# Contract Growing Cattle Considerations

Andrew P. Griffith, Ken Kelley, Max Runge

1

## Contract Growing Definition

- Business model where a person/grower who owns or rents land grows cattle for a cattle owner
- Takes several forms
  - Grazing
  - Feeding concentrate
  - Mixture of grazing and feeding concentrate

2

## Reasons to Contract Grow

- Grower
  - Lower investment cost because cattle not owned
  - Not subject to market variability/fluctuations
  - Reduced cattle production risk (morbidity, mortality)
- Cattle owner
  - Lack of available/suitable grazing land
  - Shortage of labor to manage cattle
  - Not having skill set to manage animals
  - Opportunity to expand operation size

3

## Grower Challenges

- Business establishment
  - Marketing contract growing services
- Experience
  - Need experience with type of cattle being grown, risky to cattle owner if grower does not have experience
- Infrastructure
  - Fences, working facilities, loadout facilities, feed storage and feeding
- Management
  - Maintenance of fences, working facilities, water sources, forage stand

4

## Cattle Owner Challenges

- Grower identification
  - Finding someone with the skills and resources to grow cattle
- Management experience
  - Evaluating grower ability to achieve goal (weight gain, breeding females)
  - May have to train grower or provide some management
- Supplying cattle
  - Ability to supply the optimum number of cattle the grower can handle

5

## Benefits to Grower

- Capital investment
  - Risk and size of capital investment when purchasing cattle is on cattle owner
- Market factors
  - Income is not typically associated with changes in market prices
- Income source
  - Diversify income streams (cattle owner with excess forage, row crop farmer with cover crops)

6

## Benefits to Cattle Owner

- Operation expansion
  - Opportunity to expand operation without owning more land or employing more labor
- Infrastructure
  - Do not typically incur the cost of infrastructure (fences, working facilities
- Grower experience
  - Utilizing grower expertise may improve cattle management

7

## Contract Components

- Name of grower and cattle owner
- Property description, size, location
- Growing period with start and end dates
- Quantity and type of animal
- Responsibilities of each party (including death loss)
- Grazing/growing fees/payment terms
- Termination clause

8

# Other Considerations

- Supplemental feed
  - Helps achieve target rate of gain
  - Needed during drought, flooding, snow/ice
  - Who is responsible for purchasing and feeding
- Other input cost
  - Growers must consider all costs to determine acceptable payment rate (infrastructure repair, maintenance, replacement, mineral, fly control, health treatments)
- Stocking rates
  - Pounds of animal per acre
  - Number of head per acre
  - Provisions to allow changes due to "acts of God"

9

## CATTLE GROWING CONTRACT

This agreement made this _____ day of ___________, 20?? between OWNER OF CATTLE/BUSINESS NAME having an office in the Town of CITY, STATE, ADDRESS (the "Owner") NAME OF OWNER/PERSON RESPONSIBLE, (Cattle Manager) # PHONE NUMBER
and________________________________, (the "Grower") Address_____________
______________________________, Telephone # ___________, Cell #______________,
and Fax #__________________E-Mail_________________________________________.

**It is hereby agreed between the Owner and the Grower as follows:**

**1.** For the duration of this Agreement, and until the Cattle are returned to the possession of the Owner, the Backgrounder will keep and properly care for the Cattle on the property located at Section ____, Township _____, Range ____ , _______ of the _____ Meridian, in the State of ___ approximately _____ miles from _____________________________ town & state..

**2.** The Owner's cattle will be kept in separate pens and or pastures from cattle located on the property owned by other parties. Each individual animal will be identified with a lot number/ear tag and brand.

**3.** The Owner shall at all times during this agreement be the sole legal and beneficial Owner of the Cattle and the Grower acknowledges and agrees that he has no interests, whether proprietary or non-proprietary, whatsoever in the Cattle. The Grower hereby acknowledges and agrees that he shall not pledge, mortgage or encumber the Cattle, and the Grower shall have no right to sell, negotiate or otherwise deal with the Cattle in any manner whatsoever.

**4.** The Owner and/or manager shall have the right to enter the property with reasonable advance notice at any reasonable time to inspect the cattle.

**5.** The Owner and/or manager will be solely responsible for deciding when the cattle shall be sold and/or shipped. The Owner and/or Manager or Grower may terminate this agreement at any point with a fourteen (14) day notice. Termination may be sooner if improper actions are exhibited by either party.

10

# May your boots still shine!

extension
ALABAMA A&M and AUBURN UNIVERSITIES

UT EXTENSION
INSTITUTE OF AGRICULTURE
THE UNIVERSITY OF TENNESSEE

11