Potential new and more profitable enterprise for drystock farmers;
- Regular cashflow for the contract rearer;
- Less risk involved than if trading in livestock;
- No investment required in livestock;
- Suits and fits in with other farm enterprise;
- Increasing demand for services among dairy farmers; and
- Contract covers the details and targets.

John also identified benefits to contract rearing from the perspective of the dairy farmer including:

- Reduced labour demand on farm;
- Reduced stocking rate and reduced grass demand;
- Opportunity to increase the land area available for milking cows;
- Reduced groups of animals on farm; and
- Potential improved animal performance.

## Challenges/Threats to Contract Rearing

While the current contract is operating well and John does not see any major challenges to it. He does identify that the contract is hugely reliant on trust between the two farmers and if there is a lack of trust or trust breaks down, then the contract is in danger of not working.

The contract rearer needs to be an efficient farmer (particularly in grassland management) to be able to achieve the desired targets for the heifers and if not, then their income will be in jeopardy.

Dairy farmers can find it difficult to commit to the concept of another farmer rearing their replacement heifers and if they do not commit fully, then they may not trust contract rearing and may be more likely to find fault.

“Some farmers find it difficult to commit to another farmer rearing their replacement heifers”

By way of engagement with his discussion group and Teagasc advisors, John was able to identify issues which needed to be discussed with the dairy farmer such as the performance of weaker/lighter animals, the target pregnancy rates and overall management. Farmers operating without the support of a discussion group and Teagasc advice may find it more challenging to identify and address issues of concern.

However, a significant challenge/threat for contract rearers is that contracts are for one year only. Therefore if the dairy farmer decides not to renew the contract at any stage in the future, the contract rearer has lost their source of regular income and will need to identify another farmer who requires heifers reared or purchase stock which requires considerable capital. The future of the enterprise is out of their direct control.

The fact that another farmer's livestock are present on the contract rearer's farm increases the disease risk for that farmer and his neighbours. The incidence of disease could not only result in financial losses but also restrictions on animal movement. This is not a significant issue for John currently as he has a predominantly sheep farm and also he runs the contract heifers on his outfarm.

John receives stock at 9-10 months old, however other contract rearers receive them shortly after birth and this increases the risk to them in producing healthy animals.

As a typical contract includes a target pregnancy rate, contract rearers run the risk of problems with fertility and conception rates.

"Having the responsibility for another farmers stock is always a risk"

### Satisfaction with Contract Rearing

Overall, John is very satisfied with contract rearing as it is delivering a regular cashflow, the heifers are performing well, he is achieving his targets and the dairy farmer is satisfied. However, it took a number of attempts for him to source a compliant farmer to work with. In addition, both farmers have engaged in ongoing discussion to fine-tune the arrangement so that it works for both of them.

"Overall, there are more positives than negatives to contract rearing"

### Knowledge, Skills and Training

Contract rearing is focused on animal performance in terms of weight gain and pregnancy rates of replacement heifers. Therefore core farm management and husbandry skills are critically important. John identifies grassland management and production of quality silage as being critical to the profitability of contract rearing on his farm. Despite the difficult land and high rainfall he achieves high growth and utilisation rates of grazed grass by heifers.

In order to achieve high pregnancy rates and compact calving, contract rearers need to be skilled in the management of breeding heifers.

As contracts are typically based on a daily rate per heifer, contract rearers need to be skilled financial managers and to be able to monitor costs. In doing so they should be able to see opportunities to reduce their costs or increase margins such as in the areas of concentrate feeding, vaccinations or medicines. Farmers need to be supported by Teagasc in closely monitoring costs and assessing profitability.

John did not receive any specific training related to contract rearing. However, he identifies the support, advice and guidance provided by Teagasc and by way of participation in a contract rearing discussion group as being critically important to him and to any farmer engaged in or considering contract rearing.

He recommends that further contract rearing discussion groups are established and that more information is made available to farmers on this subject. In order to facilitate discussion, information exchange and networking of farmers interested in contract rearing (dairy farmers and contract rearers), there is a need for more events/activities

including: seminars; conferences; farm walks and open days.

Building and fostering relationships and trust between the contract rearer and the dairy farmer are also important. However, John believes that building of trust is something that both farmers need to work on rather than be trained in. Access to information, advice and experiences of others will better equip and inform farmers on issues which may impact on a breakdown in relationships and trust.

“I have an interest in and a love of dairy stock – I know how to look after and feed replacement heifers”

## Advice/Recommendation

Some of the lessons learned from John's experience of contract rearing include:

- Sourcing a compatible farmer is important;
- Trust between the dairy farmer and contract rearer is critical;
- Good independent advice is available from Teagasc and farmers should utilise to their advantage;
- Discussion group provides great opportunity to share experiences with other farmers and to learn from each other;
- Clear contract important but no two contracts will be exactly the same – need to be tailored to specific needs/ circumstances; and
- Regular cashflow is great and also leads to less opportunity for disagreement and reduces the risk for the contract rearer.

“ Trust is fierce important – it is 90% of the whole contract – if you don't have trust, there is nothing. ”

“ Contract rearing is like looking after someone else's children – you are going to take extra special care of them. ”

## Queries/Questions

- Could contract rearing provide an opportunity to improve the profitability on your farm?
- Have you got the farm management skills to deliver on the desired performance targets?
- Would you be willing to take the risk of managing the performance and breeding of another farmers replacement heifers?



# Key Words

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## Cooperation Key Words

Contract rearing  
Counseling/advising  
Producers group

## Farm Key Words

Dairy farm(s)  
Lambs/sheeps  
Livestock



# Partners



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(Ireland)  
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## Project Website

[www.cofarm-erasmus.eu](http://www.cofarm-erasmus.eu)



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