

The Basics of Contract Grazing

Midwest Perennial Forage and Grazing Working Group

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What is Contract Grazing?

Contract Grazing (also known as Custom Grazing) is a livestock production system in which land ownership, livestock ownership, and management of the system may be de-coupled. This arrangement can involve as many as three separate entities carrying out three distinct roles: a land owner, a livestock owner, and a *grazier* (the grazing manager) who provides the grazing management expertise and oversees the grazing activities (see figure 1 below). Some common scenarios include:

- A grazier who owns pasture land and facilities contracting to manage another farmer's livestock.
- A livestock owner leasing pasture land from a land-owner and managing his or her own livestock on that land.
- A farmer contracting with a grazier to manage their livestock on their own land or on another party's land.

Is Contract Grazing a good fit for me?

Well-managed pastures offer environmental benefits, such as reduced potential for soil erosion and nutrient runoff from agricultural areas for improved water quality, high quality grassland wildlife habitat, and many others. Becoming a contract grazier may be a good fit for someone who has a farming operation and is looking for ways to either expand grazing (if they already own livestock) or start grazing (if they would like to incorporate grazing on their farm, and may or may not already own livestock). Since contracting as a grazier can be done without owning land, it can also be a good way for beginning farmers to start a grazing operation. For land-owners, contract grazing can be used to diversify their farming operation with livestock, without having to be responsible for livestock care. For absentee or non-farming land owners, renting one's land for contract grazing is an alternative to renting the land for annual row crop production. Renting or leasing to a contract grazier qualifies land owners to maintain agricultural use value tax benefits while achieving conservation goals.

Grazing Considerations

Contract grazing can be done with almost any species of livestock (e.g. cattle, sheep, goats, or bison) or any class of livestock (breeding, growing, meat or dairy). Usually the arrangement only includes summer grazing, but, with appropriate facilities, a year-round arrangement is possible. For all grazing operations,

it is crucial to have a continuous supply of good-quality forage. Because of this, a custom grazier should know the carrying capacity of the land being grazed. Knowing the land's actual production capacity will make it possible to fine-tune the system to ensure successful grazing. Graziers should also be aware of the production goals for the livestock being grazed. Different livestock classes may require different quality forage. For example, dairy heifers or stocker cattle generally require higher quality forage than beef cow-calf pairs in order to meet production goals.

Payment Rates

The production goals and livestock class being grazed also can affect the payment rate charged by the grazier. For example, when weight gain is the goal, the payment plan may be based on weight gain over a period of time (\$/lb of gain). In other instances, it may be more practical to charge a fee on a flat-rate, daily basis (\$/day), or to charge on a sliding scale based on the weight of the animal grazing (lb animal/acre). Before grazing begins, it is important to define the payment rate and payment plans in a written contract.

Contracts

Written contracts allow for documentation of the payment scheme, as well as other considerations. A written contract should clearly define the responsibilities of each party, how payments should be made, and how the parties will handle any problems or disagreements that arise. For the grazier, these responsibilities typically will include decisions about cattle rotation and movement during the grazing season, providing a continuous supply of water, and ensuring that pasture quality is maintained. Animal owners are usually in charge of vaccination and other health cost, cattle insurance policies, etc. The land owner is usually establishing/providing effective perimeter fence, and initial soil fertility inputs. Decisions about who is responsible for facility maintenance, marketing, and animal transportation should also be addressed.

Facilities and Equipment

Contract grazing arrangements can be a good way for farmers to be profitable without a large capital investment. However, there are some facility and equipment costs that must be considered. Fence and water development are two important infrastructure costs to consider. Contract grazing also requires livestock handling facilities that minimize stress on the animal and ensure worker safety. Livestock scales will be necessary if payment will be made based on the animals' weight gain.

Further Information

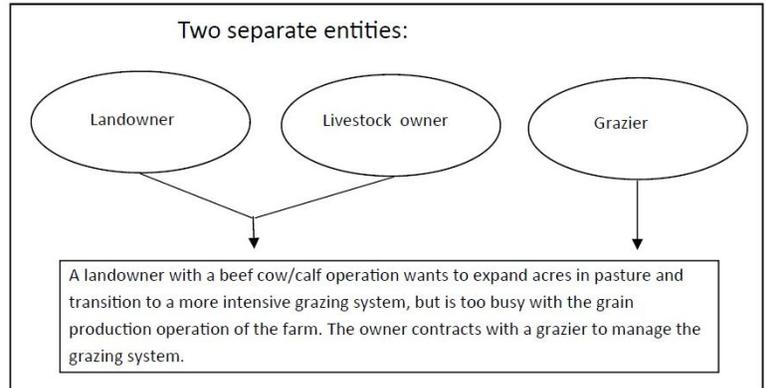
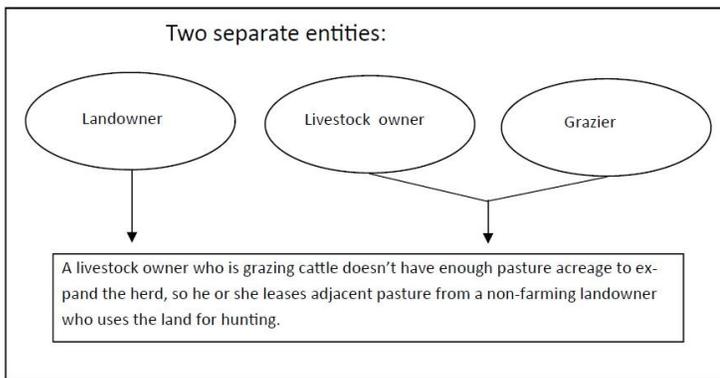
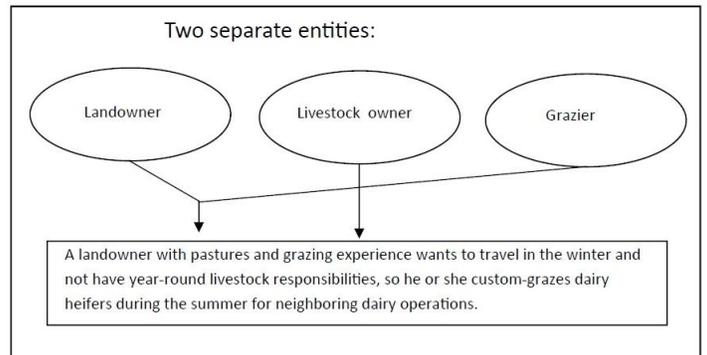
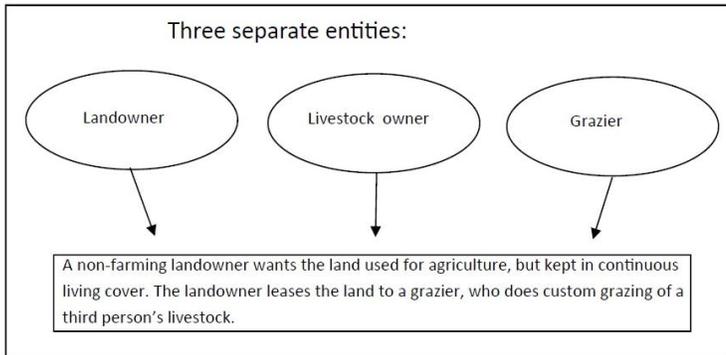
Grazing Contracts for Livestock

<https://attra.ncat.org/attra-pub/summaries/summary.php?pub=243>

Custom grazing contracts: Successful models to grow profit, avoid pitfalls

<http://www.leopold.iastate.edu/grants/e2007-11>

Figure 1: Examples of possible grazing arrangements, between three parties, or between two.



Other fact sheets in this series that address other issues in pasture use:

- Evaluating Land Suitability for Grazing
- Rates Charged for Two-Party Contract Grazing Arrangements
- Pasture Rental and Lease Agreements