

Rent and Buy Feed Dairying

Specialization is occurring in the dairy industry by means of share and cash rent leases to assist beginning farmers to gain entry and older generation farmers to semi-retire gracefully. High capital requirements for dairying almost necessitate farmers to “get-together” to facilitate economic efficiency on the dairy, especially if the labor needs of the farm are multi-person or multi-family.

Rent and buy feed dairying is a means by which one party does just that—rents the facilities, owns the cattle and buys the feed from the other party who owns the machinery and land. This arrangement works well for both parties for several reasons. First, the owner can take the cash rents received as unearned income—saving the self-employment taxes. Thus, the owner can have the minimal material participation into the dairy necessary for this option to work. Second, the owner can remove his or herself from the twice a day demands of milking, livestock feeding and concerns of any dairy related costs to focus on working the land to produce the feed. Furthermore, the renter need not be concerned with any cropping expenses as a straight fee is paid per bushel or ton, etc.

Several variations of the rent and buy feed dairying have emerged. One economical variation receiving more attention is for the renter to own the cows and rent the facilities and an acre per cow for management intensive grazing to reduce summertime forage demands for both parties. The renter reduces the purchased feed and labor cost to an acceptable level which might allow the milking of a few more cows than the barn would hold in a somewhat seasonal system (i.e. milking 70 in the spring, summer and fall and 50 in winter in a 50 stall barn). This also allows the renter to put management resources where he or she has the most responsibility and control—the cows and youngstock.

The owner, then, would continue to own both the land and most machinery depending upon the wishes of the parties. If the owner wanted to remain involved with year round farming, the owner might consider the duties of providing custom feed grinding for the renter which would be included in the cost of the feed when purchased. Also, custom manure hauling might be considered by the owner for a fee minus the value of the manure as fertilizer for the owner’s crops. Quite conceivably, the rent and buy feed dairyman could operate the dairy herd and begin with a bare minimum of machinery.

In addition, the owner would benefit greatly having a very local market for the crops allowing more efficient utilization of silage and grain storage structures already on the farm thereby reducing labor, marketing, transportation and related costs. It would also grant an owner who only wants to semi-retire the less demanding tasks of working with the crops(tractor work) rather than the more demanding livestock (physical work).

An incentive for both parties is that each party has its own business to run and enjoys the fruits of their more specialized individual labor. Thus, rent and buy feed dairying has advantages to offer both the owner and prospective renter in terms of total farm economic efficiency by way of specialization of dairy, crops, labor and management.

This system can also work via the sharemilking route. For more information regarding sharemilking, request UW-Extension publication A3670, “Sharemilking in the Midwest” at 319-583-6492 (Cost \$2).