

Iowa Cattle Grazing Survey: Part 2 Results Custom Grazing Cow-Calf Leasing

Iowa's cattle industry makes up a large portion of the state's agricultural economy. Plentiful feed resources make this a viable location for livestock production. Although Iowa is best known for its corn and soybean production, not all land resources are utilized for crop production. Due to land type, suitable usage, and owner preference a large portion of Iowa's lands are used to graze cattle or other livestock. Some grazing lands are used directly by the owner to graze their own cattle, other pastures are rented producers, or land owners will offer custom grazing with partial to complete animal care. To gain information pertaining to Iowa's custom grazing market and cattle leasing, a survey was conducted among agricultural producers and land

owners throughout the state. Respondents were asked questions about the makeup of their custom grazing agreement current rental rates, and details about their custom grazing or cattle leasing agreements where applicable.

Custom grazing

A custom grazing arrangement involves a per day charge for feeding, grazing and total or partial care of each head of cattle. Table 1 contains the average per day rates charged for custom grazing as well as other statistics that describe the range and distribution of the day rates charged. There were differences in average daily rate based on season of care and cattle type.

Table 1. Custom Grazing Fees per Day Based on Cattle Type

	Number of Observations	Average \$/day	Minimum \$/day	Maximum \$/day	Standard Deviation
Summer					
Cow/calf pair	12	0.91	0.6	1.25	0.18
Developing heifers	11	0.84	0.35	1.5	0.28
Pregnant cows	8	0.79	0.5	1.0	0.16
Yearling cattle	3	0.78	0.4	1.3	0.46
Winter					
Cow/calf pair	5	1.10	1.0	1.3	0.13
Developing heifers	5	1.14	0.8	1.5	0.30
Pregnant cows	4	0.97	0.75	1.2	0.20
Yearling cattle	1	0.65	0.65	0.65	—

Summer custom grazing a cow-calf pair appears to have the highest average per day charge of 91 cents per day. Average daily charges for yearling cattle on grass appear to be the lowest at 78 cents per day. Developing breeding heifers and pregnant cow rates were charged an average of 84 cents and 79 cents, respectively. Winter custom grazing or care generally cost more and was reported by a limited number of respondents. The average daily fee for both cow-calf pairs was \$1.10 and \$1.14 for developing heifers. Pregnant cows were kept for 97 cents per day.

Not all custom grazing firms provide the same variety of production inputs or level of care. In the survey, respondents could indicate what percentage of common inputs the custom grazer provided. Usually a custom grazer provides all or none of each particular input. Table 2 contains a summary of the percentage of respondents that provided each particular input. There were more than twice as many responses detailing summer custom grazing than winter. Although labor was not provided by all custom grazers, it was the most common input provided.

Table 2. Percentage of Custom Grazing Firms Providing Inputs

Season	Number of Observations	Labor	Fly control	Mineral	Animal health	Hay	Supplement
Summer	23	91%	35%	57%	26%	52%	39%
Winter	11	73%	45%	55%	45%	82%	55%

Cow-calf lease

A cow-calf lease agreement is an agreement between two firms, where one firm owns the herd of cows and the other firm provides a certain number of the inputs, and the revenues are split at a predetermined percentage. The average number of years reported by respondents was that they have been in a cow lease agreement was 7.9 years. The cow-calf lease agreements reported by respondents had an average duration of 7.2 years. Table 10 contains a summary of how the costs of production are distributed provided by respondents. Because

the majority of the respondents indicated that each cost was paid for entirely by one party in the agreement and or was split 50/50, the responses are broken down by the classifications all, half and none. Table 3 contains the percentage of respondents that pay all, half, or none the corresponding input cost. For example, the survey reported that 32 percent of cow owners pay for all the cost of pasture, and 65 percent pay half while 3 percent did not pay for pasture. Percentages may not sum up to one, because of incomplete data in the survey, or differences in the number of responses.

Table 3. Division of Costs of Production in Cow-calf Lease Agreements

Input	Cow owner			Leasing Operator		
	All	Half	None	All	Half	None
Pasture	32%	65%	3%	65%	30%	3%
Winter feed	38%	51%	11%	51%	35%	11%
Mineral	43%	41%	16%	46%	35%	16%
Supplement	32%	51%	16%	38%	43%	16%
Animal health	49%	24%	24%	30%	41%	24%
Water	32%	54%	11%	57%	27%	11%
Labor	35%	51%	11%	54%	30%	11%
Fence repair	30%	59%	11%	59%	27%	11%
Fertilizer	24%	54%	22%	51%	24%	22%
Weed control	30%	57%	14%	57%	27%	14%
Utilities	22%	68%	5%	62%	24%	5%
Fly control	38%	38%	22%	35%	41%	22%
Bulls	62%	27%	11%	27%	59%	8%
Replacement females	70%	22%	8%	14%	76%	8%
Trucking	43%	46%	11%	38%	49%	11%

How the revenues were divided differed throughout the survey. Table 4 contains the breakdown of how the revenues from calf and cull breeding stock sales were divided. On the average cow owners received 55 percent

of the revenue from the sale of calves and 82 percent of the revenues received from the sale of cull breeding stock.

Table 4. Division of Revenues in Cow-calf Lease

Revenue source	Number of observations	Cow Owner		Operator	
		Average	Standard deviation	Average	Standard deviation
Sale of Calves	32	55%	29.5	48%	28.0
Sale of Cull Breeding Stock	31	82%	32.5	23%	36.3

Conclusion

Cattle production under a custom grazing or cattle lease agreement may not be as common as a traditional producer-owner operation, but it is an option used by some operations. Rates for custom grazing tend to increase as the labor and forage requirements increase. The key inputs that most custom grazing or winter feeding operations provide are labor, feedstuffs and mineral. Under cow leasing agreements, cow owners usually cover the cost of bulls, replacement heifers and herd health care, and the leasing operator is more likely to provide pasture, winter feed and labor.

Much of the data in this survey was based upon the opinion or records of the respondents. Where incomplete data was found, intuitive methods were used to decipher the raw survey data and complete the data as much as possible. For survey results relating to grazing rental rates and grazing management practices consult the companion publication Iowa Cattle Grazing Survey.

Prepared by: Shane Ellis, John Lawrence and Joe Sellers, all with the Iowa Beef Center. Survey sponsored by: Iowa Forage and Grasslands Council, Natural Resources Conservation Service and the Iowa Beef Center