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CULTIVATING HEALTHY COMMUNITIES

Farm Management Team Q & A's

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(B) Author's Note: These fact sheets are a result of questions posed to me and answered in a national publication over the years.

Making Hay on Shares

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I've been making alfalfa on shares with a neighbor. It's his land and standing hay. He stores it in his barn, and I get the hay to the barn. What percent of the crop should I get?

Operating on shares is a well accepted agricultural practice but to be fair we need to return to "How much does it really cost to own land, and fertilize, grow, harvest and store hay on a cash basis?" It's not until we determine how much each party has into the land, the crop, the harvesting, and the storage for the crop are we really able to determine who gets what for a share of the crop. I still go back to the DIRT 5 and the operating costs to get at the real price of the land, the crop, the harvesting and the cost of storage. (DIRT 5: Depreciation, Interest, Repairs, Taxes, and Insurance). We thus need to analyze the total cost of the crop including the land, fertilizer, harvesting, and storage costs and then break out the costs to the individuals involved. You also need to look at the competition, the location of the fields relative to your operation and how easy or difficult it is to store and remove the hay from the barn or haylage from the bunker.

It's amazing how much it costs to raise and harvest a crop these days. I remember when we harvested on the "halves" but now, with higher than average fuel costs, increased machinery and labor costs, it's common to see 2/3rds (two thirds) of the crop going to the individual growing and harvesting the crop and only 1/3rd (one third) would go to the land owner. I've even seen cases, primarily in urban areas and areas with little or no competition, low land fertility, or small parcels, where landowners "pay" to have the hay harvested! These unusual circumstances where the landowner swaps "pays" to have their fields cut, typically involves paying for lime or fertilizer, opening up the tree line, paying for seed, or help with the operation.

I've also seen other cases, where the hay or crop land has great fertility, is well drained, is a large parcel, is right next door, currently is or will grow valuable crops, storage is available, and the land is available for long periods of time where the rental price is much higher, again approaching the "halves" situation. However, watch out for the operating costs as it now costs so much for fuel, labor, and the DIRT 5 expenses are so high.

In your case the feed is stored in the neighbor's barn thus there is a storage cost that the landowner incurs and you need to pay for that cost. Check with neighbors and do a DIRT 5 calculation for costs on the storage.

To say going to "thirds" or "halves" may be easy but is in-correct as there are hidden costs on both sides that must be calculated. The total costs and the share costs need to be calculated and then you can determine the share amount. Once it's broken down into costs and returns one can come to an appropriate cost that is suitable to both sides.

Contact your local Extension office, Farm Credit Service, banker, consultant for assistance.