

### Introduction

The goal of a grain-fed veal farmer is to achieve the desired finish on veal cattle at the right weight and age. Ideally, market-ready grain-fed veal cattle should weigh between 295 to 320 kg (650 to 705 lbs.) at 28 to 32 weeks (seven to eight months) of age. To achieve this goal, it is critical to have the right feed rations and ratios.

Veal is defined as cattle of any dairy breed or dairy crossbreed dressing no more than 190 kg (419 lbs.). This converts to a live weight of roughly 349 kg (769 lbs.), which is reached at approximately eight months of age. Producers are strongly encouraged to target a dress weight of 180 kg (397 lbs.) to maintain some flexibility within the system to manage veal carcass weights.

- Average daily gain (ADG) should be 1.2 kg (2.6 lbs.) or better. Targeting daily gains above 1.5 kg (3.3 lbs.) may require additional nutrient requirements.

Grain-fed veal cattle are fed a balanced ration based of grain (usually clean, whole-shelled corn) and pellets made of protein, vitamins, and minerals. A small amount of fibre should be offered daily to maintain rumen health. Cattle should also have continuous access to their feed, to encourage slower eating and stimulate chewing. Ensure there is adequate bunk space for each animal.

### About Cost of Production

Cost of Production (COP) is a tool that can help in farm-level decision making. Farms with multiple enterprises can use COP to assess which ones are making money and which are not. You can also use it to concentrate on individual or groups of costs that have the biggest impact. Pricing targets for inputs, like male dairy calf and feed purchases, and outputs can be set at different cost break-even levels. For veal farmers, knowing your other costs can help show you what you can afford to pay for male dairy calves.

Veal Farmers of Ontario (VFO) and the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) developed a COP tool to help farmers calculate their costs and use them in their planning. The tool uses the production systems approach to calculate COP. It allows for a production period divided into two stages (weaning and finishing), buying in preconditioned calves, or a combination of both. The veal production practices are broken out, and input prices applied, to arrive at a total cost for each cost. Capital investments are costed out based on replacement costs with typical depreciation, interest, repair, and insurance rates. From a planning perspective, these are useful because the amounts used, and prices paid, are detailed out so changes to rations or input prices can be made and the impact on the financials can be quickly determined.

## How to use the COP tool

Before diving into the costs, the first section of the budgeting tool allows the user to provide their production profile. This is basically painting the production picture of your farm; how many male dairy calves are purchased, purchase and sale weights, ADG, death loss percentages, etc. Production drives COP, so having a good handle on your farm's productivity, and how different productivity levels will change your COP, is key.

Farming has many risks; disease, weather, and market volatility can quickly change your financial forecasts. Some of the key risk factors that impact a veal operation are considered in the budget such as male dairy calf purchase and sale prices, death loss and ADG. Identifying the risks and the range of possible outcomes can help in planning for ways to manage or mitigate them. If death loss is twice as high as you expect, how does that affect your bottom line? If you can increase your ADG from 1.36 kg (3.0 lbs.) to 1.58 kg (3.5 lbs.) per day, how much will this lower your feed cost? Understanding and monitoring price seasonality and volatility both on the male dairy calf and finished veal cattle side are important considerations in deciding what you can afford to pay for male dairy calves based on the potential market price outlooks.

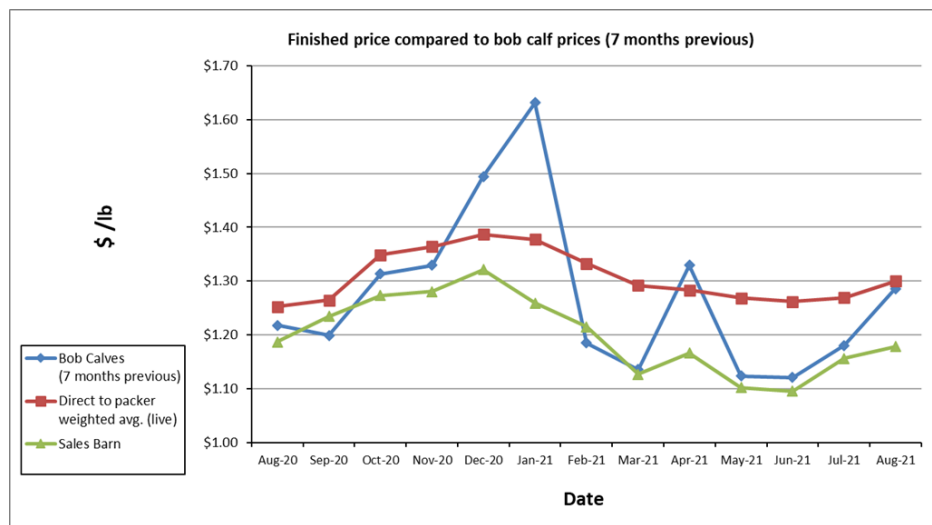


Figure 1

Figure 1 shows the seasonality of market price and how male dairy calf purchase prices from seven months prior relate to the price they received as finished veal.

**Notes:** VFO releases updated graphs quarterly on their website here: <https://bit.ly/VFOMarketInfo>

Find weekly market report information compiled by VFO here: <https://bit.ly/VFOMarketReportArchives>

While the format of COP budgets can vary, they typically include the following:

- **Revenue:** the gross revenue from crop and livestock sales before any costs have been deducted
- **Direct Variable Costs:** input costs to produce a specific commodity, which change depending on the level of production (e.g., male dairy calf purchases, feed, veterinary costs, seed, fertilizer, and pesticides)
- **Indirect Variable Costs:** costs used in producing all commodities on the farm (e.g., fuel, labour, and utilities). These also change depending on the level of production but not in direct relationship with production
- **Fixed Costs:** costs that remain the same regardless of the level of production (e.g., property taxes, fire insurance, term interest, and depreciation)
- **Net Farm Income (Profit Margin):** revenue minus all variable and fixed costs

As you move down this list the costs become more individual; everyone is purchasing and feeding veal cattle and has a health program in place, so those tend to be more consistent across farms. But things like your hired labour can depend on how much you do yourself or how many family members are involved; building and machinery investment are unique to you; and debt commitments will differ farm-to-farm based on the stage of your farm business and your attitudes towards debt.

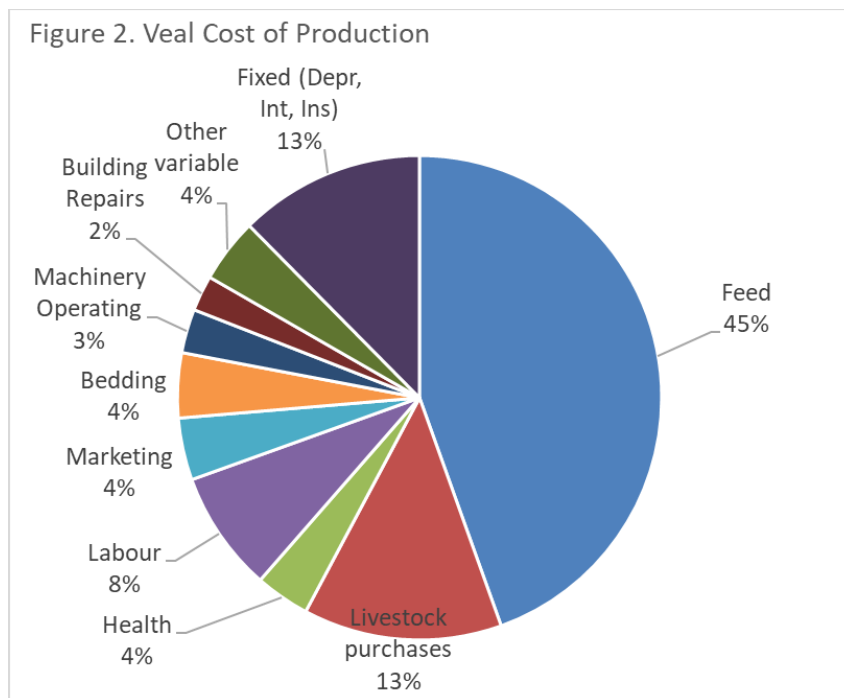


Figure 2 presents the breakdown of the costs of a typical veal operation. With the costs broken down you can identify those areas that impact your COP the most. Feed costs represents almost half of the total costs, so it makes sense (and cents) to concentrate planning time on knowing your feed costs. Purchased feeds are straightforward, but how do you account for homegrown feed? Their costs will be spread across all the crop-related costs like seed, fertilizer, and fuel. If the farm also sells cash crops this further complicates the homegrown feed cost picture. There are one of two ways to handle homegrown feed costs; they can be valued at cost or at market value. Market value represents the opportunity cost of feeding the crops to livestock rather than what you would have received selling them. Regardless of the approach you use, having a good handle on feed costs is a good starting point in controlling your COP. You can move through your COP, looking at each cost to determine areas that you are strong in and areas that could be improved.

The COP tool developed is based on a typical veal operation with underlying assumptions on how the costs were determined. It is important to use these just as a guide in determining your own COP; replacing the sample numbers with your own numbers will be more meaningful and useful in making farm business decisions. The tool is available in Excel format (English or French) on the VFO and OMAFRA Ontario Enterprise Budgets websites.

Download the tool here: <https://bit.ly/VFOvealCOP>

*Thank you to John Molenhuis, Business Management Program Lead, OMAFRA, for his contributions to this fact sheet.*

## For more information:

As part of your research into starting a grain-fed veal farm, you are encouraged to talk to experienced veal producers, visit their farms (while following strict biosecurity protocols), and attend industry events and meetings. No two veal farms are the same and a lot of valuable information will be learned from each visit and event.

Find VFO website producer resources here: <https://bit.ly/VFOProdResources>

Find the *Code of Practice for the Care and Handling of Veal Cattle* here: <http://bit.ly/theVealCode>

Find Ontario Ministry of Agriculture, Food and Rural Affairs veal resources here: <https://bit.ly/OMAFRAVealBusiness>

For more information on business and marketing, visit:

- Risk Management Program for Ontario veal producers (<https://bit.ly/37SNRGr>)
- AgriStability (<https://bit.ly/agristab>)
- Ontario Beef Cattle Financial Protection Program
  - Overview (<https://bit.ly/33JqT1A>) and reporting (<https://bit.ly/3dtVpRO>)
- OMAFRA – 2021 Information Resources for Beef Producers (<https://bit.ly/3aKhWHI>)
- OMAFRA – 2021 Information Resources for Dairy Producers (<https://bit.ly/2ykhzpD>)
- 5-year holiday planner for producers (<https://bit.ly/3ovQojk>)

*References available upon request.*

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### Find us on social:

Twitter: [@OntarioVeal](https://twitter.com/OntarioVeal)

[@CalfCareCorner](https://twitter.com/CalfCareCorner)

Facebook: [@CalfCareCorner](https://www.facebook.com/CalfCareCorner)

[@Finishing grain-fed veal in Ontario](https://www.facebook.com/Finishing-grain-fed-veal-in-Ontario)

[@Marketing of male dairy calves in Ontario](https://www.facebook.com/Marketing-of-male-dairy-calves-in-Ontario)

YouTube: [Calf Care Corner](https://www.youtube.com/CalfCareCorner)

[OntarioVeal](https://www.youtube.com/OntarioVeal)

Disclaimer: This resource is for educational purposes only. Veal Farmers of Ontario is not responsible for any business or management decisions made by consulting this resource.

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