

3. Pasture Lease Pricing, a Comparison of Methods

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Abstract/Summary

This session will provide the opportunity for a discussion of pasture grazing leases. We will discuss and evaluate the different types of leases such as "double – stock", $\frac{3}{4}$ season, and full season grazing. The various methods of pricing will be presented and discussed. These include per acre, per head and per gain methods. While this discussion while focus on Flint Hills native grazing, the principles will apply to all types of pasture.

Grass Lease Pricing

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Historically, prices are based on...

- Bluestem Pasture Report
- Local or Area "Going Rate"
- Long Term Contract

Challenges

- Bluestem Pasture Report
 - Not Printed Every Year
 - Based on Surveys
- Local "Going Rate"
 - May Not Reflect Market \$
- Long Term Contract
 - Can get Outdated
- Are Services Included?
 - Burning, Fence Maintenance, Guaranteed Count, Salt
 - Other – Mineral, Weed Control, etc.

Example for Discussion

- 550 lb. Steer
- Flint Hills Native
- April 21 – July 15 = 85 days
- 2.00 ADG, 170 Total Gain
- Without Care
- 2.25 Acres per Head
- 244 lbs. per Acre Stocking Rate

Bluestem Pasture Report

- \$ per Head/\$67.30 (\$35 - \$150 range)
- \$ per Acre/\$22.00 (\$8 - \$32 range)

At \$67.30 / Head
Without Care

- \$29.91/Acre
- \$0.40 per Pound Cost of Gain

At \$22.00 / Acre Without Care

–\$49.50/Head

– \$0.29 per Pound Cost of Gain

If Charging on a “Per Pound”

–At \$67.30/Head = .1224

– At \$22/Acre = .09

Charges for Example - Steer

- If \$0.60 Cost of Gain with Care
- “Care” Charge \$14/Head (\$12-\$16)
- \$14/2.25 = \$6.22/Acre
- \$0.51 Cost of Gain Without Care
\$0.60 X 170 lb gain = \$102
\$102-\$14 = 88/170 = .5176

At \$0.51 Cost of Gain Without Care

– \$0.51 X 170 lbs. = \$86.70/Head

– \$86.70/Head = \$38.53/Acre

– \$38.53/244 lbs. = \$0.1579/lb. “in wt”

If Charge was \$0.15/lb. “in weight”

– \$82.50/Head (\$0.15 X 550)

– \$36.60/Acre (\$0.15 X 244)

If Charge is \$0.55 Cost of Gain With Care
@ 2 lb./Day = 170 lbs.

– \$93.50/Head

– \$41.50/Acre

What If...

- Base Charge of \$0.15/lb. in
- Plus Care if Provided
- Plus \$0.50 - \$0.60 Cost of Gain Over 2 lbs./Day



Cow-Calf Example

- 1200 lb. Cow with Spring Calf
- Flint Hills Native
- Full Summer Season – 180 Days
- Without Care
- 7.5 Acres Per Head
- 160 lbs. Per Acre Stocking

Bluestem Pasture Report

- \$145.70 Per Pair (\$60 - \$350 range)
- \$20.40 Per Acre (\$8 - \$40 range)

At \$147.70/Pair

- \$19.43/Acre

At \$20.40/Acre

- \$153.00/pair
- \$20.40*7.5 acres per pair

If Charging on “Per Pound”

- At \$145.70/1200 = \$0.12
- At \$20.40/160 = \$0.127

If Charge were \$0.15/lb

- 1200 X \$0.15 = \$180/Pair
- 160 X \$0.15 = \$24/Acre

Bluestem Pasture Report Pairs With Care

- \$177.60/Pair (\$90 - \$350 range)
- \$23.70/Acre (\$10 - \$40 range)

Bluestem Pasture Report Care Charge for Pairs

- \$32.50/Pair
- \$4.33/Acre

Summary

- Large Variation in Stocker Methods
- “Best” Pricing is Negotiated, Agreed On and Put in Writing

Bluestem Pasture Report

- http://www.nass.usda.gov/Statistics_by_State/Kansas/Publications/Economics_and_Misc/Bluestem/bluest13.pdf

No Fear



Questions & Comments