University of Nebraska–Lincoln EXTENSION

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Beef Cattle Share Lease Agreements

Rebecca M. Small, Extension Assistant;
Darrell R. Mark, Extension Livestock Marketing Specialist;
Richard T. Clark, Professor Emeritus, Department of Agricultural Economics;
David J. Goeller, Beginning Farmer Program Coordinator

Cow-calf enterprises require substantial investments in capital, labor, and management. The large investments in breeding livestock, facilities and equipment, feed and other inputs alone can restrict some individuals from engaging in cow-calf production. The capital investments are commonly shared between multiple parties to reduce individual's capital requirements. Cattle share leases often are used to share the revenue and expenses associated with the enterprise. Typically, these leases provide both the lessee and lessor with a share of the revenue from the calf-crop sale in proportion to the expenses incurred by each of the parties. This extension circular illustrates the process of determining the proportion of expenses incurred by the lessor and lessee as well as discussing key guidelines to consider when establishing a cattle share lease arrangement. This circular assumes that the reader has made the decision (or is strongly considering the decision) to lease cattle rather than buy or sell them. The decision of whether to buy or sell versus lease is not discussed here, but is available in "Leasing Arrangements for Cattle" (see Resource list on page 7).

What Does a Common Cattle Share Lease Involve?

A share rental arrangement is more common in a beef cattle operation than a cash rental arrangement. Rather than the lessee paying a set fee to the lessor for the use of the breeding herd as with a cash rent lease, a share lease arrangement involves a cattle owner (lessor) leasing breeding cattle to another operator (lessee). The lessee typically supplies land, labor, some management, and other inputs. The two parties then share in the calf crop. The major economic difference between a cash lease and a share lease is that a share lease does not supply either party with a fixed amount of cash flow. Instead, the lessor (i.e., cattle owner) receives a certain share of the calf crop and, therefore, shares the production and price risk with the lessee (i.e., operator).

Equitable cattle-share leases can provide several advantages for lessors:

- continued investment in cows versus selling the breeding herd,
- retained ownership of the breeding herd without having to care for the cattle,
- simplify transferring ownership of the herd,
- reduce both production and price risk by sharing it with the lessee,
- sharing management and decision-making with the lessee,
- reduction in labor and/or management responsibilities (particularly beneficial for absentee owners or those retiring from farming/ranching).

Equitable cattle-share leases also may offer several advantages for lessees:

- reduce production, price, and management risks by sharing with the lessor,
- smaller amount of capital needed to operate a beef cattle enterprise (particularly for beginning cattle operators),
- possible to gradually transfer herd ownership from the lessor to lessee,

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- gain production, management, and marketing experience (particularly helpful in a situation involving an inexperienced lessee and an actively involved lessor),
- can make most animal husbandry decisions regarding care of the breeding herd.

Several points are important to consider when creating a cattle share lease:

- It is important that the terms of the lease do not unduly favor the lessor or lessee, but rather equitably allow each to receive compensation proportional to the investments and risks they undertake.
- Because all situations are unique, each cattle share lease should be adapted and modified for each arrangement.
- Because production, marketing, and management conditions can change over time, it is important that the lease arrangement be flexible and adapt to the needs of both parties.
- Given the multitude of variations that might exist in cattle share lease arrangements, it is important to remember the most important consideration when developing a lease: keep it simple enough for both parties to understand it and to meet their contractual obligations.
- Define all terms of the agreement in a written lease. A written lease not only provides for clarification of both parties understanding of the terms, but also provides a legally enforceable document.

How Should Revenues and Costs Be Shared?

The two parties in the lease arrangement must decide how the revenue from the sale of livestock will be split and who will pay for costs such as feed, veterinary supplies and services, pasture and winter grazing costs, utilities, and other expenses. The responsibilities and contributions of management and labor must also be accounted for in the cost estimation. The allocation of expenses should play a key role in determining the percentage split of the calf crop revenue that each party should receive. By sharing revenue in proportion to the share of expenses incurred, the lease arrangement is likely to be equitable for both the lessee and lessor. An enterprise budget can be a helpful tool for making this determination. *Table I* splits total cow enterprise costs between the lessor and the lessee. In this example, the total costs shown are based on a traditional cowherd budget from *Nebraska Livestock Budgets,* EC818 (see Resources list on page 7). Because these total costs and splits will be unique to each arrangement, lessors and lessees should complete this table using the blank cells to the right and then determine their respective shares of the total costs. Their proportional share of the costs can then be used as a guide to determine the revenue share.

Table I computes the total cost on a per cow basis, thereby applying expenses associated with bulls and calves to the breeding cows (1,000 lb cow with calf at side). While several expense categories are included in this example budget, lessors and lessees may wish to use a more detailed set of categories to calculate total cow costs. In this example, "Pasture" refers to the cost of six months of summer grazing. It may be valued at the market rental rate for pasture or the economic cost of owned pasture. "Aftermath Grazing" includes expenses associated with grazing corn stalks or other crop residues in the fall. Again, this might be valued at the opportunity cost of the corn stalk grazing (i.e., the rental rate for stalk grazing). "Hay/Silage/Grain" may include the cost of purchased feed or the opportunity cost associated with raised feed that is fed to the cattle herd during winter months. "Salt and Mineral" and "Veterinary Supplies and Services" could include the actual cash expenses for these items. "Building and Equipment" reflects the contribution of facilities and equipment allocated to the cow herd.

"Breeding Stock Ownership" is the economic cost of owning the breeding livestock, including interest on the investment. This also could be viewed as the opportunity cost of cow ownership. As in *Nebraska Livestock Budgets*, the "Breeding Stock Ownership" cost for a cow unit (cow, replacement heifer, and bull cost) in *Table I* was determined by multiplying an opportunity cost of capital times the combined value of the cow, replacement heifer (adjusted for replacement rate), and bull (adjusted for number of cows served per bull and length of time in herd). Cow value can vary substantially due to numerous market factors. Establishing the cow value at the average purchase price of the cows may be appropriate for herds with relatively young cows and high replacement rates. In other cases, it might be appropriate to establish a cow value based on the weighted average market price of cows according to their age (value).

"Death Loss of Breeding Herd" is the cost of the proportion of the breeding herd that dies allocated across the remaining cow herd. "Interest" includes the interest on cash costs such as feed and other inputs. "Other Cash Costs" may include miscellaneous expenses or items such as marketing expenses. "Labor" in this example is estimated at eight hours per cow per year at $8 per hour (see *Nebraska Livestock Budgets*). "Management" costs reflect an opportunity cost associated with time and expertise in making management decisions associated with the herd.

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Table I. Example Cow Enterprise Budget by Lessor and Lessee Proportional Share

Expenses	*Lessor ($/cow)*	*Lessee ($/cow)*	*Totals ($/cow)*	*Lessor ($/cow)*	*Lessee ($/cow)*	*Totals ($/cow)*
Pasture	—	216.00	216.00			
Aftermath Grazing	22.50	—	22.50			
Hay/ Silage/Grain	55.72	55.72	111.44			
Salt & Mineral	—	7.20	7.20			
Veterinary Supplies & Services	—	15.00	15.00			
Building & Equipment Costs (taxes included)	—	8.00	8.00			
Breeding Stock Ownership	82.98	—	82.98			
Death Loss of Breeding Herd	8.00	—	8.00			
Interest		1.45	1.45			
Other Cash Costs		9.30	9.30			
Labor	—	64.00	64.00			
Management	—	20.00	20.00			
Total Costs	169.20	396.67	565.87			
Percentage Share of Costs	**29.9%**	**70.1%**	**100%**			

As a hypothetical lease agreement example, the costs in *Table I* are shared by the lessor and lessee. Here, the lessee has agreed to pay for or contribute summer pasture grazing costs, salt and mineral, veterinary supplies and services, equipment, and other cash costs. The lessor supplies corn stalks for grazing in the fall (possible available from the lessor's farming operation) and the costs associated with owning the breeding herd. Both parties agree to split the winter feeding costs equally. The lessee will provide all of the labor and management associated with the enterprise. As shown in *Table I*, when the costs for the lessor and lessee are summed, the lessor's share of the total expenses are about 30 percent and the lessee has about 70 percent of the total expenses. Because the lessor is responsible for about 30 percent of the expenses, it is appropriate that 30 percent of the calf-crop revenue go to the lessor, with the remaining 70 percent to the lessee.

Again, because every situation is different, this budget should only be used as a template for lessees and lessors to complete their own enterprise budget and assign cost allocations using the blank spaces to the right in *Table I*.

Typically, the calf crop is divided according to the proportion of the total expenses paid by each party, as shown in *Table I* and previously discussed. Common splits of the calf crop in Nebraska share lease arrangements are 70-30 (70 percent to the operator/lessee and 30 percent to the cow owner/lessor), 67-33, and 60-40, although 50-50 and 80-20 splits are also used when appropriate. An equitable lease should reward greater risk and financial costs with a relatively greater share of production. For example, in an equitable 60-40 agreement, the lessor would have more risk and/or costs in the operation than in a 67-33 agreement, and therefore would receive a greater portion of the calf crop. If the lessor or lessee wants a larger portion of the revenue in the end, a greater proportion of the investment, expenses, and/or risk would generally need to be assumed.

Questions To Ask Before Finalizing A Cattle Share Lease

While determining the proportion of expenses and revenue to be shared by the lessor and lessee can be a complex task, there are several other considerations

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that are also important. The following issues should be discussed by both parties before signing the lease. While it is important to consider all these points and others unique to the individual situation, it is again important to remember to keep leasing arrangements as simple as possible.

- **Is the arrangement equitable for all parties involved?** As discussed, it is important that all parties receive a share of revenue proportional to the costs they incurred. It would not be in the best interest of either party to take advantage of the other or have one party sustain major losses over a long period of time at the expense of the other because it would keep that party from participating in the lease in the future. In order to ensure that each party is treated equitably through a proportionate split of revenues and costs, each party must agree on a proper cost allocation. This may be accomplished best by including a nonbiased third party to help determine this allocation.

- **Are the goals for the parties consistent, and do they share a long-term outlook?** For first-time lessors and lessees, a one-year lease may be best, because it allows both parties to gauge their satisfaction with the terms stated in the lease. The one-year lease also makes it easier to adjust terms to fit changes that may be occurring in the input sector of a cattle operation and in the goals of the involved parties. It would be helpful if the one-year lease specifically provided the opportunity for renewal provided both parties are agreeable. Most contracts can also be written as multiyear agreements. Multiyear contracts also have advantages and disadvantages. The business operation has more time to grow and the relationships between the parties are better established in a multiyear lease. A multiyear lease also makes it clear that the lessee will have access to the cattle over a longer period of time and thus provides an incentive to take proper care of the livestock. One potential disadvantage of a multiyear lease occurs when one party does not like the arrangement. Even with escape clauses, multiyear leases could be difficult to terminate prior to the written ending of the lease. It is also common to find parties who write a one-year lease and renew the contract each year. In doing so, they maintain a lease that is revised for situations that may arise throughout the year (including changes in the expenses allocated to each party), and they are still receiving some of the benefits found in a multiyear lease.

- **What is the financial situation of the other party?** It is important for each party to have some understanding of the other party's solvency and liquidity. Individuals signing the lease should feel confident that the other party can financially fulfill the contractual obligations. Obtaining a credit reference from a third party (e.g., bank) may be appropriate to determine the financial soundness of the other party. Have a contingency plan outlined in the lease that shows the steps that will be taken if one party becomes insolvent or other circumstances call for termination of the contract.

- **How should the calf crop be equitably divided?** There are a number of ways the calves can be divided to ensure both sides receive their appropriate share. The main objective when dividing the calf crop is that both sides get a share that will generate revenue that is proportional to costs incurred. Each situation may call for a different way of dividing the crop.

    - **Percentage Share Lease.** One way of dividing the calf crop that may make revenue and expenses proportional is a percentage share lease where each party receives a specified percentage of the calves or the revenue generated from the sale of the calf crop. For example, a 70-30 share lease means that the lessor will receive 30 percent of the weaned calves (or revenue from their sale). By using this method, both price and production risks are shared between the parties. These types of leases are the most straight forward way to share the calf crop and easiest to equitably adapt to the proportional expenses paid by each party.

    - **Fixed Number of Calves Lease.** The method by which the calf crop is divided will determine the way price and production risks are shared between the lessee and the lessor. For instance, some leases require that the lessor receive a minimum number of calves per 100 head of cows leased. Suppose that a lessor is to receive a minimum of 30 calves/100 cows in an otherwise 67-33 share arrangement (based on a 90 percent weaning rate). The lessor will also receive 33 percent of the calves exceeding 90 head per 100 cows leased. In this case, the lessee assumes all of the production risk for a calf crop that falls below 90 percent of the cows but gets to share in a calf crop that exceeds 90 percent. If out of 100 cows only 80 calves are weaned, the lessor still receives 30 calves. Suppose the 67-33 percentage share had been allocated according to the cost contributions of each party. With 30 of the 80 calves going to the lessor, the lessor is

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now receiving nearly 38 percent of the calves but only paying 33 percent of the total costs. If, on the other hand, 93 calves are weaned/100 cows, then the lessor would receive revenue for 31 calves, exactly the 33 percent as specified in the contract.

- **Flexible Share Lease.** With a flexible share lease, the revenue of each party is determined based on different percentage splits for direct costs, fixed costs, and opportunity costs assumed by the parties involved. If a flexible share lease is used, direct costs (e.g., feed) associated with the operation are paid first. Fixed costs (e.g., depreciation) are paid after the direct costs have been covered. Opportunity costs (e.g., interest on the investment) are paid after the fixed costs have been paid. For example, assume the calf crop is sold for $700/head. The direct costs equal $300/head and the lessee assumed 80 percent of that direct cost, then the lessee would receive $240/head of the revenue. The lessor, paying 20 percent of the direct costs, would receive $60/head. Next, fixed costs would be paid. Suppose fixed costs equal $200/head and the lessee was responsible for 70 percent of fixed costs. So, the lessee receives the next $140/head of revenue to cover fixed costs, while the lessor receives $60/head to cover 30 percent of the fixed costs. After fixed costs, opportunity costs are paid. Opportunity costs, in this example, are $100/head and the lessor incurs 90 percent of these costs. The lessor receives $90/head and the lessee receives $10/head. After paying the $300/head direct costs, $200/head fixed costs, and $100/head opportunity costs, $100/head of profit remains. Both parties may have agreed to split the remaining profit 50-50; therefore, each party receives $50/head of profit. With this type of calf crop split, price and production risk is shared. Depending on the type of share lease used (i.e., 50-50 vs. 70-30) the lessor might bear a greater percentage of price risk while the lessee bears a greater percentage of the production risk. The largest disadvantage of the flexible lease is its complexity. It will require a more detailed agreement and better record keeping by all parties to determine the shares for the various types of contributions. (Note: A percentage share lease will actually produce the same results as a flexible share lease.)

- **How should the calves be physically divided?** No matter the type of share arrangement, the method to divide the calf crop should be included in the lease agreement. One simple way to split the calf crop is to specify that all calves will be sold at weaning and the revenue from the sale will be split according to the pre-specified shares. Yet in some instances one or both parties may wish to retain ownership of the calves. The division should include specifying in the contract the sex of the calf crop to be received by the lessor and lessee due to the likely revenue differences between heifer and steer calves. For example, in a 67-33 lease, the calves could be divided into three different groups each containing equal numbers of male and female calves. The lessor would be allowed to have the first pick of one of the three groups of calves. Another way would be to specify that the lessor will receive equal numbers of male and female calves from some random sort of all weaned calves.

- **How does a lessee prove death of cows?** Another detail that should be included is how to prove to the lessor that a cow has died. Many leases call for the lessee to provide the lessor with the hide containing the brand of the dead cow or a certificate/receipt of proof from a rendering company.

- **How well will the cattle be cared for, and who is responsible for care of the cattle?** Lessors should be confident that their breeding herd will be properly cared for and fed when the lessee is responsible for the care of the cattle. Because leases are different and the obligations can vary for each party, it is important that one of the largest obligations, caring for the cattle, is specified clearly in the lease as to the type and amount of care.

- **Who will provide bulls and replacement heifers?** Every contract can be different, including who provides the replacement breeding stock. Commonly, the lessor (cattle owner) is responsible for supplying replacement stock. The lessor usually receives the income from the cull cattle and either buys or raises replacement bulls and/or heifers. Replacements could be taken from the lessor's share of the calf crop, in which case the lessor may negotiate for a higher proportion of heifer calves. This situation may not apply, however, when ownership of the herd is being transferred. If the ownership of the herd is being transferred to the lessee, it may be the lessee's responsibility to provide replacement heifers and bulls.

- **How should breeding herd replacements be handled?** Often the lessor is obligated to maintain the number of breeding stock by supplying the herd with replacements and selling cull cows. There are several ways to accomplish this and still

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ensure that each party is receiving an equitable share. Generally, the lessor receives all the revenue generated from the sale of cull cows. The lessor also typically provides all of the replacement stock regardless of the division of the calf crop. Another alternative used in replacement procedures allows the calf crop to be divided so that the lessee receives a greater number of steer calves and the lessor receives a larger share of heifers from which replacements could be developed. The third alternative for obtaining replacement heifers is to split the revenue from the calf sale, as specified in the contract, and the lessor then buys the lessee's share of replacement heifers or buys the replacements elsewhere. Sometimes the lessor will request that the lessee develop the replacement heifers. In these situations, it may be best to have an agreement for replacement development that is separate from the basic share agreement. Including heifer development into the share arrangement complicates the contract and makes determining an equitable lease more difficult.

- **Who determines when to cull cows?** Most often the owner of the cattle receives the cull sale revenue and therefore should decide when the cows are culled. This may not be the case when dealing with an absentee lessor. This issue should be discussed and included in the written lease. The cull and replacement rates and who decides which cows to cull should be explicitly outlined in the contract and thoroughly understood and agreed to by both parties. Often the lessor decides cull and replacement *rates* as the owner of the breeding herd. Deciding *which* cows to cull and *when*, may best be a joint decision between the lessor and lessee. The key is to reach an agreement between the parties before conflicts arise. Communication is crucial even after a lease agreement is finalized. No matter which party is responsible for providing replacements, both parties should be interested in increasing or maintaining the quality of replacements through genetics. Better quality, which can be maintained within the herd through improved genetics, can be a strong determiner of future revenues received by both parties. Therefore, both parties should be involved with the genetic maintenance of the herd.

- **How can a lessor transfer herd ownership to a lessee?** Share leases can provide a way to gradually transfer ownership of the cow herd to the lessee. The lessee, instead of the lessor, can provide the replacements (or part of them). The lessor would sell the cull cows and receive a percentage of the calf crop based on the number of original cows left. For instance, if the herd consisted of 100 cows and 10 cows are culled each year, the lessor would own 90 cows by the second year. If the lease originally involved a 50-50 split, then in the following year the owner would receive 50 percent of the calves from 90 cows. As time passes, the proportion of the herd that the lessor owned would be reduced until the lessor no longer had an ownership interest in the herd.

- **Are there tax or social security concerns that may arise from this lease-arrangement?** Lessors who have retired from their own farming/ranching operation but who are still active in the cattle share lease are said to have material participation. Income received from material participation in the cow enterprise could have tax implications (lessors should consult their tax preparer). Income and self-employment taxes are due on this income regardless of the lessor's age. Social security benefits may also be affected by material participation depending on the age of the recipient. If the lessor is between ages 62-64, earned income must be below $12,000 to not affect social security benefits. If income from the cow enterprise exceeds this limit, the lessor must pay back $1 of social security payments for every $2 the limit is exceeded. In the year the lessor turns 65, the lessor is allowed to make $31,080 in earned income before having to pay $1 of the social security for every $3 over the $31,080. After the year the lessor turns 65, earned income has no restrictions for social security benefits. (Note: These policies and ages restrictions are subject to change annually. Consult a tax expert for updated information.) Material participation occurs for the lessor if the lessor meets any one of the following four criteria:

  - advises the lessee, inspects production, incurs half the production expenses, or furnishes half of the machinery, tools, or livestock for production purposes,
  - makes management decisions critical to the success of the operation,
  - provides at least 100 hours of labor in five or more weeks of a year, or
  - is extensively involved with production.

- **Who is responsible for marketing decisions?** Marketing is an activity that can be shared equally in a cattle share lease. Joint marketing decisions can be an advantage for all parties depending on the experience of the lessee and lessor. For example, an experienced lessor or

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lessee could help the other party in the marketing decisions. By pooling resources and knowledge, both parties may be able to improve marketing decisions. However, joint marketing could also be a disadvantage in cases where an absentee party relies on an inexperienced marketer for these decisions. Because marketing decisions can greatly reduce unnecessary price risks when used properly or increase price risk if used improperly, it has potential to be an area of dispute. However, a good lease can reduce these disputes if it clearly outlines the marketing and price risk management responsibilities of each party.

Cattle Share Lease Checklist

To avoid problems or disputes between lessors and lessees, lease agreements should follow these minimum requirements:

- Put the lease in writing. Having an agreement in writing can be used in court if the need arises or be referred to at anytime if clarifications are needed by either party.
- The lease should cover all obligations of both parties, including those of death loss of livestock and termination of the contract (termination may be due to death of one of the parties). By comprehensively including all obligations, the parties will reduce problems and concerns that may arise in the future.
- The lease should be signed by both parties and include an address of those parties
- The time period of the lease should be specified in the written lease.
- An accurate legal description of property involved with the agreement should be in the lease.
- The amount, dates, and location of the payment should be clearly defined.
- It is vital that both parties understand all terms of the lease and that they agree with it. If either party does not understand or is not comfortable with any part of the lease, it should be discussed and the issue resolved before the lease is signed.

Special note: *The examples and terms described in this publication are designed to provide livestock owners and operators an understanding of beef cattle leases and the advantages and disadvantages of share rental arrangements. All parties entering into the lease must agree upon terms that will allow both parties to sustain a sufficient income for their investments. Changes and variation in agreements are likely and should be expected. The examples provided herein are for illustrative purposes and educational use only. The contents of this article are intended for general informational purposes and should not be construed as legal advice. Readers are urged not to act upon the information contained in this article without first consulting an attorney.*

Resources

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Sample Cattle Share Lease

The following is a sample lease. Many of the topics discussed in this publication are outlined in the following lease. It is important to understand that this is only a sample and it is necessary to develop a lease that is unique to individual situations.

This agreement is made and entered into this _______ day of ____________, 20____ by and between the following parties:

Cow Owner (lessor): ____

Ranch/Operator (lessee): ____

I. Lessee desires to lease from the Lessor ________ head of ________________ (type of livestock) from _______________ (date) to ________________ (date). During the term of this lease the Lessee agrees to take custody of said livestock, to properly breed, graze, pasture, feed, maintain and care for the same, and to raise the calves produced thereof and therefrom, all at Lessee's expense. This agreement shall automatically renew for succeeding one-year periods if neither party gives notice of termination within _______ days of expiration of this Agreement. Such renewal shall be noted at the end of this Agreement by noting the year of renewal, the initial number of cows and the signature of both parties signifying acceptance of the renewal terms as well as acceptance of all other terms and conditions contained within this entire Agreement. (This lease may also expire if the lease is under the terms of a transfer from Lessor to Lessee, and the Lessor's share of the cow herd has decreased to zero.)

II. Any barren, open, or unproductive cows will, at Lessor's option, be returned to Owner or delivered to the sale barn of Owner's choice for sale. Thereupon Owner shall have the option to replace any such barren, open, or non-productive cows during the term of this Agreement with replacement cows, which have been bred or are suitable for breeding. Owner shall have the right to place additional stock cows in the custody of Operator under the terms, conditions and covenants of this Agreement upon the consent of Operator.

III. Division of the calves. Lessee is to receive 70 percent of the calves and Lessor is to receive 30 percent of the calves. Unless otherwise mutually agreed, the calves will be split with a gate cut. The Lessor receives the first 30 percent of calves that walk through the gate. Division of calves is to be done annually or more frequently if necessary and mutually agreed. It is mutually agreed that the division is to be done at weaning time, when the calves are at an age of approximately six months or a weight of approximately four hundred pounds. Division may also be done when calves are to be sold.

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IV. Lessee agrees that all fences, corrals, enclosures, sheds, and such shall be kept in good repair and that they will retain the cattle. Lessee also agrees that all corrals, lots, and pastures shall be kept free of debris, trash, and other objects which could reasonably assumed to be harmful to cattle.

V. In the event of the death of an animal owned by the Lessor while in possession of Lessee, Lessee agrees to present to Lessor that portion of the hide containing the brand or a certificate from the rendering company stating the brand on the deceased animal. In any event, Lessee agrees to notify Lessor in writing of any death, emergency, or unusual event as soon as possible.

VI. Owner and Operator shall share in any loss as a result of death of any calf or calves up to 10 percent of the increase from said cows; any loss in excess of 10 percent shall be borne exclusively by Operator so that Owner will be guaranteed a minimum 30 percent of remaining calf crop from said cows each year.

VII. Lessee agrees to allow Lessor to inspect the cattle at reasonable times. Lessee further agrees to keep Lessor informed as to the location of the cattle.

VIII. Lessee agrees that if cattle are returned to the Lessor prior to the expiration date of this Agreement of any extension thereof, (s)he shall pay Lessor the sum of $ _______________ per month per head, which amount is agreed to be reasonable cost of feed per month per head.

Lessor____

Address____

____

Phone ____

Lessee____

Address ____

____

Phone____

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