

**Cow Leasing
Cash vs. Shares
Determining What is Fair**

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Giving Credit

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Why Lease Cows?

- Capital Investment Required
- Established Cowherd Owner
- Beginning or Limited Resource Producer
- Ranch Business Transition Tool



Lease Options

- Cash Lease
- Cow-Calf Share



Photo courtesy of USDA NRCS



Cash Lease vs. Cow-calf Share

- Advantages and Disadvantages



Photo Credit Troy Walz



Cash Lease – Owner Perspective

- Cow owner gets cash per bred female
- Advantages
 - Known income, less risk, simple
- Disadvantages
 - Less income potential
 - May not have access to replacements



Cash Lease – Operator Perspective

- Operator pays cash per bred female
- Advantages
 - Simple and can retain all calves
- Disadvantages
 - Has to come up with cash
 - Accepting all production and price risk



Cow-calf Share – Owner Perspective

- Owner gets a share of calf crop
- Advantages
 - Greater potential role in management
 - Can retain or sell calves at weaning
- Disadvantages
 - Shares in production and price risk
 - Greater involvement in the working relationship with the operator



Cow-calf Share – Operator Perspective

- Operator gets a share of calf crop
- Advantages
 - Cash isn't needed to pay for lease of cows
 - Shares production and price risk with owner
 - Owner involved with production & marketing
- Disadvantages
 - Gives up a portion of the calf crop
 - Less control



What's Fair?



Photo Credit Troy Walz



Cow-Q-Lator Cow-Calf Share Lease Decision Aid

- Excel® Spreadsheet
- https://go.unl.edu/decision_aids
- Input analysis to determine a "fair" share or cash lease agreement
- Includes all values contributed by owner and operator to the production of weaned calves



Decision Aids

https://go.unl.edu/decision_aids

TITLE	DOWN FILE	DESCRIPTION
Breakeven Cow-Q-Lator for Feeders or Cull Cows		An Excel worksheet that calculates breakevens for feeders or cull cows.
Corn Stalk Grazing Calculator		An Excel worksheet for matching livestock size and numbers with corn stalk acres needed with a cost.
Cow-Calf Share Lease Cow-Q-Lator		An Excel worksheet that calculates an equitable share arrangement for leasing cows. The password for this spreadsheet is "cow" if prompt to use one.
Cow-Calf Cost Cow-Q-Lator		An Excel worksheet that calculates the cost of raising one calf.
Feed Cost Cow-Q-Lator		An Excel worksheet with Examples comparing the cost of TDN and Crude Protein in different feeds considering transportation and handling costs with losses. It also calculates the feed needed and total cost given herd size and days fed.

Calculates Share and Cash Value

Cow-calf Share Decision Aid

Written by Roger Wilson and Matt Stockton

Parties		Cash Value
Owner	Operator	(depreciation, death loss, interest, and insurance)
Name 1	Name 2	
21%	79%	Cows Only 174.92
		Cows and Bulls 211.37



Cow-Calf Share Decision Aid Video

Using the Cow-Calf Share Lease Cow-Q-Lator Spreadsheet

Nebraska Extension Know how. Know now.



A Tool for Evaluating a "Fair" Cow Lease Agreement

Drivers of Cow Owner Value

- Average Cow Value
- Replacement Rate
- Interest Rate
- Cull Cow Value
- Bulls/Breeding Expense
 - – Owner or Operator



Drivers of Operator Value

- Feed Costs
- Overheads (Labor & Equipment)
- Operating Expenses
- Bulls/Breeding Expense
 - – Owner or Operator



Calculating Contribution to Determine What is Fair

- All costs and values need to be calculated
- Cow Owner Contribution
- Cow Operator Contribution



The Pie Size Isn't What it Used to Be!



2014 2019



Keys to Consider

- Integrity
- Win/Win is Needed
- Lender Involvement
- Cow-calf Care
- Sickness and Death Loss



Keys to Consider

- Breeding Decisions
- Acceptable Cow Breed Up
- Culling Decisions
- Replacements
- Division of Calves with Shares
- Branding of Calves
- Hauling and Marketing



Keys to Consider

- Expected Results
- Exit Plan
- Agreement in Writing
- Third Party Mediator

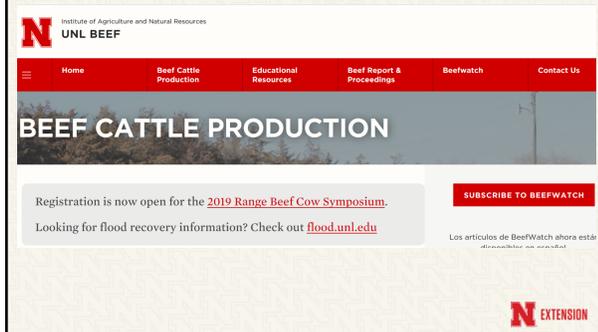


What About Replacements?

- Keep Heifer Development Agreements Separate
- Purchased or Raised Replacements?



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