Market opportunities for dairy-bred bull calves

Bull calves from the dairy industry have traditionally been seen as a low priority and in some cases a waste product. However, with the reduction in the size of the Welsh and indeed, UK suckler herd which may result in a significant national beef shortfall; focussed attention is needed to make the most of the animal. When reared correctly by producers and handled correctly by abattoirs and processors, dairy bull beef has the potential to present good quality meat that could complement traditional beef.

Background

Over past decades, the dairy-bred bull calf in Wales has been overlooked as a financially valuable commodity on many farms; this is principally due to market demand being fully met by beef sector supply. At the same time the Holstein breed (which generally has a poorer carcase conformation than the traditional Friesian breed) has become increasingly dominant in the dairy industry, largely due to its greater milk yields.

The export market for dairy calves re-opened in 2006, but numbers going to the continent have not returned to the levels seen pre-BSE, principally down to a fall in demand from European countries for British born veal calves. There has also been a prolonged campaign against the exportation of live calves on welfare issues by a number of organisations such as Compassion in World Farming and the RSPCA.

Current situation

With the continuing decrease in the Welsh and UK beef breeding herd (between 2006 and 2009 the Welsh breeding herd declined by 9% to 332,000 head) the UK has become less self sufficient. The UK was 80% self sufficient in beef in 2008. A natural consequence of this is for an alternative source of beef to be investigated.

In the UK, 308,000 tonnes(a) of beef and veal were imported in 2008 with a large proportion coming from the Irish Republic (63%). 92,000 tonnes(a) of beef and veal were exported from the UK in 2008, with the majority of this (38%) going over the Irish sea. The table below gives the UK beef and veal balance since 2004.

UK beef and veal balance sheet (2004-2008)

(000 tonnes)	2004	2005	2006	2007	2008
Production	719	762	847	882	862
Imports (a)	346	299	295	301	308
Exports (a)	8	11	46	67	92
Total Consumption	1,051	1,057	1,094	1,115	1,079

Source: UK Yearbook 2009, meat and livestock

(a) including boneless converted to bone-in equivalent

The import/export figures clearly show that there is a potential market for beef from the dairy herd as imports significantly outweigh exports. Annual consumption figures for beef and veal in the UK demonstrates that there is a robust market for the meat. Since 2000 the per capita consumption figure for beef has been above or around 16.5kg per year, this constitutes a consistent beef market share of total meat consumption of 23-25% in the UK during the last decade.

Many in the dairy industry believe there is a change of attitude within the farming community towards dairy bull calves, with producers now seeing that there is an opportunity to add value to these animals. A reason for this is that these calves are often available at relatively low prices compared to continental-cross calves and when comparatively cheap feeds are also available there is the potential to generate a positive margin in well-managed finishing units. There still remains the issue that the value of the final carcase is dependent on its conformation, with P grades attracting heavy price penalties compared to O grades.

It is difficult to confirm the exact number of dairy bull calves born annually in Wales, as there is no official record of the number disposed at birth. The following table gives the number of male and female dairy calf registered with BCMS from Welsh holdings for 2007, 2008 and 2009.

Welsh male and female dairy calf registrations (2007 – 2009)

2007		2008		2009	
M	F	M	F	M	F
44,127	56,290	46,292	60,357	49,562	63,806

Source: BCMS

It is evident from the figures that there is a great disparity between male and female registrations, the use of sexed-semen can be attributed for a proportion of the difference but the disposing of male calves at birth would be the overriding factor.

The figures from BCMS show that in 2009, nearly 69% of the dairy bull calves registered in GB were Holstein Friesian or Holstein Friesian X. Next most common was the British Friesian (and the British Friesian X) with 18% of the registrations.

<u>Red meat production</u>

In Wales the vast majority of dairy-bred bull calves are reared for beef. The issue of poorer conformation clearly has a negative impact on the margins attainable for the carcase, although it should be noted that there is currently work being done on specifications that would allow for more profitable production of dairy bull calves.

Estimated Breeding Values (EBVs) are becoming a more widely used selection tool within the industry, and appropriate use of EBVs should improve the carcase conformation of dairy-bred bull calves. EBVs indicate the full genetic value of the bull for a particular trait, therefore if a producer chooses a bull by using EBVs for calving ease, muscle and fat depth, the progeny's final conformation should be improved.

A management issue that faces producers of dairy bull calves is whether the calves should remain entire or not. It is generally accepted that entire bulls finish quicker and have a superior feed efficiency than steers, but many producers prefer not to have entire bulls on their farm for management reasons.

Market opportunities

Some of the UK's biggest multiple retailers (inc. Asda, Tesco, Waitrose and Sainsbury's) are now offering dairy bull finishers the opportunity of a guaranteed market for the product. This has given many producers renewed optimism in the market and should lead to a decrease in the number of calves disposed at birth.

With nearly 90% of beef being sold through multiple retailers in Wales it is apparent that for dairy bull calves to have a sustainable future in the red meat sector then there must be buy-in from the large supermarkets. Encouragingly there are a number of schemes currently available to producers that do offer a guaranteed market for dairy-bred bull calves. In order for these schemes to be a success then total industry buy-in is essential.

There has been work done on informing producers on 'best practice' when it comes to finishing black and white calves for the beef market. Various publications have been produced by a number of organisations (including HCC) together with demonstration and open days. Gelli Aur for example is one of the three Farming Connect Red Meat Development Farms and demonstrates new approaches and new technologies to support sustainable beef systems from the dairy herd. There is a need to continue producing information on the subject so that producers can improve margins and therefore ensure longevity of their businesses.

Although the use of EBVs will possibly improve the carcase conformation of dairy-bull calves, there is always likely to be a significant difference between the conformation achieved by bull calves from dairy cattle compared to bull calves from beef cattle. This however does not necessarily impact on the market opportunities of beef from dairy-bred animals.

It is generally accepted that a market opportunity for dairy-bred calves would exist in supplying the food service sector; this sector normally requires processed beef, consequently the lesser conformed dairy-bred calves would meet the necessities of this particular market. In 2008 the UK imported 131,300 tonnes of processed beef (the Irish Republic and Brazil supplied the majority of this with 57,800 and 51,900 tonnes respectively) down from 153,900 tonnes in 2005. The figures highlight the fact that there is a considerable opportunity to supply this product from home grown animals.

Veal

At present veal consumption in the UK is low with 52w/e 27 December 2009 figures revealing that veal only had a 0.028% red meat market share. There is also the welfare stigma that currently surrounds veal production which discourages many from buying the meat.

Veal is more popular across continental Europe, with France and Holland being the main consumers. In even the smallest French supermarket veal is available, with many butchers specialising in veal.

The quantity of veal consumed in the UK suggests that it has historically been seen as a niche product by the consumer and retailers. Work could be done on raising awareness of the fact that the welfare issues that blighted the industry in the 1980's and early 1990's have been addressed, all British veal calves are now reared in groups where natural light is available. This would hopefully change the public perception. In 2006 'The Good Veal Campaign', was launched where Rosé Veal had been developed and promoted highlighting its higher welfare standard compared to traditional White Veal.

As previously stated there is a limited market for veal with only two multiple retailers (Waitrose and Tesco) in the UK selling any quantity of veal for the year ending 27 December 2009. It can therefore be seen from the retailers in question that veal is considered a product for the affluent shopper. The opportunities available to the industry from here would be to highlight this fact and make veal a premium product aimed at buyers with high disposal income. Alternatively proactive promotion of veal as a realistic alternative to the more traditional meats could attract the middle income shopper.

Conclusions

With the continuing decline in beef cow numbers in Wales it seems appropriate at this time that farmers are encouraged to maximise their beef production through finishing dairy-bred bull calves to as high a standard as possible. There is an improving market available for the product; with the multiple retailers in particular developing schemes which guarantee a market and consequently a return on investment.

The statistics show that beef consumption in the UK is robust; therefore producers should be confident that there will be a market for dairy-bred bull calves. Imports of beef into the UK are a third higher than exports and as such prove that there is a potential market for home grown dairy-bred beef. These two factors (robust demand and declining GB self sufficiency) combined illustrates that there is a potentially profitable market opportunity for dairy-bred bull calves producers to meet existing UK beef demand.

The poorer conformation of the dairy calf compared to their beef equivalent is clearly an issue that needs to be addressed. The work that has and is being conducted will hopefully improve knowledge within the sector to ensure that developments are made in this area. Increased use of EBVs when selecting both the bull and breeding cows should ensure better conformation for the finished beasts. There is also greater interest in the sector for using cross-bred dairy cows rather than the pedigree Holstein; this again will improve the final conformation achieved.