

Custom Grazing Survey 2007: Strategies and Implications

*Co-sponsored by the Iowa Beef Center at Iowa State University, Iowa State University Extension and Practical Farmers of Iowa.
Funded by the Leopold Center for Sustainable Agriculture.*

Most of the custom-grazing operations that were interviewed were at capacity (76 percent). In both stocker and cow-calf operations, about half of those at full capacity would expand if more pasture acres were available.

In both stocker and cow-calf operations, 15 percent were at capacity and planned to decrease their numbers because of reasons including: limited time and labor supply, expanding their own cattle herd, higher pasture rental costs, and less pasture land available.

Seventy-five percent of both cow-calf and stocker operations saw custom grazing as part of their long-term farm strategy. They enjoyed the regular cash flow and diversity that custom grazing brings to their total farm operation.

Those not considering custom grazing as a long-term farm strategy indicated they were doing custom grazing as a stop-gap measure because of a lack of capital, or they were waiting out the current cattle cycle, or they were just trying it for a short while.

Several custom-grazing operations were using incentives or surcharges in the contracts to reward better management or to charge for extra labor provided.

Incentives or surcharges mentioned included:

- ◆ \$1 chute charge per time through chute
- ◆ \$35-\$37 incentive for live calf weaned from first-calf heifers
- ◆ \$25-\$30 incentive per live calf weaned from cows
- ◆ \$200 incentive per calf that exceeds a 90-percent calf crop
- ◆ \$10-\$25 incentive per live calf born

- ◆ \$20-\$30 labor charge per cow calving in the spring
- ◆ \$15-\$20 labor charge per cow calving in the fall
- ◆ \$5-\$15 AI labor charge per cow
- ◆ \$35 per cow for providing bulls
- ◆ \$250 per bred heifer in the fall for all costs, including artificial insemination (AI), from April 15 to Sept. 15
- ◆ 25 cents per hour per day for a contract “manager” fee

Items to include in custom-grazing leases

Custom-grazing operators were asked to respond to this question: *What are the issues to cover in custom-grazing leases, the pitfalls to avoid, and the conditions/situations to address in a custom-grazing lease arrangement?* Below is a summary of their comments:

- ◆ **Know your client.** The integrity of the cattle owner is extremely important. Check out the owner’s credentials, credit history, prior clients and references.
- ◆ **Know the cattle.** Know their weight and condition of coming in, disposition, health status and breeding/genetics. No sale barn cattle.
- ◆ **Have a written agreement.** Thoroughly cover who does what and who pays for what. This should include supplemental feeding and care (or cattle removal) during drought conditions, arrival and removal dates, health supplies and treatments, dates of payment, and all potential cattle grazing inputs.
- ◆ **Match the carrying capacity of the pasture to the cattle and grazing season.** Don’t over estimate your pasture’s production. Using higher-productive pastures in a well-fertilized, rotational system can yield more carrying capacity.

◆ **File a Uniform Commercial Code (UCC) to protect your income interest.**

◆ **Establish a prompt payment schedule and obtain the final payment before cattle are removed.**

◆ **Communicate with the owner regularly to establish a trusting relationship.** Keep the cattle owner informed about good and bad events. Nobody likes a surprise.

◆ **Make sure you cover all your costs, including extra labor to handle/process cattle and realistic feed costs.** Include all your fixed and variable costs.

◆ **Consider surcharges or incentive payments as a reward for better management or for extra labor.**

Potential growth areas

Three-party management arrangements

Iowa is seeing a trend where land is being purchased by absentee private landowners who are interested in wildlife and/or recreational benefits. Often, these land resources are then removed from any grazing systems. In these cases, a caretaker type of arrangement might prove very workable for all parties.

This model has been very successful in regions that have extensive contract grazing industries. Here's how it works: The private landowner rents the land to a caretaker, who then manages stocker cattle or cow-calf pairs there that are owned by a third party.

Publicly owned lands

Many non-profit and public entities in Iowa control forage acres to promote wildlife. Many wildlife management specialists believe managed grazing can benefit the landowners' goals, as well as benefit the cattle operation.

Natural-resource managers can develop grazing plans for a specific parcel. A grazing manager or cattle owner can add some of these acres to existing grazing systems, and cow owners can pay a daily or seasonal fee for access to the new grazing resources. Groups in Iowa are currently initiating pilot projects on public lands to demonstrate the advantages of this approach.

Stocker grazing and backgrounding

It can prove beneficial for custom graziers to consider stocker grazing systems. Such systems require less stored feed (since cattle are managed only during the grazing season), allow more animals to be carried per acre, and do not require calving labor and management. Stocker grazing systems are widespread in Kansas' Flint Hills and other regions, but are currently not popular in Iowa.

Grass-fed beef

There also is a growing interest in grass-fed beef programs that include long-term grazing of high-quality forages. Some of these programs that do not allow supplementation of concentrates, growth promotants or antibiotics can work; however, they require careful budgeting, which accounts for any added costs of these programs. Also, this survey found that some higher rates needed to be charged when more "added-value" management was provided.

Flexible payment arrangements

Grazing systems for stockers traditionally have been structured on payments made per pound of gain. This may transfer too much environmental and health risk to the operator. In addition, stocker cattle owners may not allow supplementation to stockers on pasture to ensure "green" cattle with the potential compensatory gain for placement in the feedlot. Most of the stocker graziers in this survey had moved to a base per-head, per-day rate for grazing. Actual grazing rates were then adjusted to compensate custom graziers for better stocker performance. This approach has potential for all types of calf and yearling grazing contracts, including grass-fed beef programs.

Implications

This survey shows that custom grazing can be a growth industry, providing diversity and cash flow income as a part of a farming operation. However, access to pasture acres may be a challenge. To establish a successful custom-grazing operation, you need to establish good customer relationships, be knowledgeable of total custom-grazing costs, and be willing to use incentive payments for above-average management performance.

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Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Jack M. Payne, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.