



Grazing Contracts for Livestock

LIVESTOCK BUSINESS GUIDE

***Abstract:** Grazing livestock for other farmers is a way to make a land investment return additional dollars to the land owner. It requires knowledge of livestock, but more importantly, knowledge of how to make money from grass. This publication discusses some of the issues involved with contract grazing, including various classes of livestock, equipment, sample contracts, some of the economics to consider, and other resources available on the subject.*

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Introduction

Owning and working the land is one of the great dreams for many Americans. To know that the ground under your feet belongs to you and your family – to walk on it, play on it, plant grass on it, raise kids and cows on it – is one of life's joys. Land ownership gives a sense of stability and permanence rarely found with anything else in life. What to do with the land once you own it is where things begin to get complicated.

In many cases, owners want to find an opportunity that will generate the greatest return on their investment. But what opportunities are these owners willing to capitalize on, and what expertise do they possess that could provide that critical input to make the project a success? What opportunities are there that are sustainable – opportunities to improve and co-exist with the land? In some cases, owners just want to make enough to pay the overhead associated with ownership. Others want to actually make a living and support a family from their investment. Whatever the goal, one must always evaluate any potential opportunity thoroughly and make sure that the desired outcome is sustainable and realistic.

An executive in the cattle industry once said that cattle ownership is a by-product of land owner-



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ship. That is to say that cows are there because folks don't know what else to do with their land, so they think they want to be cattle producers. This publication describes how to minimize the capital investment required to generate an economic return from land ownership by grazing cattle on contract. Could you possibly contract graze either rented or leased pasture to generate a return with very little or no capital investment? Yes, it is possible. Greg Judy (see **Other Resources**) in his book entitled *No Risk Ranching: Custom Grazing on Leased Land* describes exactly that: grazing someone else's cattle on rented ground.

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For some landowners, a return large enough to pay the property taxes is often sufficient, offering a cattle grazier the opportunity to rent very affordable pasture during the growing season.

While this publication focuses primarily on the contract grazier, many of the ideas discussed are equally useful to the livestock owner, especially regarding what he or she should look for in a grazing operation to meet the needs of the livestock.

Contract grazing is not a casual enterprise. It requires a thorough knowledge of both pasture and animal husbandry. For instance, continuous mob grazing of an extra parcel of land may not result in the weight gains expected on stocker cattle or dairy heifers, and continuous grazing often results in problems with persistence of forage and erosion in environmentally sensitive areas. Contract grazing requires some management skills on the grazier's part to get the results that livestock owners will expect. Typically, the custom grazier is expected to achieve what the livestock owner can't achieve at home due to resource or management limitations. Anyone considering contract grazing should have several years of grazing experience and good stockmanship skills prior to engaging in any legally binding arrangement.

Most custom grazing is done with stocker cattle, taking weaned calves at about 500 pounds and grazing them up to 800 pounds, when they would typically be placed in a feedlot. For example, the wheat fields in Kansas, Oklahoma, and Texas support large numbers of contracted stockers for seasonal grazing. The value of annual wheat grain production in Oklahoma is estimated at \$318 million, second in value of all commodities produced in the state. The value of wheat pasture for cattle production is estimated at \$1.2 billion, almost four times more than the value of the grain alone. (Doye and Krenzer, 1989) In many instances, land that is unsuitable for row-crop production is capable of producing quality forage that can be used to graze cattle and generate a return to the owner. Grazing may also improve the quality of the land, by maintaining a permanent vegetative cover to recycle nutrients and improve overall soil quality over time.

If you are interested in contracting with a livestock owner to graze animals on your land, the most difficult part of the process may be convinc-

ing the livestock owner that you can properly manage both the land and the animals, especially if you have no experience in contract grazing. The first few years, until you have demonstrated some success, may be the most difficult. One suggestion is to start small and ensure success with fewer animals and more acres than you think you need. It is better to get a smaller return with limited grazing than to over-graze and have to purchase additional feed. Building a history of the land's actual production capabilities, along with some personal experience, will allow you to fine tune the system as you gain the knowledge necessary for successful grazing.

At the 2000 Great Lakes International Grazing Conference in Shipshewana, Indiana, Dick Cates of Spring Green, Wisconsin, presented the following advice about getting cattle to your farm or ranch.

- ◆The success of your business depends on identifying and developing these resources: relatively inexpensive feed resources, cattle stockmanship, financial and grazing expertise, and personal relationships.
- ◆Conduct honest business. Build partnerships with honest individuals.
- ◆Partnerships allow you to run more livestock for longer portions of the year, thereby spreading input costs over more pounds of grass/feed gain and allowing you to "sell and buy" closer to the same market.
- ◆Grazing/feeding partnerships must be developed and nurtured towards the end that all parties involved benefit.
- ◆We are not talking about a "get rich quick scheme" or a series of business "deals." We are talking about a solid, enjoyable approach to making a living on a farm/ranch in the livestock business.

The following are key points to consider before entering into a contract-grazing arrangement.

- ◆Forage and pasture resources
- ◆Class of livestock
- ◆Equipment and facilities
- ◆Contracts for grazing
- ◆Economics of contracting
- ◆Resources and information

Other ATTRA grazing publications

Sustainable Pasture Management

Nutrient Cycling in Pastures

Assessing the Pasture Soil Resource

Rotational Grazing

*Matching Livestock and Forage Resources
in Controlled Grazing*

*Paddock Design & Fencing
for Controlled Grazing*

Forage and Pasture Resources

Having a continuous supply of good-quality forage is crucial to success in contract grazing. In many cases, to optimize the available resources, some type of managed grazing system (managed intensive grazing – MIG – or controlled grazing, depending on the terminology you want to use) will be needed to ensure that forage quality and quantity can be maintained throughout the growing season. Regional differences will dictate what forages are appropriate for the different seasons and environments. In many cases, local assistance with forage selection and pasture improvement is available from the Cooperative Extension Service or the Natural Resources Conservation Service.

You should diversify your forage base, realizing that different forage varieties fill a wide range of environmental niches or microclimates on the farm. A diverse forage base will also help ensure that seasonal impacts on the pastures are minimal and that forage will be available during different times of the year. Some producers also interseed annual grasses at the proper time of year to supply additional high-quality feed. In many cases, a few paddocks with annuals can make the difference between simply surviving the summer slump and keeping animals gaining weight and/or milking at the desired rate.

Pastures should also be rested to maintain forage quantity and quality. Most pasture forages do not persist or perform well under continuous grazing. In some situations, the rest period may

be only a few weeks in an intensively grazed, multi-paddock system, where animals are moved regularly. Other situations may involve resting pastures for a year or more, where native rangeland is grazed and moisture is limited. Maintaining the appropriate forage cover will reduce weed pressure, lessen erosion, and improve drought resistance.

Some producers are reluctant to adopt new systems or make changes to their current continuous grazing practices. They cite inadequate returns, increased risk, and the difficulty of assessing the efficiency of improved pasture management as deterrents to the adoption of more intensively-managed systems. A recent Canadian study, however, found that when grazing systems were evaluated for total efficiency and net returns, a six-day, high-stocking rate system was the best of those studied. (Phillip et al., 2001) The researchers evaluated beef cow-calf pairs, grazed under three different rotational frequencies (two-day, six-day, or continuous), and three different stocking rates (1.23, 1.77, and 2.22 acres/cow-calf pair). While animal performance showed little benefit from intensive grazing, the efficiency of land use and total economic performance was significantly improved. On a 100-acre farm, even considering the additional labor and fencing, the six-day, high-stocking rate grazing system returned \$10,000 more than a continuous system. Perhaps the most interesting finding of the report was that the use of a managed, intensively-grazed system reduced overall variability of net returns by 51%. In addition, the managed systems showed a higher likelihood of generating a positive return when compared to the continuous grazing system in this particular study. Teegerstrom et al. (1997) reported that when measures of economic optimization are applied, contract grazing is more likely to generate positive returns than owning stockers, which in turn generated better returns than cow-calf operations. This was because there was less variation in profitability from year to year. Contract grazing in this study had the most stable profits over time, while cow-calf operations had wide swings from year to year.

Classes of Livestock to Graze

Once you decide that you want to graze animals for someone else, one of the biggest questions

is: What types of animals are you interested in working with? There are many options, depending on your facilities, your expertise, and your willingness to work.

Stocker/Background Calves

Probably the easiest grazers in terms of workload are stocker/background calves. In many cases a load of calves will be delivered for a set period of grazing, after which they are picked up and continue on to a feedlot. Grazing this class of cattle is like working with teenagers, and they can be a challenge at times due to their inexperience and lack of previous exposure to humans. Every group has to be trained to respect fences, since you typically start a new group every grazing season, and not all cattle have had contact with electric fences. To help alleviate the training problems, some producers have found it useful to keep a few cull cows around to serve as trainer animals for the new calves. Most producers have found that small corrals close to the barn, with solid fences and several off-set hot wires, work well in training cattle to electric fences without the risk of escape. See the *Fencing* section under *Equipment* for more discussion on training pens.

An important consideration for younger animals is the quality of their forage. Typically, contracts for this class of animal are based on the weight they gain during the grazing period, and higher

quality forage should make for better weight gain. Improving pastures and seeding annuals are important for ensuring that the nutritional needs of young, growing animals are met. In some instances, depending on your location and situation, supplemental energy may also be included to enhance conversion and utilization of high quality pasture, since in good pastures, adequate protein is rarely lacking. The energy-protein balance for efficient conversion is often tilted too far toward the protein side of the equation, and supplemental energy can often improve overall gains and profitability. Be sure to assess your situation accurately so that you can supplement correctly.

As a grazer, you want to make sure that you receive healthy animals that have good growth potential and will make you money with fast weight gains. Work with the livestock owner to ensure that the animals are vaccinated, healthy, and have not just been weaned. This will reduce stress on the animals and make the first few weeks of adaptation go much smoother. Be cautious about groups of calves recently purchased from sale barns. Since they may have been exposed to additional stress and pathogens, they may not perform as well as animals coming from a single source. Consult with your local veterinarian for proper health procedures and vaccinations that would make your job easier and result in healthier, faster-gaining animals.



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Beef Heifers

There may not be much difference between beef heifers and stockers, but heifers can require more management, facilities, and labor, depending on the arrangement between the owner and grazier. The key difference is that the heifers would be bred while on the farm and expected to calve at approximately 24 months of age. Therefore, the heifers may be grazed for a longer period, perhaps left with the grazier from weaning until close to calving time, 16 months later. Managing heifers can be labor-intensive when synchronizing the mating of sizeable groups of females. This may require more facilities and equipment, and probably some training, since the human factor in these types of heifer development operations is critical for success. Heifers are handled more often and require more observation if the owner is expecting to receive heifers ready to calve.

These types of heifer development operations allow heifers to receive the attention that they need to all be bred within a short time, so that calving can be more easily handled by the owner. For the additional work, there is additional return, but the expectations are also higher. In many instances, it is expected that a high percentage of the heifers will be bred to specially selected bulls via artificial insemination. If this is the case, additional arrangements need to be made for semen, supplies, and breeding expertise. If actual bulls are going to be used, it is necessary to have enough of them to ensure that all heifers are bred within an acceptable time. Young bulls can be expected to cover only 20 to 25 females, whereas a mature bull, 2 to 3+ years old, can cover up to 40 females, if he is in excellent physical shape. If bulls are going to be used, be sure to get them fertility tested before each breeding season. Just because a bull settled cows last year doesn't mean he is still able to settle cows this year. Many cattlemen have suffered major setbacks due to the incorrect assumption that a bull was still functioning properly. Life is hard on the range; any number of things could be responsible for sub-optimal performance and result in failed matings.

Any feeding program—either supplementation during grazing or full feed during the non-grazing period—will need to be closely monitored to ensure adequate growth of the heifers, but that they do not get too fat and present dystocia problems during calving. Contract graziers may

want to consider establishing a set fee for each animal that is grazed under this system, with incentives for making breeding targets and weights during development. This should not be the first contracting choice for people with limited cattle experience.

Dairy Heifers

Much of the information about beef heifers also applies here. With dairy heifers, the cliché that heifers are the most overlooked enterprise on the farm is too often true. (Cady and Smith, 1996) Therefore, the opportunity to contract graze dairy heifers is sizeable and getting larger all the time. Replacement rates on most dairies run 25 to 30 percent; therefore, on most dairies a large number of heifers are needed to fill the vacancies along the way. Another consideration is the cost of replacement animals, which accounts for 15 to 20 percent of the total cost of milk production on farms, second only to feed. (Heinrichs, 1996) Therefore, the expense of raising replacements gets a lot of attention on most dairy farms. Since between 50 and 60 percent of heifer costs are associated with feed, grazing presents a great opportunity for dairies to reduce costs and improve profitability.

The period that a dairy heifer may be on the contract grazier's farm can be longer than with beef heifers, and different age groups may be handled simultaneously. In some cases, the dairy heifer owner may deliver a group of young heifers every month and pick up the springer heifers at the same time. Dairy heifers may be smaller to start with—perhaps a day-old calf that needs milk or a two-month-old weaned calf. The nutritional requirements for these younger animals are much different from those for a 500-pound beef heifer that is seven months old. Dairy heifers can usually be handled in four distinct age or size groups: liquid feeding (birth to weaning), weaning to 400 pounds, 400 pounds to breeding, and breeding to calving. (Fiez, 1993) There are targets for weight gain for each group, so that heifers do not become too large or too fat. It is critical for productive dairy heifers to reach a critical body weight at a young calving age. Some dairy experts stress the importance of age at first calving (AFC) as the most important economic trait associated with heifer programs. Increased AFC raises herd costs in three ways: 1) increased

days of rearing, 2) increased number of heifers on the farm, and 3) lost production potential. (Cady and Smith, 1996)

If breeding the heifers is part of the contract arrangement, make sure this point is written in the contract. In most cases, the owner will supply the semen and breeding supplies. Who will supply the labor for breeding? Are you qualified to artificially inseminate the cattle?

Since this type of arrangement is the most complicated, and demands higher levels of management, graziers should consult with experts in dairy heifer development to fully understand the requirements and expectations.

Other classes of livestock

There may be possibilities to contract for other classes of cattle. Many dairy farms do not allot enough room for dry cow management, and some farms may want to move the dry cows to better facilities to reduce management problems. In most cases, individual cows would be around only 60 days, but there could be a steady stream of dry cows, depending on how the herd is managed, allowing for consistent stocking rates year-round. The drawback is that the cows would require daily management if they were left to freshen on the grazer's farm, and some considerations for winter grazing on stockpiled forage or supplemental feed would have to be worked out.

Another, less common type of contract involves grazing beef cow-calf pairs over the summer, or even year-round for the cows. Typically, there is a monthly fee for the pair, perhaps with an incentive for improved weaning-weight of the calf.

The examples used in this publication focus on cattle, but sheep, goats, and even horses can be contract grazed, if you have pasture that needs to be used and a livestock owner who needs pasture. Grazing is more sustainable than making hay. Nutrients are returned to the soil in the manure, organic matter is built up over time, and the entire soil ecosystem is regenerated, instead of nutrients being steadily depleted by haying. In many cases, multispecies grazing to take advantage of diversity within your pastures may be possible, making additional economic opportunities available. For more information on grazing multiple species, request the ATTRA

publication *Multispecies Grazing*.

Other considerations

Younger animals, such as stocker calves and heifers, may graze unevenly and be unwilling to graze the pasture down to the desired residual height before moving on to the next pasture or paddock. In some cases, you will have to clip or mow pastures to keep some of the forages from getting too mature before the cattle return to them. Another way to manage this situation is to allow mature cows, with generally lower nutritional requirements, to follow the younger animals, in what is often called a leader-follower grazing arrangement. The younger animals, the leaders, get turned in first and are allowed to remove the higher quality forage from the pasture. After the calves are finished, depending on your rotation length, the cows are allowed to follow and eat the remaining forage down to the residual height you want. This method requires less mechanical input to manage the pasture and will reduce the problems of some forages becoming over-mature and less desirable to the cattle.

Equipment

Handling facilities

Contract grazing requires facilities suitable for handling large animals, minimizing stress on them, and ensuring worker safety. Good facilities allow single individuals to perform multiple tasks without risking injury to themselves or the cattle. Handling sick cattle in a timely fashion will be easier if proper facilities are in place. Depending on the size of the farm and how far the cattle are from a working facility, graziers may want to consider temporary facilities in addition to a central location for receiving and treating sick cattle. Cattle-working facilities do not have to be fancy, expensive, or brand new. What is important is that they are well designed, can withstand repeated use by large animals, and provide protection for both animals and workers. Wonderful facilities have been constructed from materials such as used well pipe, timbers, recycled steel silos, guardrail, and railroad ties. It is more important that the facility be built to deal with animal flow patterns and handling requirements than that it be shiny, new, and expensive. Two good resources for corral and working

facilities include *Modern Corral Design*, by Apple et al. (1995), and *Corrals for Handling Beef Cattle*, by Robert Borg (1993). Complete information about these and other facility references can be found in the **Resources** section. The best advice regarding any agricultural facility is to plan for future expansion and leave plenty of space for ventilation, equipment, trailers, penning, manure storage, drainage, etc. Do not shoehorn a new investment into a space too small for it.

Grazing contracts typically include performance standards for the grazier to meet. Therefore, a good quality scale that can be certified for commerce is usually a wise investment. In some cases, a truck scale in a nearby community may be sufficient, but few producers who have purchased animal scales ever regretted the decision. Once a scale is available, monitoring animal performance is easy. You do not have to wonder whether the animals are gaining weight, at what rate are they gaining, or whether they will reach the targets specified in the contract. A scale can be used not only to routinely weigh a group of cattle but also to compare different groups of cattle on different forages, to monitor what forages yield better gains at different times of the year. A live-stock scale will allow you to be a better manager of both forages and livestock.

A scale can be incorporated into a working facility to weigh individual animals or groups. Position the scale where it can be the most useful to your overall system. Some scales are placed in a working alley to weigh groups of animals; others are placed in line with the working chute, to weigh individuals. In most cases, unless individual weights are the only ones of interest, positioning the scale in a working alley to weigh larger groups as well as individuals will probably give the most flexibility to your system.

Fencing

Fences are a major investment, but one that can make or break an operation. Time spent designing an efficient fence layout on the farm will eliminate problems in the future and facilitate easy movement of animals.

The most important fence is the perimeter fence. Additional cost and effort should go into building a quality perimeter fence to ensure that livestock will remain on the farm and out of roadways and neighbors' crop fields. In most states, a legal

fence is defined under state statutes. Talk with your local Extension or NRCS office to make sure your perimeter fences are adequate.

Once the perimeter fence is set, the interior fencing can be simplified by using a single or double strand of electrified high-tensile wire. Some farms make extensive use of poly-wire and poly-tapes to subdivide larger pastures. This makes it easier to control pasture use and stocking rates and get the most from your forage. Younger animals will typically respect a single wire if they are properly trained to respect an electric fence, but a double wire may be required to ensure that a few animals don't graze ahead of the others. With mature cows and dairy heifers, a single wire can work well. If the cows have calves on the side, the single wire can be raised to allow calves to pass under and creep graze ahead, but still return to momma without getting shocked.

If you are going to use electric fences, and the animals you are grazing may not have experienced them before, a training pen might be a good tool to use after receiving the animals on the farm. A training pen, adequately sized for the animals to roam and rest, can have multiple strands of electrified fence – typically made very hot (highly charged), due to the proximity to the barn, where the fence energizer is housed. Animals stay in the training pen for as long as needed to become accustomed to the folks working on the farm, to receive daily inspections for health and condition, and to learn to respect the fences.

For more information, see the ATTRA publication *Paddock Design and Fencing for Controlled Grazing*.

Water

Water is one of the most cost-effective nutritional ingredients and must be in ample supply at all times. Behavior studies show that if cattle have to travel more than ¼ mile to water, pasture utilization and time spent grazing will decrease. Utilization will suffer because cattle will graze the part of the pasture closest to the water supply or transit lane, while other portions of the pasture go untouched. Overall grazing time will decline if animals have to spend too much of their time walking to and from water points. If water is readily accessible, animals will travel individually to it as needed. If water is not readily accessible, the entire herd will travel together

seeking water. This behavior has an impact on how well pastures are used and how much time cattle spend harvesting that pasture. Make sure that your pastures have plenty of water available. Also, have a backup plan, just in case you lose electricity for extended periods or suffer a pump failure.

Other equipment

Depending on your geographic location and local weather patterns, some shelter may be required to protect animals during bad weather, minimize stress, and ensure proper care can be given to animals entrusted to you. In most cases, a simple pole barn will be adequate. Proper ventilation is important to avoid humidity buildup. Avoid overcrowding—for grazing animals, a tight barn can be worse than no barn at all. Protection from the sun and heat stress can also be important in some places. Remember that if your goal is to maximize gains, and you have no trees or other form of shade, your returns will probably begin to suffer when temperatures go above 70 degrees and stay there for 24 hours or more. Some heat is fine, as long as the cattle can recover during some part of the day or night. With no recovery period, heat stress will accumulate and gains will suffer. Some farms with few shade trees have made portable shades consisting of a durable, lightweight frame covered with shade cloth. Moving the shades also helps spread out the impact that large groups of cattle can have on a pasture. For wind protection you can use windbreaks, both natural and man-made, to provide shelter.

Contracts

There is nothing inherently prescribed about a grazing contract; it is simply an agreement between two parties to perform certain functions over a certain time period. The contract can be as complex or as simple as both parties agree to. What is important about a contract is that it gives both parties a record of what they agreed on. There are three main points to remember about contracts: the agreement must be equitable to both the livestock owner and the grazer; the contract should provide protection to both parties; and finally, the contract should acknowledge the actual cost of production, to provide an accurate and fair fee arrangement.(Fischer, 1996)

Key Points to Consider in a Grazing Contract

- ◆Identify the responsibilities of both named parties – who will provide what and when?
- ◆Define labor, equipment, and management of livestock, including animal health.
- ◆Specify targets appropriate for the type of animals – weight gains, body condition scores, etc.
- ◆Define who will pay for various types of services – additional feed, vet bills, medications, trucking, etc.
- ◆Specify the dates that the contract will be in force and the types, sizes, and sexes of animals to be grazed under the contract.
- ◆Specify how and where the animals will be weighed; specify any appropriate shrink.
- ◆Specify under what conditions the contract can be terminated, by either party, and the notice required to terminate a contract.
- ◆Specify how the grazer will be paid after animals are removed, and on what basis – rate of gain, number of days, etc.

Adapted from: Progressive Farmer, Contract Grazing, by Boyd Kidwell. November 2000.



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Contract Grazing Agreement

This agreement is made between _____, referred to hereafter as the Rancher, and _____, referred to hereafter as the Owner. The cattle pertinent to this contract will be grazed on the property of the Rancher under the following legal description _____, hereafter referred to as the Ranch. This contract will be in effect for the time period beginning _____ and ending _____, dependent upon weather conditions and subsequent effect on pasture condition.

1. Number and description of livestock. The Owner will provide _____ head of _____ weighing approximately _____. Beginning weight for the grazing period will be determined by either weighing cattle on the truck at nearest local scale or livestock auction receipt from point of purchase, hereafter referred to as In Weight. Original sale barn tickets will be presented to the Rancher at time of cattle delivery.

2. Delivery detail. Cattle will be delivered to the Ranch at a date and time agreed to by the Owner and Rancher. Delivery will be by _____. Cattle delivered to the Ranch will be free of "culls", "bums", "dogs", and "locos" or other visibly unfit animals.

3. Health Program. Cattle will arrive at Ranch having been vaccinated under Owner's vaccination program and treated for internal and external parasites. During the grazing period, Rancher is responsible for treatment of any sick cattle, and Owner is responsible for any medicine expenses incurred. Rancher is to be compensated at time of final payment for any medical expense incurred.

4. Supplement/mineral program. Any supplemental feed or mineral provided is at the discretion of the Rancher and all expenses will be borne by the Rancher.

5. Termination of the grazing season. Cattle will be shipped on a date mutually agreed to by Owner and Rancher. A target date for shipping will be _____. This date is contingent upon weather and pasture condition. If the Rancher perceives pasture conditions to require early shipping of cattle, Rancher must notify Owner at least _____ days prior to the Rancher's proposed grazing termination and shipping date.

6. Terms of shipping. Cattle will be loaded between the hours of _____. Cattle will be weighed on trucks at the nearest local scale (_____). A 2% pencil shrink will be applied to the final weight recorded at the above weighing facility, hereafter referred to as Out Weight.

7. Death loss. Rancher will not be responsible for compensation of value of dead animals but will forfeit weight and gain of all dead animals.

8. Payment. The Owner will pay Rancher _____ per pound of recorded cattle weight gain. Cattle weight gain while on the ranch will be determined based on the following calculation:

$$\text{Total weight gain} = \text{Out Weight} - \text{In Weight}.$$

Payment in full to Rancher will be made by Owner on shipping date.

9. Rancher will communicate with Owner at least monthly via telephone, e-mail, or written report on cattle condition and performance, any known death loss, any medicine cost incurred, and any other details relevant to the cooperative grazing venture.

This agreement sets forth the entire understanding between the parties and may not be changed except by written agreement signed by both parties.

Owner _____ Rancher _____

Address _____ Address _____

Telephone _____ Telephone _____

Source: Jim Gerrish, University of Missouri, Forage Systems Research Center

GRAZING CONTRACT

OWNER: Farmer B
33333 Water Road
Anywhere, WI 55555
(555) 929-6221/2311

GRAZIER: Farmer C
7788 County Hwy
Somewhere, WI 54444
(555) 588-2836

DATE: December 1999

This contract is for the purpose of custom grazing heifer calves belonging to Farmer B (referred to as "owner") on property belonging to or leased by Farmer C (referred to as "grazier"). This contract takes effect upon the signing date and remains in effect until all the calves are redelivered to owners, autumn 2000.

1. Owner will send grazier 180 to 200 head of approx. 500 lb average weight heifers approx. April 20, 2000 (final cattle numbers and dates to be agreed upon) and pick them up by mid-November 2000, dependent on pasture and weather conditions. Cattle owner will make monthly payments of \$3,000 to grazier to be paid by the 20th of each month beginning May 2000 through October 2000. Balance of payment is due within 10 days of cattle redelivery date, autumn 2000. Grazing rate will be \$0.70/hd/day at \leq 500 lb ave in-weight, with sliding scale of \$0.055/cwt over 500 lb (ex: \$0.755/hd/day will be used for cattle ave in-weight of 600 lb). Owner may supply bulls processed before delivery as necessary for breeding. Owner will pay grazier \$1.25/hd/day for all bulls grazed.
2. Grazier agrees to provide adequate feed solely as pasture for owner's animals through end-September, except in a situation of severe drought.
3. Owner to provide round bales grass hay or corn silage to supplement pasture in the case of a severe drought, and by end-September through redelivery date mid-November. Grazier is responsible to feed hay supplied by owner. Whenever owner provides feed, grazing payment rate will be reduced by the actual cost of the feed (dry matter basis) delivered and fed (dry matter cost of feed not to exceed \$85.00/ton).
4. Owner will provide receiving and grazing season supplies:
 - External parasite control
 - Pinkeye control
 - 2 fly control ear tags
 - Modified live virus, 4-way
 - 7-way Blackleg plus Haemophilus somnus
 - Numbered ear tag
 - Wormer at receiving and at appropriate intervals through the grazing season (dependent on products used).
5. Owner to administer above supplies and provide equipment, with grazier's assistance and facilities (facilities for processing heifers only; bulls to be processed before delivery) if requested.
6. Owner to provide mineral if he desires it to be fed.
7. Owner will pay for any veterinarian costs, antibiotics administered, and all ancillary expenses throughout the grazing period. If for some reason grazier must supply additional labor above and beyond normal animal care, it will be billed at \$15.00/hr.
8. Owner will pay for all shipping, scale fees, and any buyers or sellers fee.
9. Owner will pick up any calf considered wild, chronically sick, or not maintaining the habits of the group.
10. Owner will be able to pick up the cattle at any time if he feels they are not being taken care of.
11. Owner will acquire an insurance policy on the cattle covering fire, lightning, wind, and storm, or be responsible for loss due to the same.
12. Owner will acquire an insurance policy on the cattle covering theft, vandalism, and liability, or be responsible for loss due to the same.

13. Owner agrees to assume all legal responsibility as owner of the animals and will not hold the grazier liable for any injury or death loss to the animals, except those due to negligence on the part of the grazier.
14. Grazier will provide the receiving facilities, treating chute, sick pen facilities, feeding equipment, grazing pastures, and shipping facilities.
15. Owner will provide heifers from his own herd that have been together for 60 days or more. This contract is not for the purpose of conditioning cattle gathered from different sources. Owner agrees to provide animals that have received Lepto and Brucellosis vaccinations, and that have been dehorned at least 60 days prior to receiving.
16. Grazier's goal will be to put 1.5 lbs or more of gain per day on each heifer.
17. Grazier, or individuals under the supervision of grazier, will personally care for the animals on a daily basis and will not contract the work out to another party.
18. Owner's animals will be kept separate from other animals on the farm at all times.
19. In the event that the owner is unable to make payments due and owing to the grazier, then the grazier may hand pick heifers from the owner's herd and retain ownership of some to the dollar value required to cover the past due account. Value of heifers will be determined by actual value at the time of transfer of ownership from owner to grazier.
20. If a situation arises which owner and grazier cannot agree upon, the disagreement will be refereed/arbitrated with a third party mutually chosen by the owner and grazier.

Accepted by:

Owner: _____

Date: _____

Grazier: _____

Date: _____

Source: Great Lakes Grazing Conference Proceedings, February 2000.

www.msue.msu.edu/jackson/Dairy/Grazing/2000/Proceedings/GLIGC_2000_Proceedings.htm

Prices for grazing

There are several means that owners and graziers can use to calculate payments. Most contracts are based either on time or animal weight gain.

One time-related payment method sets a per-acre fee for the entire grazing season. With this arrangement, there is not any incentive for the grazier, and the owner suffers if growing conditions — due to lack of rain and forage growth — are poor.

A similar pricing structure is fixed on a per-head per-month basis, calculated on the incoming weight of the animals. For example, at \$4.00 per month per hundredweight, a steer weighing 500 pounds would cost \$20 per month.

A flat fee structure can also be used; however, this kind of contract should only be entered into after considerable experience with a particular owner's cattle, to ensure that it provides adequate returns.

Contracts based on weight-gain rely on the grazier's working to ensure adequate forage and the owner's supplying healthy, fast-growing animals. The grazier has an incentive to keep rotating the animals so that adequate forage is available, and the owner has an incentive to supply healthy animals that will grow well and be profitable.

In almost all cases, the owner is responsible for supplying mineral supplements and covering other costs associated with animal care. However, make sure that the details are spelled out in the contract, where everything is subject to negotiation. If supplemental feed is required, will the grazier be responsible, or will the owner share the burden of feed costs? In some cases, supplemental feed costs could be subtracted from the grazier's fee at the end of the contract. Other items can also be negotiated. For example, if the grazier is located at some distance from the owner, and supplemental feed is required, the grazier could be responsible for purchasing acceptable feed locally and billing the owner.

Other considerations

Since you are ultimately responsible for someone else's property, you should have a discussion with your insurance agent to determine your possible liability in a contract grazing arrangement. Mortality is a common point to include in a contract — but what about rustling? Weigh your risks carefully; it may help you sleep better at night knowing that some of those risks are covered.

Economic projections and budgets

The following projections and budgets are only starting points for your own economic evaluations, since the numbers used are simply averages. Based upon your geographic location, forage production, and competition, the numbers used may not represent your farm. The budgets have pricing matrices at the bottom, to help estimate the break-even points for cost of production. It is important to realize that you need to ensure long-term returns above total costs, since this is where true profitability begins. In the short run, returns above variable costs are important. If an activity has no returns to variable costs, then you should not engage in it, even for a short time. Any return above variable costs could be used to pay for fixed costs, and in some cases, some return to fixed costs is preferred over no return at all.



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Beef stocker calves

Background for 150 days, ADG=2.0,
\$0.35 per Lb gain

Item	Quantity/Unit	Price per Unit	Amount	Your Numbers
Receipts				
Weight gain	300 Lbs.	\$ 0.35 Lb.	\$105	_____
Variable Costs - Per head				
Feed				
Pasture (hay equiv) ¹	1.8 ton	\$35 ton	\$63	_____
Total Variable Costs			\$63	_____
Fixed Costs				
Labor Charge	1 hr.	\$10.00 hr.	\$10	_____
Fence and Facilities			\$20	_____
Management Charge			\$6	_____
Total Fixed Costs			\$36	_____
Total Costs			\$99	_____
Return Above Variable Costs			\$42	_____
Return Above Total Costs			\$6	_____

¹. Assume 12 lb. DM per Lb. gain

Pricing Matrix

Price per Lb gain	\$0.32	\$0.35	\$0.37	\$0.40
Total value of gain	\$96	\$105	\$111	\$120
<hr/>				
Return above variable costs	\$33	\$42	\$48	\$57
Return above total costs	(\$3)	\$6	\$12	\$21

Dry Cows

**Graze dry cows for 60 days
\$1.00 per head per day**

Item	Quantity/Unit	Price per Unit	Amount	Your Numbers
Receipts				
Days Grazed	60 days	\$1.00 day	\$60	_____
Variable Costs - Per head				
Feed				
Pasture (hay equiv) ¹	0.75 ton	\$35 ton	\$26	_____
Total Variable Costs			\$26	_____
Fixed Costs				
Labor Charge	1 hr.	\$10.00 hr.	\$10	_____
Fence and Facilities			\$20	_____
Management Charge			\$6	_____
Total Fixed Costs			\$36	_____
Total Costs			\$ 62	_____
Return Above Variable Costs			\$34	_____
Return Above Total Costs			(\$2)	_____

¹. Assume 25 lb. DM per day

Pricing Matrix

	\$0.85	\$1.00	\$1.15	\$1.25
Price per day	\$0.85	\$1.00	\$1.15	\$1.25
Total value of grazing	\$51	\$60	\$69	\$75
Return above variable costs	\$25	\$34	\$43	\$49
Return above total costs	(\$11)	(\$2)	\$7	\$13

Dairy Heifers

**Graze heifers for 500 days
\$1.65 per head per day**

Item	Quantity/Unit	Price per Unit	Amount	Your Numbers
Receipts				
Days Grazed	500 days	\$1.65 day	\$825	_____
Variable Costs - Per head				
Feed				
Pasture (hay equiv) ¹	4.5 ton	\$ 35.00 ton	\$158	_____
Grain	0.6 ton	\$ 135.00 ton	\$81	_____
Total Variable Costs			\$239	_____
Fixed Costs				
Labor Charge	35 hr.	\$10.00 hr.	\$350	_____
Fence and Facilities			\$80	_____
Management Charge			\$50	_____
Total Fixed Costs			\$480	_____
Total Costs			\$ 719	_____
Return Above Variable Costs			\$586	_____
Return Above Total Costs			\$106	_____

¹: Assume 18 lb. DM per day average for entire period

Pricing Matrix

Price per day	\$1.45	\$1.55	\$1.65	\$1.75
Total value of grazing	\$725	\$775	\$825	\$875
<hr/>				
Return above variable costs	\$486	\$536	\$586	\$636
Return above total costs	\$6	\$56	\$106	\$156

Other Resources

Grazing

Matches, Arthur, and Joseph C. Burns. 1995. Systems of Grazing Management. p. 179-192. In: Robert Barnes, Darrell A. Miller, and C. Jerry Nelson (eds.). Forages - Volume II: The Science of Grassland Agriculture. 5th Edition. Iowa State University Press, Ames, IA.

Blanchet, Kevin, Howard Moechnig, and Jodi Dejong-Hughes. 2000. Grazing Systems Planning Guide. University of Minnesota Extension Service. Publication No. BU-07606. www.extension.umn.edu/distribution/livestocksystems/DI7606.html

Judy, Greg. 2002. No Risk Ranching: Custom Grazing on Leased Land. Green Park Press. ISBN 0963246089. 236 p. www.stockmangrassfarmer.com/sgf/bk_norisk.html

Based on his personal experience, Greg Judy shows how to make a living from the land without owning it. He describes his successes as well as his mistakes, to help others on the road to profit. By leasing land and cattle, he went from 40 stockers to more than 1100 head and was able to pay off his farm and home loan within three years. Today he has twelve farms totaling more than 1560 acres.

Easy-to-follow chapters explain how to:

- Find idle pastureland to lease
- Calculate the cost of a lease and write a contract
- Develop good water on leased land
- Figure costs for fencing
- Lower risk through custom grazing
- Promote wildlife and develop timber stands
- Cut costs as well as keep accurate records

Can also be ordered from Stockman Grassfarmer, P.O. Box 2300, Ridgeland, MS 39158-2300, or by calling 800-748-9808.

Cost \$31.50, includes postage and handling.

Contract Dairy Heifers

Fiez, Edward A. 1993. Contract Considerations for Dairy Replacements. Western Large Herd Management Conference Proceedings. Las Vegas, NV. <http://www.wdmc.org/1993/93WDMC092-99.pdf>

Professional Dairy Heifers Growers Association

801 Shakespeare, Box 497
Stratford, IA 50249
877-434-3377
515-838-2788 FAX
pdhga@pdhga.org
www.pdhga.org/

Beiler, Joseph. 2000. Dairy Heifer Contracting: Motives, Forms, and Arrangements. The Ohio State University Extension Fact Sheet. AS-0005-00. <http://ohioline.osu.edu/as-fact/0005.html>

Moore, Robert, Joseph Beiler, and Gary Schnitkey. 2000. The Economics of Heifer Contracting. The Ohio State University Extension Fact Sheet. AS-0006-00. <http://ohioline.osu.edu/as-fact/0006.html>

Dairy Heifer Housing

Penn State Dairy Housing Plans

NRAES-85. 106 pages, 1997.

This publication (a revision of Penn State Freestall and Heifer Housing Plans, 1994) is a collection of 29 plans developed by faculty and staff of the Department of Agricultural Biological Engineering at the Pennsylvania State University and the Penn State Cooperative Extension. Included are 12 freestall housing plans, six heifer housing plans, four dry cow and maternity housing plans, and seven plans for details and components. Plans have been revised to incorporate the latest recommendations for freestall design, ventilation, and cow movement. The freestall section contains plans for various two-row, three-row, four-row, and six-row freestall barns. Included in the heifer section are plans for bedded pack housing, counter-slope housing, single-slope housing, and three types of heifer freestall barns. The section on dry

cow and maternity housing contains ideas for housing dry cows in bedded pack groups, multiple pen barns with drive-through feeding, pre-fresh/maternity pen areas, convalescence areas, and post-fresh housing facilities. Included in the detail and components section are sidewall curtains/drainage, watering locations, floor surfaces, feed barriers, freestalls, and ventilation openings. Also new to this edition are introductory discussions with each section and a list of suggested readings.

Ordering Information:

To place an order by mail, send \$15.00 + \$3.75

S&H to:

NRAES
Cooperative Extension
152 Riley-Robb Hall
Ithaca, New York 14853-5701
607-255-7654
607-254-8770 FAX
nraes@cornell.edu
New York residents add 8% sales tax (calculated on both the cost of publications and the shipping and handling charges).

Corral design and handling facilities

Apple, Ken, Raymond L. Huhnke, and Sam L. Harp. 1995. *Modern Corral Design*. Oklahoma State University Extension Circular E-938. Stillwater, OK.

Cost for the bulletin is \$5, plus \$2 for shipping and handling. Order on-line at <http://biosystems.okstate.edu/pbis/index.html> or call the Plan Service office at 405-744-5425 to order.

PBIS
Biosystems and Agricultural
Engineering Department
214 Agriculture Hall
Oklahoma State University
Stillwater, OK 74078-6021

Borg, Robert. 1993. *Corrals for Handling Beef Cattle*. Alberta Agriculture, Food and Rural Development. Agdex 420/723-1. Edmonton, Alberta, Canada. 91 p.

[http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex27?opendocument](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex27?opendocument)

This best-selling book features information on cattle behavior, handling techniques, corral design, corral geometry, and corral components. It's packed with more

than 60 designs and corral plans. It has been reviewed by industry experts including Temple Grandin, the internationally recognized expert on cattle behavior from Colorado State University. Everyone interested in handling cattle should have this comprehensive guide.

Copies of this book may be purchased for \$10.00 by calling 800-292-5697 (toll-free in Canada) or 780-427-0391.

Bicudo, Jose R., Sam McNeill, Larry Turner, Roy Burris, and John Anderson. *Cattle Handling Facilities: Planning, Components, and Layouts*. Cooperative Extension Service, University of Kentucky, Lexington, KY. AEN-82.

36 pages.

Available on-line at www.ca.uky.edu/agc/pubs/aen/aen82/aen82.pdf

Temple Grandin
www.grandin.com/

The source for cattle handling facilities and design. Dr. Grandin is renowned for her work throughout the world in designing improvements in livestock facilities to improve animal welfare and worker safety.

Beef Housing and Equipment Handbook. 1987. MWPS-6. 136 pages. 4th Edition. ISBN 0-89373-068-8

Current agricultural engineering recommendations are summarized in this complete housing guide. Essential components for an efficient operation such as building design, operation size, and equipment are discussed. Figures, tables, and discussions to help improve, expand, and modernize an operation are included. Topics cover cow-calf, cattle handling, and cattle feeding facilities; feed storage, processing, and handling; water and waterers; manure management; farmstead planning; building construction and materials; ventilation and insulation; fences; gates; and utilities.

Ordering Information:

No COD orders. International orders must be prepaid. **U.S. funds on a U.S.**

bank or U.S. postal money order only.

To place an order by mail, send \$10.00 + \$4.50 S&H to:
MidWest Plan Service

122 Davidson Hall
Iowa State University
Ames, IA 50011
Or call toll free, 800-562-3618

Grazing Budgets and Economic Information

NOTE: Most state universities and Extension Services have budgets for agricultural products in their states. Below is a sample of some of the budget and economic information that is available in electronic format. For an electronic copy of these resources, please e-mail the author of this publication.

Estimated Costs and Returns for Commercial Beef Cattle and Forage Systems – Intensive Production, East Texas

An Excel spreadsheet with budgets for cow-calf, stocker, establishment, and maintenance of Coastal Bermuda grass, and wintering cows on over-seeded winter annuals. Can be downloaded at the following Web site: <http://ruralbusiness.tamu.edu/beef/xls/cattleforage.XLS>.

Dr. Greg Clary, Extension Economist
Texas Agricultural Research and Extension Center
P.O. Box 38
Overton, TX 75684
903-834-6191
903-834-7140 FAX
g-clary@tamu.edu

Also provides Web budgets on-line that do not require downloads at <http://ruralbusiness.tamu.edu>.

University of Tennessee Livestock Budgets
Budgets for row crops, forage, and livestock production
<http://economics.ag.utk.edu/budgets.html>

Beef Budgets
Compilation of 15 different budgets for cattle production and several pasture and forage budgets
<http://economics.ag.utk.edu/budget/beef/ae0242.pdf>

Livestock Enterprise Budgets – Iowa 2003
Drs. Gary May, William Edwards, and John Lawrence. Iowa State University Extension, Ames, IA. Publication # FM-1815
www.extension.iastate.edu/Publications/FM1815.pdf

Additional livestock economic information can be found on Dr. Lawrence's Web page at www.econ.iastate.edu/faculty/lawrence.

University of Missouri Farm Budgets
Source of forage, livestock, and crop budgets:
<http://agebb.missouri.edu/mgt/budget/index.htm>

Virginia Cooperative Extension
2001-2002 Virginia Farm Business Management Crop and Livestock Budgets, Publication Number 446-047

Excel Spreadsheets and PDF files with various budgets for agricultural products:
www.ext.vt.edu/pubs/agecon/446-047/446-047.html

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\$6, order directly from:
Dr. Ray Huhnke
223 Ag Hall
Oklahoma State University
Stillwater, OK 74078
- Beef Housing and Equipment Handbook. 1987. MWPS-6. Fourth Edition. Midwest Plan Service. Iowa State University, Ames, IA. 136 p.
- Borg, Robert. 1993. Corrals for Handling Beef Cattle. Alberta Agriculture, Food and Rural Development, Edmonton, Alberta, Canada. 91 p.
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HTML: <http://www.attra.ncat.org/attra-pub/grazingcontracts.html>

PDF: <http://www.attra.ncat.org/attra-pub/PDF/grazingcontracts.pdf>