



Brockett's Ag Advice

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What About Leasing Dairy Cattle?

There are two types of leasing for dairy cattle. One is between "friendly" parties. In this case the owner is trying to (a) preserve some breeding stock, (b) prove a bull, (c) develop a sale animal with records you will put on it, (d) build part or all of a herd before going into business, or (e) help the dairyman get started. In any case, the immediate, primary goal is not to make money on the lease itself nor is it to acquire animals. The only dangers in this type of program are (a) a misunderstanding between the two

parties as to who pays the bills, (b) a loss of an animal, (c) failure to put the kind of record on the animal that is desired, (d) failure of either party in business which will disrupt the desired program. It is a good idea to get a contract in writing drawn up between the two parties. Even then some disagreements are possible and should be discussed by the two parties. These types of leases have been used in central Pennsylvania for a number of years. They usually accomplish the goals of each party to a limited degree.



THINK AHEAD...
Read Futures Markets on Page 3.

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Lease - Purchase

The lease-purchase program is a completely different type of contract. The purpose of the leasing company is to make a return on its investors' money, plus a return to the company for administrative and management costs. The leasing company really doesn't care about the cow records because their primary goal as far as the cows are concerned is to sell them — preferably to you. The price of the cow is usually the price paid for it or at least the one paid for the original cow. Their return would be the difference between the price of the cow and the rental charge plus salvage value of the cow.

In most of the leasing contracts I have reviewed, the cost to the dairyman has been very high. In some cases it has been as high as a 26 percent annual cost. As with the machinery lease-purchases discussed last week, dairymen, considering leasing as an avenue for acquiring ownership of dairy animals should budget it out. What is the cost of leasing in relation to the cost of buying? Unlike equipment, the additional risk to the leasing company will probably make the cost prohibitive. Sometimes dairymen are tempted to lease because they cannot get the money to buy. I guess my recommendation has to be if you

don't have the equity of the income-producing potential to buy, you'll get into trouble leasing. Remember that a cow can only generate a certain amount of money. A reasonable rule of thumb is that you can usually use up to 25 percent of the cash income per cow to pay total debt payments (principal and interest) plus rent for anything. Example: a cow producing \$1862 worth of sales (use

milk sold per cow not produced) including regular guaranteed sales of breeding stock will handle \$466 in total debt service plus rent. (The debt service is for everything being purchased except land used to produce sale crops.) Some farmers are more efficient than that and could squeeze out up to \$652 per cow, while others would be in trouble if they went over \$280 per cow.

Farm Market

(Continued from Page D20)

China and host buyers to meet with growers at its annual meetings.

A media event which emphasizes the safety and wholesomeness of beef is planned with Velsicol's 1985 contribution to the National Cattlemen's Association. In 1984, NCA used the \$32,210 to publish and distribute a brochure called "Myths and Facts about Beef".

The \$97,758 provided to the National Corn Growers Association in 1984 is being invested in domestic corn markets, specifically corn sweeteners and alcohol fuels. In 1985, NCGA Operation Trade Expansion monies will continue to be used on the sweetener and alcohol fuel programs and other similar

market development projects.

The National Pork Producers Council is using the \$20,539 donation made by Velsicol for consumer education. NPPC's programs inform junior and senior high school students and teachers, as well as food editors, of the healthfulness and versatility of pork in American's diets. NPPC funds from Velsicol's 1985 program will sponsor a major media event for 25 women's magazine food editors.

The American Dairy Association participated in the first year of the program and received \$15,501 to promote real dairy foods at the National Restaurant Association show.



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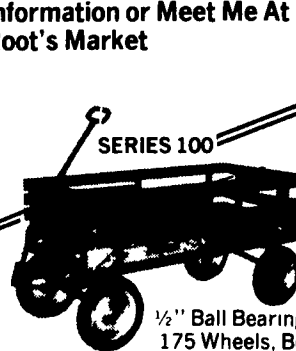
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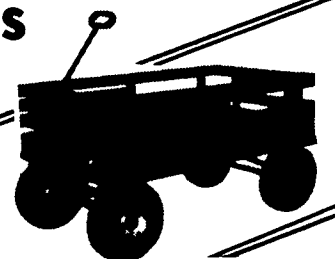
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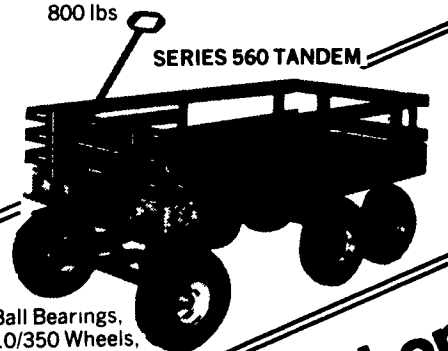
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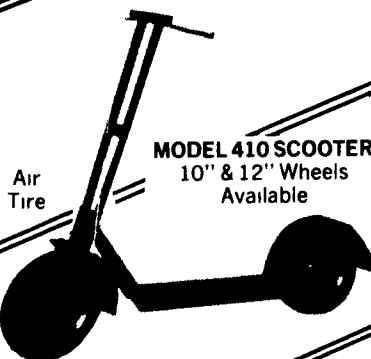
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