

Thinking Outside the Fence

Leasing grass or cropland residues for grazing can help producers expand.

by Sara Gugelmeyer

Thinking outside the box, or in this case a producer's fence, is the key to getting ahead in business. Whether higher calf prices have producers itching to expand or maybe the next generation is ready to get involved, here are a couple of options to consider. It's all but impossible to buy land and make it pencil out, so maybe leasing grass or grazing crop residues could allow for increased production.

What is grass or crop residue worth?

Leasing grass to graze is one way to expand the operation. Renting cropland residues to graze is another way. Former Kansas State University (K-State) Ag Economist Kevin Dhuyvetter says he gets many calls about lease rates, but there are several different approaches to coming up with a rate. There are four questions that must be answered before two parties can agree on a lease:

- 1) How much can I pay for grass?
- 2) How much do I have to pay for grass?
- 3) How much is grass actually worth?
- 4) How much should I pay for grass?

Each question may have a different answer.

How much can I pay?

The cattleman needs to know what he can pay for grass or cropland grazing. That will be

different for each operation. What he can pay in order to make a profit may be different from what he has to pay. Obviously, if that's the case, he'd be better off searching for other options. University of Nebraska-Lincoln (UNL) Ag Economist Matt Stockton deals more with grazing crop residues like corn stalks.

Stockton says, "You need to evaluate what are the costs and say, 'I'm giving up this, this and this and I'm gaining this.' Because for everything you do you give something up and gain something. If you could just put numbers to that, it could give you an approximation of what you think you might do."

Stockton adds, "When you're trying to maintain or expand a herd the question is, 'What does it cost me and what do I get from it?' The higher the revenue you're going to receive or the more valuable the cows, the more likely you are going to want to hold onto those cows or buy more and the more you can pay for feed for those cows."

However, Stockton cautions that in today's era of high inputs, "If you're increasing revenue (on increased calf prices) that's great, but if it's costing more, you are making the same amount. It's not a simple decision; it's actually a very complex decision."

How much do I have to pay?

"How much do I have to pay for grass (or crop residues)? Well that's affected by the market," Dhuyvetter says. "The market is how much other people are



PHOTOS BY VERA SCHULTZ, SANDHILL FARMS

paying. By definition if other people are paying X, I probably have to pay a comparable amount.”

Dhuyvetter explains that there are average rental rates available for geographical areas reported by the U.S. Department of Agriculture (USDA), but he cautions that there are potential problems with using survey averages.

“Averages are potentially troublesome because they might not match my specific situation,” he says. “Sometimes there are reasons why what I am paying shouldn’t be what other people are paying. It might have nothing to do with land quality.”

“It’s also important to remember that averages reported by surveys tend to be biased toward long-term leases. Which means that’s not necessarily what it would be today on newly negotiated land. When the market is going up they tend to be too low, and when the market is going down they tend to be too high. And most reported averages are in dollars per acre which is a meaningless number if you don’t know the stocking capacity.”

However, he cautions that landowners typically like to deal in rent per acre rather than by the head. And it’s difficult because there’s no way to look up a typical yield (i.e. stocking rate) for an individual county like it is with cropland. Therefore, a potential lessee needs to do some research to know how many cows or pairs he could run per acre if he’s not familiar with the area.

Competition has a huge effect on how much a cattleman will have to pay to lease crop residues. In areas where there is a lot of corn grown and few cattle, the price tends to be cheaper. In areas where there are a lot of cowmen and few farmers, those cattlemen are going to compete for whatever corn stalks are available. Drought years will drive up the price even more for anything that was grown under irrigation.

Landowners will likely charge more if they have more than one person interested in leasing.

How much is the grass or crop-residue grazing worth?

When a producer is determining how much the grass is actually worth, Dhuyvetter suggests figuring what it would cost to feed the cattle instead. For instance, the producer could calculate the cost to keep the cows or pairs in a drylot program by comparison.

This cost is also affected by drought and the price of other feedstuffs in the area. If there is an abundance of cheap hay from previous wet years, maybe one should consider feeding that with a protein supplement instead of leasing grass or crop residues.

Stockton says, “Ask yourself, ‘Are there other feed sources that are non-traditional that I could try?’ ‘What could I do?’ Here, cattlemen were getting creative — ammoniating straw to make it more digestible. Treating

feed another way to make it more palatable and increase the energy is a possibility. We need to look at all those options to compare.”

What should I pay?

Finally, the cattleman should ask himself, “What should I pay for grass?” For this question, there is no right answer, Dhuyvetter explains. The amount greatly depends on other costs the producer incurs and what his unique situation is like. For example, a cattleman who has unusually low winter feed costs likely would be able to pay more for summer-leased grass. Or maybe his land and all equipment are paid off on his homeplace, allowing him to lease grass for a little more and still remain in the black on all his cows.

Other factors that affect lease rates are lease terms. For instance, a multi-year lease is typically different from a one-year lease. And there may be relationship benefits on each side. For instance, a landowner will likely give a deal to a tenant who provides him some benefit like looking after the landowner’s cows or maintaining his fence, for example.

“Stocking capacity, size of pasture, water availability, quality of fence and maintenance are all other factors that should be considered when determining a lease,” Dhuyvetter says.

An important thing to factor in when considering crop residues is weather, Stockton says. “If you’re grazing crop residue in an area that has winter storms, if the snow comes in then melts and freezes into an ice sheet then the cattle can’t get to the residue and you are going to have to supply hay. That’s a risk. The thing about stalks too is they typically have electric fences, and when the storms

come cattle can just walk through electric fence. Things happen and you need to be prepared.”

Handy decision tools

Once a producer feels like he has a good handle on all the factors considered, he should try using UNL’s Corn Stalk Grazing Calculator or K-State’s Excel spreadsheet “Determining Pasture Rents in the Kansas Flint Hills.”

The Corn Stalk Grazing Calculator is a handy Excel spreadsheet that allows the cattleman to fill in all the variables, everything from crop yield to how far it is to check cattle, and helps him determine the cost per cow per day. It can really help the farmer and the cowman come to an agreement so that it is beneficial to both.

“It’s a simple little tool and it’s great because it’s easy for producers to use,” Stockton says. “They can see it is going to cost them \$.50 cents per head per day including transportation there and transportation back. And then of course the guy that’s running the land can look at that and see that he could actually charge \$.75 cents and still both are making money.”

Stockton adds, “They can both look at it and say this is fair; I’m willing to do it. There are so many different kinds of agreements. Some people go in and put up the electric fence themselves but have somebody else haul water to them. So it depends on how far the residue is from your place of

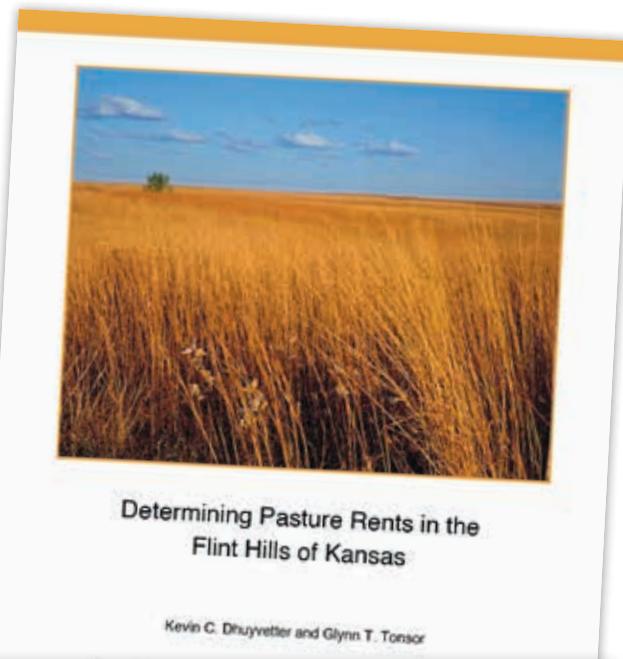
residence and who you’ve got providing care. Do you hire a third party to do that? Maybe it’s somebody in the local area you trust, or the farmer that’s renting you the stalks and let that be part of the rental rate. It’s a way to look at it and see, ‘Is this worth it?’”

The Corn Stalk Grazing Calculator can be found at beef.unl.edu/learning/cornstalkgrazingcalc.shtml.

K-State’s Excel spreadsheet is specific to the Kansas Flint Hills, but if a producer adjusts it for different stocking rates and gains, it can be applied to most any region. It takes into account everything from interest costs to cow salvage value and helps livestock owners and landlords determine what profit can be made at a certain rate. The Excel spreadsheet can be found at AgManagerInfo.net by clicking on “Decision Tools” from the menu on the left.

Dhuyvetter says, ultimately, the goal is for the producer to challenge how he thinks about things. It might make a huge difference in his business. **HW**

UNL’s Corn Stalk Calculator and K-State’s Determining Pasture Rents are useful spreadsheets that allow producers to plug in their specific information and see if it is going to be a profitable agreement.



Corn Stalk Inputs			Calculated Values	
FEED AVAILABILITY	Corn yield	200 bushel	3,147 lbs DM / acre	
	Stalk harvest efficiency (50% Recommended)	50.0%	1,573 Available DM	
	Total number of animals	99 head		
	Average animal weight	1,000		
	Days on corn stalks	100 days	300 ALMs needed	
	Acres rented	135 acres	Acres rented exceeds needs 134 Acres needed	
NUTRITION	Cost per acre	\$ 10 per acre	\$ 1,350 Stalk Rental	\$ 0.15 / animal / day
	Percent crude protein (on a DM basis)	8.0%		
TRANSPORTATION	Percent TDN (on a DM basis)	56.0%		
	Cattle transportation distance (ranch to corn field)	75 miles		
	Transportation cost per loaded mile	\$ 5.00 per mile	\$ 375 Cost / 75 / truck	\$ 2,250 Total transportation
CARE & SUPERVISION	Animals per load	35	\$ 25.00 Cost / animal	
	How far to check cattle (one way)	60 miles		
	Transportation cost per mile to check cattle	\$ 0.45 per mile	\$ 84 Cost / visit	\$ 420 Total
	Other charges (labor) per visit	30	\$ 4.67 Cost / animal	
	Number of supervisory visits	5		

Cost per Pound of Purchased Nutrient	
\$ 0.0397	per pound of Crude Protein
\$ 0.0057	per pound of TDN
\$ 0.0032	per pound of DM

Cost per Pound of Available Nutrient	
\$ 0.0794	per pound of Crude Protein
\$ 0.0113	per pound of TDN
\$ 0.0064	per pound of DM

Cost per Pound With Cattle Hauling	
\$ 0.2118	per pound of Crude Protein
\$ 0.0303	per pound of TDN
\$ 0.0169	per pound of DM

Cost per Pound of Nutrient Consumed	
\$ 0.2366	per pound of Crude Protein
\$ 0.0338	per pound of TDN
\$ 0.0189	per pound of DM

Costs Summary				
	Grand Total =	Feed	+ Transport	+ Care
Category Overall Total Costs	\$4,020	= \$1,350	+ \$2,250	+ \$420
Category Total Per Head Costs	\$44.67	= \$15.00	+ \$25.00	+ \$4.67
Category Per Head Per Day Costs	\$0.45	= \$0.15	+ \$0.25	+ \$0.05