

Establishing Custom Calf and Heifer Raising Contracts

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Introduction

The custom calf and heifer raising business is very prevalent in the dairy industry across the country. Early-on in the development of the nationwide custom raising business, contractual agreements often were based on verbal trust. As with any dairy farm operation, the dynamics of livestock systems present unforeseen daily challenges. A written agreement between the dairy producer client and the calf or heifer raiser is critical to meet the goals of both enterprises. A contract provides a consistent document that describes key responsibilities.

This paper will outline a process adopted by the University of Minnesota Southern Research and Outreach Center (SROC) staff to set-up contractual agreements with three commercial dairy operations for raising wet calves from 2 to 200-days of age. Example contracts are shown with options to consider. (*for educational purposes only*). These are templates that can be used as a base and are not intended as official legal documents. Other information will be available in these conference proceedings on custom heifer raising fundamentals. Selected internet resources are listed at the end of this paper.

SROC Contract Process - Good Communications at all times is the key to success of establishing trust and an agreeable contract. The initial task was to identify the custom raising niche that best fit into available resources (facilities, feed, labor, management and industry demographics etc). *Are there any facility upgrading, new barns or equipment needed to function more effectively as a custom raiser?*

In the case of SROC, new facilities to accommodate suitable calf numbers were a necessity. A cash flow budget was prepared to indicate how many calves/heifers it will take to cover costs and provide a margin back to the operation infrastructure. *How many and what sized dairies need to be included to meet cash and animal flow objectives?*

Dairy client-custom raiser meetings - Locating interested dairies was the next step in the process of building to optimum capacity. The transition period to secure sufficient numbers may take a few months. Once the business is under way and the calves or heifers do well then this will establish creditability. The first meeting by SROC staff with the initial dairy client was at the SROC facilities whereby the dairy owner and his manager could walk through the facilities and understand the management. The second face to face meeting at the dairy operation included the veterinarian, dairy farm personnel and SROC staff. The next phase grower (s) was an important participant in subsequent meetings. For a second dairy client, the first discussions were arranged at a neutral site, a

local restaurant, together with the second phase grower to understand the perspective and needs of each party.

During subsequent meetings specific responsibilities by the dairy owner and custom raiser were clearly established. . In the case of the SROC operation the dairies retained ownership. A suggested daily charge was proposed. Discussions ensued on payment plans, pick-up and delivery responsibilities, health programs, death loss, and growth goals. Maintaining good records and being able to monitor periodic growth of the cattle were important criteria. It was proposed that standard procedures be laminated and posted in the barns with contact phone numbers as needed. Two of the three dairies required SROC to take calves as soon as possible prior to completion of the new barns and as such existing facilities (inside calf room, calf hutches , calf condo) and temporary renovation of an old sow-boar gestation barn were used until the new calf and heifer grower barns were operational. An existing manure-pack pole barn would remain as an integral part of the post weaned heifer group pens. A third dairy client met at SROC and agreed to work with SROC once the new barns were in service.

An example of an annual contract for the SROC dairy clients is shown in Sample Template 1 below. This contract was agreed upon by all parties and the final draft reviewed by lawyers for legality. The contract does include sentences that are unique to Universities but for the most part does represent typical commercial applications. The contract is working well to date with continuous input from all parties for areas of improvement. Sample Templates 2,3, and 4 below provide varying approaches to writing contracts and responsibilities.

Much of the process at SROC is learning how to manage the new facilities to accommodate fluctuating calf numbers and changing weather patterns. Health programs may differ between dairies. Any health program changes should be outlined and discussed before being implemented. If the quality of calves or heifers to be raised appears to be lower than expected at the initial pick-up, then this must be addressed immediately. Alternatively if heifers due to move to a second phase grower do not meet expectations similar action should be implemented.

Sample Template 1

THIS SERVICES AGREEMENT (the “Agreement”) is entered into effective as of June 1, 2003, by and between the Regents of the University of Minnesota (the "University" also referred to as “Calf Raiser”), a Minnesota constitutional corporation, and Bombay Dairy Co. (the “Company” also referred to as “Owners”), a corporation. This agreement is entered into by the University through its Southern Research and Outreach Center (SROC), Waseca.

NOW, THEREFORE, the parties agree as follows:

Description of Services. The University shall render the following services (reference to services in this Agreement shall be deemed to include any deliverables):

OWNERS RESPONSIBILITIES: **The Owners** agree to supply healthy calves to be picked up by the **Calf Raiser** once or twice weekly as per verbal communication between respective Parties. Prior to pick-up all calves will have received at least 3 feedings of high quality colostrum, navel dipped twice, ear tagged and administered an agreed health program protocol. Unthrifty calves will be not sent to the **Calf Raiser**.

All health costs prior to pick-up will be the **Owners** responsibility. **The Owners** will assume the financial consequences of death loss of calves up to 5% of calves delivered to the Calf Raiser for the duration of the raising period. The calf raiser shall reimburse the owners for any death loss over 5% at a rate of \$xxx.xx per calf. Kenyon Farms or other grower identified by **Owner**, will be responsible for payment on all healthy calves from 170 to 200 days of-age to the equivalent rate of \$x.xx/day. The total amount due to SROC will be paid at the time of pick-up from SROC by Kenyon Farms or other grower. Appropriate adjustments will be made by SROC to cover costs for transporting calves by the next stage grower. In the event of non-payment from Kenyon Farms, the **Owners** will assume responsibility and guarantee payment to the **Calf Raiser**. In the event that a calf is not suitable for delivery to Kenyon Farms, the calf will be sold. Proceeds above the **Calf Raiser's** input costs will be distributed to **the Owners**.

The Owners agree to allow calves to be used for nutrition research studies by **the Calf Raiser** as long as Growth Rate and Health Goals are not compromised. **The Owners will retain ownership of all calves throughout the calf raising contract period.**

Sample Template 1 (cont'd)

CALF RAISER RESPONSIBILITIES: **The Calf Raiser** agrees to pick-up healthy calves once or twice weekly from the Owner as per verbal communication between respective Parties. **The Calf Raiser** agrees to cover transport costs incurred for picking-up calves and also delivery of 170 to 200 day-old calves to the second stage grower. The health status of calves will be determined at time of pick-up. **The Calf Raiser** will administer a health program and sanitation protocol that has been agreed upon by respective Parties from the day of pick-up to completion of the 170 to 200 day period. A minimum of two modified live bovine respiratory complex and 2 clostridial vaccines will be administered. All health incidences and treatments will be documented.

The Calf Raiser will confirm colostrum immunity transfer within 24 hours of pick-up based on serum protein concentrations determined by a refractometer. Additional checks for the presence of calf pathogens in the blood, feces, or tissue will be agreed upon by the respective Parties. **The Calf Raiser** agrees to assume all costs incurred for death loss rates of > 5% of calves delivered during the duration of the raising period. **The Calf Raiser** agrees to cover all health costs incurred during the contract period after pick-up. **The Calf Raiser** will not use a Brucellosis vaccine in the heifer calves. **The Calf**

Raiser agrees to implement all routine conditioning programs including de-horning, removing of extra mammary teats, and tail docking. Periodic re-evaluation of the health protocol will occur bi-monthly between respective Parties. **The Calf Raiser** is the custom feeder of all calves throughout the contract period. **The Owners** will retain ownership of all calves picked-up by the **Calf Raiser**.

The Calf Raiser will implement high quality liquid and dry feeding programs to ensure a minimum average growth rate of between 1.6 and 1.7 lbs daily, wither height and body weight within the range of 40-41 inches and 370-410 lbs, respectively, prior to calves being delivered to the second stage grower. Periodic body weights and skeletal measurements will be taken throughout the calf raising period.

Compensation. For the services rendered under section 1, the Company shall pay the University as stated above.

The compensation shall be paid: (Check one of the two boxes)

- in full upon the signing of this Agreement; or
- in full, payable on a monthly basis – on stock delivered in the preceding month.

Term. The term of this Agreement shall commence on: (Check one of the two boxes)

- the date first above written; or
- on July 1, 2003

Sample Template 1 (cont'd)

The term of this Agreement shall expire on June 30, 2004, unless terminated earlier as provided.

Termination. Either party may terminate this Agreement for material breach on seven (7) days' written notice, during which period the breaching party may cure. Additionally, either party may terminate this Agreement for its convenience upon ninety (90) days' prior written notice to the other party. Upon termination, the Company shall promptly pay the University for all services rendered and costs incurred up to and including the effective date of termination.

Unless more specific insurance provisions are attached, the following shall apply:

At all times during its performance under this Agreement, the Company shall obtain and keep in force comprehensive general liability insurance, including coverage for death, bodily or personal injury, and property damage, including products liability, with limits of not less than \$500,000 each claim and \$1,000,000 each occurrence. All such certificates evidencing such insurance shall name the Regents of the University of Minnesota as an additional insured. The Company represents that it has workers'

compensation insurance to the extent required by law. The Company agrees to furnish proof of all such insurance to the University upon request.

IN WITNESS WHEREOF, the parties have entered into the Agreement as of the date first above written. _____

Sample Template 2

This agreement, dated the _____ day of _____, 20____ made between Drewry Farms, Inc of xxxx WI, and Farm Representatives, hereinafter referred to as **“CONTRACTOR”**, and _____ (name) _____ of (address) _____ hereinafter referred to as **“OWNER”**.

The **CONTRACTOR** agrees to house, feed, breed, and provide ordinary care for the **OWNER’S** heifers from the time of acceptance at _____ months of age until the heifer reaches _____ months pre-fresh for the agreed price of _____ per day. Any change in the per day price must be done in writing, 120 days in advance of said price change.

TIME OF ACCEPTANCE

1-**Calves** will be picked up by the **CONTRACTOR** on the first Monday of the month.

Sample Template 2 (cont’d)

2-**Calves** should be approximately 34” tall and 2 months of age; from cold housing, such as hutches; dehorned; eating a grain feed; and in good condition.

3-**OWNER** must vaccinate their calves anytime between birth and at least 48 hours prior to departure with Intranasal vaccine.

4-**OWNER** must vaccinate their calves with a clostridium vaccine before arrival.

5-**Animals** will be ear tagged with at least a two-inch tag in the left ear with a visible ID number.

6-**OWNER** will provide **CONTRACTOR** with birth date, past medical record, and any other information deemed necessary by the **CONTRACTOR**.

7-**OWNER** must verify annual milk herd vaccination program and that calf has been fed adequate colostrum.

8-**CONTRACTOR** will photograph each calf and keep such photos in a file to reduce any confusion of calf identification.

9-**CONTRACTOR** reserves the right to reject any calf.

10-**If calves** arrive not being dehorned, vaccinated, tagged, etc., owner will be charged the cost of having these things done.

TRUCKING

Heifers will be picked up and delivered to the **OWNER** on the first Monday of the month. Any other arrangements **MUST** be made in advance. Heifers will be delivered 2 months prefresh according to pregnancy checking by veterinarian, unless other arrangements are made prior to delivery.

VETERINARIAN COSTS

CONTRACTOR will provide ordinary veterinarian costs for calves to be vaccinated, dewormed, feet trimmed, removal of extra teats, and pregnancy checked. **CONTRACTOR** agrees to give the following vaccines:

- 1-BoviShield 4 + L5 and Brucellosis given between 4-8 months of age.
- 2-BoviShield 4 + L5 given 3-4 weeks before breeding.

OWNER will be consulted when there is other veterinarian work to be performed on his animals and a course of action will be decided on by both the **OWNER** and **CONTRACTOR**. Subsequent treatment is paid by the **OWNER**.

BREEDING

Heifers will be bred when they reach approximately 50 inches in height unless other arrangements have been made at the time of acceptance by the **CONTRACTOR**.

Sample Template 2 (cont'd)

1-CONTRACTOR will do all the heat detection at the **CONTRACTOR'S** discretion.

2-Calving ease bulls with semen valued at \$10-\$20 per straw will be used. Semen requests above that amount will be charged to the **OWNER**.

3-OWNER may select semen or designate **OPERATOR** or breeding technician to do the same.

4-OWNER may have his heifers synchronized to be bred at the same time and is responsible for the costs of the drugs used.

5-CONTRACTOR will be responsible for having heifers pregnancy checked at about 40 days following last breeding.

6-OWNER and **CONTRACTOR** will decide what to do with heifers bred more than two times and still not pregnant.

7-Any other breeding services, i.e., ET work, may be done upon agreement between **OWNER** and **CONTRACTOR**.

BILLING

OWNERS will be billed on the 1st of each month and payment in full, is due by 15th of that month. Bills not paid in full at that time will be assessed a service charge of 1.5% after 30 days or a rate of 18% per year. The **OWNER** understands that Wisconsin Statutes SS 779.43 (3) provides for a lien by **CONTRACTOR** on those animals until **OWNER** pays for the cost of such housing and feed expenses.

LIMITATION OF LIABILITY

The **CONTRACTOR'S** liability for any act or omission of **CONTRACTOR** is limited to the cost of the feed and housing of the animal while in the **CONTRACTOR'S** care. **OWNER** is responsible for insurance protection of his cattle.

OWNER always has the right to inspect his animals at any time he feels necessary. Calling ahead to make an appointment is recommended and appreciated.

This agreement shall be binding on, and inure to the benefit of, the parties and their heirs, successors or assignees.

Owner _____ Date

Contractor _____ Date

Sample Template 3

Custom Feeding Contract -- Heifers from 300 lb body weight

I PARTIES

This contract is between _____,
Name Address
hereinafter known as **Owner**, and _____,
Name Address

II OWNER'S RESPONSIBILITIES

- Delivery to and from custom feeder at owner's expense.
- Provide and pay for feed supplements to feeder's home base with the intended feeding instructions (i.e., feed at 3 lbs/hd./day).
- Veterinary and drug costs to be shared equally by owner and custom feeder for health issues while on feed and pasture. Vaccinations and routine cost related to dairy herd health, sleeving, dehorning, deteating, and etc. to be paid by owner. However, no veterinary services are to be performed without owner's or owner's agent's permission and by his guidelines.

Owner will assume first one and one-half percent of death loss, and owner and custom feeder will share death loss thereafter, and share and share alike, (this value is the

assessed in value of \$x.xx per lb of in weight per head) except for losses caused by custom feeder's negligence, including electrical short, equipment injury (whether equipment is maintained properly or not). Any death loss, caused by direct action of custom feeder, will be custom feeder's responsibility, and shall be his loss alone. Direct actions include such actions as machinery injury, (running over, impaling, crushing, etc.) poisoning by pesticide, shooting, etc. Insured claims and payments will be distributed back to owner's assessed value as stated at the above line and then balance to the custom feeder's value. Insurance will be noted below. *Example: Cattle arrive on farm and covered by feeder's insurance, 30 days later lightning strikes one calf. Insurance claim will pay owner his assessed value and the remaining will pay the bid rate of \$_____ x.xx ___ per head per day.* **Veterinarian** determines responsibility.

III CUSTOM FEEDER'S RESPONSIBILITIES

Custom feeder will maintain liability insurance on cattle to protect himself against damages and lawsuits. He will care for the cattle with proper and good animal husbandry and feed them provided supplement so as to try to maintain approximately 1.7 lb/day gain in body weight, resulting in a heifer weighing at least 1100 lbs at five months pregnant and 1200 lbs at seven months pregnant. Rations to be fed shall include corn silage, hay or haylage, balage (primary winter feed) grain, grass (mig or top quality), free choice salt and mineral.

Sample Template 3 (cont'd)

He will prevent direct or indirect harm to the cattle from any source, and he will assume total liability for personal injury caused him by the cattle.

Custom feeder will furnish adequate and proper housing, yardage and bunk feeder space, and will notify owner or owner's agent at once, if sickness or injury is suspected.

Owner's cattle shall be housed and fed separate and cannot be co-mingled with other cattle or any other animals, unless agreed upon in advance.

IV FEEDER'S RIGHTS OF MANAGEMENT

In case of bull breeding, feeder has the right to declare a bull unsafe for himself or others and notify the agent that a replacement may be needed. The owner and his agent will then decide course of action.

Feeder has the right to choose the proper mineral and supplements to do the required gain per HD/day level of production. Feeder will use provided minerals and or extra supplements to boost certain areas of nutrition needs.

Backgrounder reserves the right to move cattle to pastures other than what is considered his home base. Cost of shipping cattle will be based on home yards, extra cost due to further distance will be paid by backgrunder.

Feeder needs to make judgment calls on chronic sick cattle and notify the agent or owner (chronic bloaters, lungers, infected horn bases that are untreatable, etc.). These cattle need to move off of farm as noted and be called **unfit breeding stock**. This will not go against death loss and goods and services need to be settled for the rates of \$x.xx per day to breeding time and \$x.xx per day after breeding. Breeding date is when mating occurs through AI or bull in dates.

V PAYMENT PROVISIONS

Owner agrees to pay custom feeder \$ x.xx per day for each animal in custom feeder's care, payment to made by day 5 of the following month of entry and by day 5 of each month thereafter. This payment will be for what is called "goods and services provided". Any load outs will be settled according to contract payments before leaving farm.

Custom Feeder has a first lien for the goods and services provided under this contract. Owner agrees to subordinate or obtain subordination from any party having any security interest in the property to allow the feeder lien to have first priority and the feeder lien protection by the Iowa code Chapter 579.

Sample Template 3 (cont'd)

If AI services are required, the owner will pay the feeder the going AI tech rates and cost of semen and related AI services as agreed upon prior to breeding start. Bulls for breeding shall be provided by owner or agent. The daily rate to be a reflection of market prices of feed ration ingredients, and may be changed only by agreement of both parties to the contract.

VI TERMINATION

This contract may be terminated following a thirty-day written notice by either party to the other. This termination period is to start no sooner than 60 days from the beginning of the contract unless one of the above-stated requirements are not met.

As stated at beginning, this contract runs to XXX, x, 20xx, if both parties agree it can continue at this rate under a new contract. At the present time a bid rate of \$x.xx per head per day will be required beyond Oct. 1, 20xx unless preceded by a new contract.

Any disputes will be discussed and decided promptly with the addition of a third party. The area extension dairy specialist Xxxx xxxx based at (your county, (city), (state) will

be designated as that third party. If not available, this contract will use next closest dairy specialist suggested by the Extension Service (Xxx xxx xxxxx).

_____	_____	_____	_____
Custom feeder	Date	Owner	Date
<i>Signed:</i>			
Address _____		Address _____	

Sample Template 4

Cattle Care Contract Identification:

This contract is made between John Everett of xxxx WI and _____, address: _____
_____ phone: _____ on (date) _____ and is for the purpose of custom housing and feeding of cattle.

Entrance Requirements:

John Everett retains the right to accept or reject cattle that do not meet the following specifications:

- 1) Only healthy, disease-free cattle will be accepted.
- 2) All heifers must be vaccinated for Brucellosis.
- 3) All heifers must be vaccinated with a live 9 way vaccine.
- 4) _____

Sample Template 4 (cont'd)

Heifers in good health will be delivered at age _____, weighing _____ lbs and measuring _____ inches at the withers. The owner will pick up the animals _____. The goal of John Everett is to develop heifers that are bred to calve at 24 months, will weigh between 1,300-1,350 pounds, are approximately 54 inches at the shoulder and have a body condition score of 3.2-3.5 (0-5 point system).

Special Arrangements and/or Conditions:

Animal Care, Animal Health and Death Loss:

John Everett will provide the feed (minerals, salt, grain, haylage, silage, dry hay), vaccinations, worming, breeding, pregnancy checks, and other veterinary costs, bedding, dehorning, housing, labor, and daily observation.

The owner will be responsible for veterinary costs of preexisting conditions, vaccines, worm medicines, semen, and proper ear tagging, and insurance.

Trucking to and from the facility will be provided by: _____.

A death loss of between 0% and 2% on heifers older than weaning age will be considered normal, with the owner assuming the loss. On calves up to weaning age a death loss of 0%-5% will be considered normal with the owner assuming the loss. Losses in excess of normal will be split 50/50 based on fair market value. Fair market value will be determined by xxx

Terms:

Financial terms of this contract are \$_____ a head per day, billed on a monthly basis, payable within 10 days. This contract is to be renewed on an annual basis on October 1, of each year, starting xxxx

A 5-day notice is to be given for the purpose of taking cattle out on the part of the owner. John Everett will provide a 30-day notice if the owner is requested to remove his cattle, except in cases of illness.

Owner	Date
Custom Feeder	Date

Sample Template 5

THIS AGREEMENT, made and entered into this _____ day of _____, 20____, by and between MOHORIC AND MILLER, INC., a Washington Corporation, hereinafter referred to as “Company”, and _____, hereinafter referred to as “Owner”,

WITNESSETH:

For valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Owner** shall place _____ head of replacement heifers with Company for the purpose of Company providing Agistor services for the benefit of Owner. Owner agrees to be responsible for the transportation costs to deliver said heifers to Company’s place of business, and to pick up said heifers from Company’s place of business upon completion or termination of this Agreement.
2. **Company** shall be responsible for all feeding and veterinary needs related to the growth and health care of Owner’s replacement heifers. Company shall be responsible to pay for the costs of feeding and veterinary care, which costs shall be reimbursed through the payment of Agistor services by Owner to Company.

3. **Owner** agrees to pay Company for the services as set forth herein the rate of \$_____ per pound for the increase in weight of the replacement heifers placed with Company. Said amount shall be determined by Owner and Company weighing in each replacement heifer on the date of delivery and weighing out each replacement heifer on the date of pickup, with payment being made by the pound for the increase in weight attributable to the Agistor services rendered by Company. As to each replacement heifer delivered, Owner and Company agree to keep a specific record on the weight in and the weight out, together with the actual dollar rate per pound being charged for services rendered by Company. Said records can be attached to this Agreement and shall be incorporated herein as if fully set forth in this Agreement. This provision shall relate to all replacement heifers delivered to Company on the date of execution of this Agreement, together with any additional heifers delivered to Company thereafter.
4. **The parties** agree that upon pickup of any replacement heifer, all costs due and owing Company shall be payable in full. Owner agrees to tender payment in the form of cash or cashier's check to Company at the time of pickup of said heifers.
5. **Owner and Company** agree that Company shall have an Agistor's lien created in all replacement heifers placed with Company pending payment in full for services rendered. Owner and Company agree that said lien shall be paramount to any and all other liens against said animals and shall be payable upon the delivery of said animals to Owner or the sale of said animals to a third party.

Sample Template 5 (cont'd)

6. **Owner** agrees to allow Company to give notification to any and all lenders of Owner of Company's lien created hereby.

EXECUTED IN DUPLICATE on the date and year first above written.

By_____

**Replacement Heifer Growth Guidelines Prepared for Mohoric Farms
(adapted from PA and Canada Research)**

AGE MON	AGE DAYS	BODY WT (LBS)	WT/DAY OF AGE	GAIN LBS/DAY	WITHER HT. INCHES
1	30	140	4.67	1.25	31.00
2	61	190	3.11	1.61	33.00
3	91	240	2.64	1.67	36.00
4	122	295	2.42	1.77	39.00
5	152	350	2.30	1.83	42.00
6	183	410	2.24	1.94	44.00
7	213	470	2.21	2.00	46.00

8	243	530	2.18	2.00	47.00
9	274	590	2.15	1.94	48.00
10	304	648	2.13	1.93	49.00
11	335	705	2.10	1.84	50.00
12	365	760	2.08	1.83	51.00
13	395	815	2.06	1.83	51.50
14	426	870	2.04	1.77	52.00
15	456	922	2.02	1.73	52.50
16	487	975	2.00	1.71	53.00
17	517	1,025	1.98	1.67	53.50
18	548	1,076	1.96	1.65	54.00
19	578	1,126	1.95	1.67	54.50
20	608	1,175	1.93	1.63	55.00
21	639	1,222	1.91	1.52	55.50
22	669	1,266	1.89	1.47	56.00
23	700	1,310	1.87	1.42	56.50
24	730	1,350	1.85	1.33	57.00

Internet Resource Examples for Dairy Heifer Contract Fundamentals

www.pdhga.org (Professional Dairy Growers Association – contacts and dairy heifer information)

www.das.psu.edu/dcn/calfmgt/special

www.ohioline.osu.edu/as-fact/0005.html

www.attra.org/attra-pub/dairyheif.pdf

www.dasc.vt.edu/nutritioncc/drw2000.pdf