

# Improve Grassland with a Goal-Driven Lease

## Q&A

Answers below come from a conversation with Pete Bauman, South Dakota State University Extension Range Field Specialist. They also incorporate information from range management professionals and private livestock operations Bauman consulted. For more detailed information, including sample lease language options taken from actual leases, look online for the SDSU publication *Structuring Grazing Leases: Including Ranch Resource Goals to Improve Landowner-Lessee Relationships*.



### Q<sub>1</sub> What is a goal-driven lease?

**A:** Renting pasture on a handshake can work—until it doesn't. Those unwritten contracts are often based on a lump sum rental rate per acre for the grazing season. The problem is the landowner looks for the highest payment per acre, and the livestock owner in turn tries to take the maximum grass off the pasture. The grassland itself often suffers through overstocking and overgrazing. A goal-driven lease is a written lease that takes into account the landowner's goals such as boosting soil health, increasing water infiltration, promoting plant diversity and wildlife habitat, increasing forage production, and reducing chemical use. It calls for a lessee who will work in partnership towards those goals.

A fair and equitable lease that accomplishes mutual goals outlines an agreement for healthy grazing management that puts in writing such things as livestock type and numbers; grazing timing, intensity, and duration; and rotation patterns.

### Q<sub>2</sub> What's it based on?

**A:** Goal-driven leases are based on selling the forage, not renting acres. Payments are made on an animal unit or per head per day basis, which is essentially charging a fee for grass consumed rather than access to graze a certain number of acres.

Charging a set amount of dollars per cow-calf pair per day is a good example. Livestock type, number, size, forage demand, calf age, in and out dates, drought adjustments, and landowner/lessee services all factor into determining a fair and equitable fee. Livestock weights matter—bigger cows consume more forage, so weighing livestock in and out is part of the lease.

### Q<sub>3</sub> Who benefits from this kind of lease?

**A:** The short answer is the landowner who sees value in building healthy grasslands and soil long-term, and is willing to take less money for "selling" less grass to avoid overgrazing.

This lease is also suited to the operator who understands concepts of rotate, rest and recover, and desires to build a mutual relationship with the landowner over time by agreeing to use sound grazing practices that will build healthy grasslands long term.

### Q<sub>4</sub> Is this lease complicated?

**A:** Selling grass with management goals requires that both parties understand the big, holistic picture. Most landowners aren't accustomed to measuring their forage production, and most cattle producers aren't accustomed to weighing their livestock coming onto or off pasture. It's not difficult, though, and doing so ensures accuracy and helps assess animal performance.

What some would consider a complicated lease is really a lease with specificity. Relationships tend to fall apart when one party has to spend money they didn't plan on spending, or it isn't clear who's accountable for what.



# Goal-Driven Grazing Leases

## Questions and Answers

### Q5 What if the landowner and lessee don't share mutual goals?

**A:** Although they may not be able to label it, the great majority of landowners do understand what looks and feels correct. You don't have to be an ecological expert to walk across a well-managed pasture with a great degree of diversity, and see that is better than a mismanaged, overgrazed, pasture and feeling how dead it is. Would you continue to stay with someone who mismanaged your money? You probably wouldn't. But we seem to accept that a bit more when somebody is mismanaging our land. If the goals are well stated and the lessee isn't on the same page, it's probably the wrong lessee. On the flip side, a lessee who is deeply committed to the same goals as the landowner can be a strong partner for years; non-operator landowners and others might do well to invest in a committed lessee. The long term partnership may well be more valuable than a new lessee who offers a few more dollars.

### Q6 What if there is a drought?

**A:** A drought clause should be included in the lease. Specify what rainfall amounts constitute a drought, and agree on how much destocking will take place and any other agreements to maintain the grassland resource.

### Q7 Are plant and root rest and recovery considered?

**A:** Root growth matters a lot, particularly in areas that can be hot and dry, like South Dakota. Research has shown that we can graze up to 50% of plant leaf volume and have less than 5% root growth stoppage. But if we go from just 50 to 60%, we have 50% root growth stoppage. And if you graze more than 60% of that plant, you'll have 80 to 100% root growth stoppage. You've got to have functioning roots in the soil to feed microbes and develop that cottage cheese structure.

### Q8 What about adjustments for services?

**A:** First, agree on a base per cow/calf pair per day fee. Adjustments to that base value can then be made based on services each party contributes to the operation. Services expected by either party are usually clearly explained, mutually agreed upon, and should be reflected in the lease and fee structure. Such services might include responsibility for fence maintenance, invasive species control, herd checks, livestock rotation, water management, or animal health or other husbandry services. Landowners or custom grazers that provide full services for the grazing season are able to charge significantly more per day than those who provide no services or are absentee or non-operating landowners.

Comparison of grazing lease type			
Issue	AUM Lease	By the Acre	Per Head/Per Day
Easy to understand	Poor	Good	Good
Ease to recalculate fees with more or fewer livestock	Fair	Poor	Good
Ease to value services	Fair	Fair	Good
Mutual concern for resource base	Fair	Poor	Good



Remember the R's: Rotate – Rest – Recover

