Spring 2013

Rates Charged for Contract Grazing Agreements

Midwest Perennial Forage and Grazing Working Group

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Abstract
This fact sheet, #4 in a four-part series, describes rates charged when a grazier is hired to manage someone else's livestock on the grazier's own land.

Disciplines
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Factsheet 4 of 4 in the Contract Grazing Series

Contract grazing arrangements typically follow one of three potential scenarios:

1) A grazier who owns pasture land and facilities who contracts to manage another farmer's livestock
2) A livestock owner leasing pasture land from a land-owner and managing his or her own livestock on that land
3) A farmer contracting with a grazier to manage the farmer's livestock on the farmer's own land or on another party's land

This factsheet addresses rates charged for contract grazing arrangements similar to the first situation: when a grazier is hired to manage someone else's livestock on the grazier's own land. There are two common ways to determine payment rates charged by the grazier: flat rates, or incentive pay.

Flat Rates

One of the most common strategies for determining payments for contract grazing is to charge a *flat rate* per animal per day. Rates charged per day vary over a range of prices. The tables shown below give examples of possible price ranges for a two-party contract grazing system (a livestock owner and a land-owner/grazier) for cattle grazed in Wisconsin and Southern Iowa as of Spring 2013 (tables 1 and 2, respectively). The values shown in the tables are meant only as ballpark figures. Actual rates charged are influenced by several factors, including:

- Estimated value of the land being grazed
- Level of labor and number of services provided by the grazier
- Type of cattle operation (dairy, cow-calf, yearling beef, etc)
- In-weights of the cattle
- Reputation of the grazier

Chief among the factors influencing the rate charged is the reputation of the grazier, and the relationship between the grazier and livestock owner. An experienced and knowledgeable grazier will command higher charges, because they are expected to show high performance (high weight gain, milk production, etc) with the cattle they are grazing. An experienced grazier with a good reputation is also expected to maintain this level of production given variability in climate and the pasture growing season (for example, they should be able to maintain high animal performance in all but the worst of droughts).

The receiving weights, or "in-weights", of cattle can also affect which end of the price range the charge will be; animals that are lower in weight may be at the lower end of the range, whereas heavy animals may be at the high end. As an example, a grazier with a good reputation may charge $1.15/head for developing replacement dairy heifers with an in-weight of 500-550lbs, but increase that rate to $1.50/head for heifers that have an in-weight of 650-700lbs. Fees charged for contract grazing cattle can also depend on the services to be provided by the grazier that are included in the contract. Many contracts assume the cattle owner will take on the cost of services such as veterinary care, liability insurance, and trucking to market. Those that expect the grazier to cover those costs are likely to see a grazing fee that is on the upper end or even higher than the rates estimates show in tables 1 and 2. Additionally, cattle raised as organic-certified may incur fee charges that are $0.25-0.50 higher than the highest values in the ranges given.

Incentive Pay

Contract grazing fees can also be scheduled as *incentive pay*, meaning that the payments are based on production of the animal. In such cases, a base grazing fee per head per day is established (such as those values shown in tables 1 and 2), but as goals—such as increased average daily gain or milk production—are met, an additional fee is paid on top of that base.

Another version of incentive pay for beef finishing operations is to not utilize the base fee, but rather split the price earned at market for that weight put on while under the care of the custom grazier.

Table 1: Expected price ranges for various contract grazing operations in Wisconsin. Prices reflect the amount that the livestock owner would pay to the grazier. (Note: rates are approximations for spring 2013.)

Livestock Class	**Typical Price Range** (cost per head per day)
Heifers	
Dairy	$1.00-1.60
Beef	$0.60-1.00
Pregnant cows	
Dairy	$1.50-2.00 +
Beef	$0.75-1.10

Table 2: Expected price ranges for various contract grazing beef cattle operations in south-central Iowa. These fees include labor and mineral provided by the grazier. Prices reflect the amount that the livestock owner would pay to the grazier. (Note: rates are estimations for spring 2013).

Livestock Class	Typical Price Range (cost per head per day)	Average Cost (per head per day)
Cows-calf pairs (beef)	$1.20-1.50	$1.35
Yearlings and developing heifers (beef)	$0.90-100	$0.95
Dry, pregnant cows (beef)	$0.90-1.10	$1.00

Other fact-sheets in this series include:

- The Basics of Contract Grazing
- Evaluating Land Suitability for Grazing
- Pasture and Lease Agreements

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