GRAZING LEASES

It seems with an aging ranch population, trying to keep ranch properties in a family or figuring out how to make the ranch solvent, many ranch owners are looking at leasing as an option. Leasing a ranch though can be complicated depending on what type of lease you are looking at from pasture and livestock leases to crop and whole ranch leasing.

We have several resources in which you can use to start figuring out a lease. Kate Binzen Fuller, MSU Extension Specialist in Ag Economics has put together several resources to help figure out leases, who to talk to and how it should be structured. Her website at http://aglease.msuextension.org/ has several resources and her MontGuide on Grazing Leases is a great place to start.

If you are looking at a livestock grazing lease it can be expressed in several ways: per acre, per whole tract, per AUM, per head, share of gain, or variable basis.

Per acre lease rates differ with the productivity of the grazing resource and lease conditions. The landlord usually receives the same rental rate each year and the tenant assumes the risk of annual fluctuations in forage production.

Per whole tract is leasing a block of land or ranch for a specified annual fee. This type of lease is normally used when leasing an entire ranch for a period of years or when a mixture of land types such as crop, range, forest etc. are in the mix.

Per animal unit month (AUM) lease charges provide flexibility in allowing for different kinds and classes of livestock by using the AUM as a common denominator.

Per head or per pair lease rates, charged per month or season, vary with the type of livestock.

Share of gain applies to seasonally-grazed and usually weight gaining animals such as stocker cattle, replacement heifers or lambs. An example of this is animals are weighed before and after grazing, and the landlord charges the owner of the livestock 50 cents per pound of gain.

Variable leases use a base rate that is fixed for the term of the lease and a variable rate is formulated by considering prices from a livestock market and developing a price index. An example of this would be using a $5 per acre lease rate adjusted at weaning using the October futures price relative to a rolling ten-year average calf price. Suppose the ten- year average was $1.50, and the October futures price is $2.00 per pound. The indexed lease rate would be $5 x (2.00/1.50) = $6.67 per acre.

Regardless of how the lease rate is expressed, a grazing lease should always clearly specify the number and kind of animals allowed and the dates that the animals will be allowed to graze the leased land. To avoid misunderstandings or ambiguity in lease terms, leases should be written agreements. Unwritten leases can be very difficult to enforce and leases over one year in duration must be in writing in Montana. Lease agreements should be signed and dated by both landlord and tenant. Signatures should be notarized, and both parties should consider filing with the local Clerk and Recorder.

When figuring out a lease take these types of things into consideration: maintenance and improvements, stocking rate, recordkeeping and monitoring and other special considerations such as drought, fire, flooding, etc. Also consider who is responsible for what. If the landlord has responsibilities for the tenant’s cattle those should be spelled out in the lease. The same goes for if the tenant if responsible for repairing facilities, fences, etc. and should be spelled out in the lease as well.

Leasing can certainly be a viable option for both the ranch operation and your neighbor or tenant who is looking for agricultural leases.

For more information contact the MSU Powell County Extension Office at 846-9791