

Repro Tracks

Contract recipient herds for embryo transfer

by **BILL BEAL**, beef cattle reproductive physiologist, Virginia Tech

Angus breeders who use embryo transfer (ET) often contract with owners of commercial cow herds for recipients to raise their ET calves. This provides the opportunity for commercial cow-calf operators to add value to their weaned calf crop. However, every agreement between an embryo owner and the contract recipient herd owner should be crafted carefully and underpinned by a legal contract that clearly spells out the expectations and responsibilities of each party.

Breeder question No. 1:

My brother and I have 100 commercial cows and have been asked by a purebred breeder if we would become a contract recipient herd for them. Their intention is for us to put in their embryos and to sell them back all the ET calves at weaning. What is the standard rate for selling an ET calf back to the embryo owner?

Response: The price charged for ET calves varies considerably based on the services provided by the recipient herd owners. Most contracts charge a flat rate for every ET calf, regardless of differences in the age, sex or weight of the calves. My quick check of four contract recipient herds in the Southeast U.S. revealed a range from \$950 to \$1,100 paid per calf.

Contract recipient herd owners prefer this type of contract because the flat pricing removes a lot of risk and does not penalize them for calves that have a lower average daily gain (ADG).

Contracts are not always based on a flat rate. I found one contract herd owner who receives the price of a market steer of the same weight as each ET calf (regardless of sex) and an automatic premium of \$200 per calf. In addition, the embryo owners agree to pay an extra bonus of \$125 for each ET bull calf with a weight per day of age (WDA) of 2.8 pounds (lb.) and each ET heifer calf with a WDA of 2.5 lb.

Embryo owners like this kind of contract because it allows prices to fluctuate with the feeder-calf market, and it creates an incentive for the contract herd owner to raise heavier calves.

Breeder question No. 2:

What are the biggest "problems" contract recipient herd owners face when dealing with embryo owners or ET practitioners?

Response: First and foremost, to avoid problems have a lawyer draw up a contract that clearly spells out the expectations and responsibilities of each party. I reviewed two contracts from owners who have operated recipient herds for several years. Each contract clearly spelled out the responsibilities of both parties in the following areas:

1. Stage of development, quality grade and paperwork with identification of the embryos to be transferred.
2. Age at which ET calves would be available for delivery to the embryo owner.
3. Deposit required at the time of embryo delivery (to be applied to final compensation for weaned ET calf).
4. Specifications and payment responsibilities for:
 - a. embryo shipment and embryo transfer services;
 - b. calf vaccinations, mineral supplementation, deworming and identification;
 - c. veterinary services and medication to treat sick calves;
 - d. creep feeding, preweaning conditioning and delivery of weaned calves; and
 - e. insurance coverage for embryos and/or calves.
5. Compensation rate for each live, weaned, ET calf.

Regardless of all the conditions spelled out in a contract, problems can still occur. One ET practitioner told me that the most common disputes he has seen between embryo owners and contract recipient herd operators arose over misidentification of calves, poor pregnancy rates, bad eyes (pinkeye) or bad temperament of the calves. If you have a good contract and can avoid these key problem areas, relationships with embryo owners and ET practitioners should be good.

Breeder question No. 3:

Are there any drawbacks that will negatively

affect our commercial herd if we agree to become a contract recipient herd?

Response: I talked to two commercial cattlemen who had served as contract ET recipient herds and stopped after one or two years. Both admitted that raising the ET calves added to their gross cash receipts. However, both questioned if the practice was "worth it," to use their words.

The primary reason each of the two discontinued the practice of serving as a contract recipient herd differed. The first, a larger herd owner (250 head) complained that transferring embryos into his cows at the beginning of the breeding season, followed by natural-service breeding, reduced the number and quality of the replacement heifers he could produce. In fact, when he stopped being a contract recipient herd, he went back to using one-time artificial insemination (AI) breeding at the beginning of his breeding season and he picked his replacement heifers from his AI calves.

The second commercial producer who stopped doing contract ET work after one year was a part-time producer with a small herd (50 cows). He figured that the 22 ET calves he raised increased his gross income for the herd by 12%, but he claimed that the added value didn't justify the extra labor (estrus synchronization, recording birth weights, etc.) and "hassle" he had to go through. He went back to breeding his cows by natural service.



Editor's Note: Bill Beal is a beef cattle reproductive physiologist at Virginia Tech. He conducts research involving estrus synchronization, AI, ET and the use of ultrasound technology. This column is designed to provide answers to questions about reproductive management commonly posed by commercial and purebred breeders. If you have questions or comments related to the reproductive management of cows or bulls, e-mail them to him at wbeal@vt.edu or mail them to him at the Dept. of Animal & Poultry Sciences, Virginia Tech, Blacksburg, VA 24061-0306.