Cow-share Leasing

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Who cares about leasing cows?

- Young farmers
- Experienced farmers
- Farmers with mismatched resources
- Lenders
- Farm managers
- Extension folk
Killer Questions

Who manages?
Is the venture profitable for both parties?
How effective is the resources allocation?
What records are necessary?
Tenant’s perspective

Capital efficiency, leverage, and cost

Risk sharing

Increased volume

Labor efficiency

Establishing a beachhead
Owner’s Perspective

Maintenance of breeding herd without contributing labor

Income and social-security tax advantages (rental income)

Returns on capital investment

Transferring ownership over time
Relevant Costs - Feed

- Pasture: 15%
- Salt & Mineral: 4%
- Hay: 21%
- Residue: 3%
- Corn: 2.5%
- Supplement: 2%
## Relevant Costs – Other Cash

<table>
<thead>
<tr>
<th>Cost</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vet &amp; Health supplies</td>
<td>7.5%</td>
</tr>
<tr>
<td>Utilities</td>
<td>1%</td>
</tr>
<tr>
<td>Fuel, equip. &amp; repairs</td>
<td>3.5%</td>
</tr>
<tr>
<td>Marketing</td>
<td>1.5%</td>
</tr>
<tr>
<td>Interest on cash exp.</td>
<td>2%</td>
</tr>
</tbody>
</table>
Relevant Costs – Fixed

Interest on cows 16%
Interest on bulls 1.2%
Depreciation *
  Cows
  Bulls
Death loss (brd stock)
Bldgs, fences, & equip. 2%
Taxes & insurance .2%

* if replacements are purchased
Relevant Costs – Labor & Mgmt.

Labor 12.5%
Management 6.5%
The Agreement

Fair, equitable, and simple

✓ Written
✓ Detailed
Your Turn

Wilbur Shaw

Steve Greiner

Worksheet
Summary

Questions

Perspectives

Relevant costs

The agreement