Fencing Pastures, Cropland and Rented Ground

Andrew P. Griffith
University of Tennessee, Department of Agricultural and Resource Economics

Over the past several years, favorable grain prices resulted in many fences being pushed out to make way for planters and combines. Now that grain prices have moderated resulting in reduced profits from grain production and cattle prices are strong, many cattle producers are saying it is time to reestablish pasture and build fences. On the other side of the coin, there are a number of cattle producers and grain producers that would claim it is not economically feasible to build fences and establish pasture. The real question for both sides is "Have you evaluated the costs and expected revenues associated with establishing pasture and building fences?" This article's focus is fencing.

The answer to the question of whether to fence an area or not to fence an area is not a simple one. Additionally, the answer to the question will not be the same for every producer. Thus, the evaluation of whether to fence or not to fence a field should include evaluating physical resources, land ownership and lease agreements, and the economic feasibility.

The easiest place to start in evaluating the decision to fence land is based on physical resources. A producer should consider water availability, working facilities, convenience and ease of managing cattle on the land, loading and unloading facilities, field size, etc. The number one issue with many fields that are not fenced is water availability. If water is not currently available, cannot be accessed in any way, or would be extremely expensive to make available then the evaluation of fencing can likely stop immediately. The availability of working facilities and loading and unloading areas are also important factors especially when animals require treatment for sickness or when animals need to be transported for marketing or to new pastures. The location of the pasture may also be a consideration for producers. If it is not conveniently located or easily accessible then it may not be a field that needs to be fenced.

The decision to fence land is never an easy one. However, the decision by a producer to fence or not fence owned land is rather a simple one compared to the decision to fence land that is rented or leased. This is also where the economic feasibility of fencing begins to become more important.

The first consideration will be for land owned by a cattle producer. The decision to fence a field and convert it into pasture production is an investment in the cattle operation. The pasture must return the full value of the cost of fencing through livestock production if it is to be considered a 'good' investment. Thus, a producer must be able to develop a conservative approximation of the cost of building the fence (materials and labor), maintenance costs, and the expected life of the fence to thoroughly evaluate the decision. The calculation of fencing costs will allow the producer to depreciate the fence across the number of head of cattle given the expected life of the fence. Additionally, the producer needs to develop a conservative estimate of the value of producing livestock on the newly pastured ground over the expected life of the fence to determine if livestock production will produce positive returns to the land.

The decision to fence leased land can be a little more complicated. The decision requires similar considerations as owned land, but there are a number of other considerations. The first question to answer is "Who is going to pay for the fence?" If the landowner is paying for the construction of the fence then the landowner must revert back to considering the costs and revenues of pasturing a field. If the cost of building the fence is on the livestock producer who is renting the land then the length of the lease should be considered along with the expected costs

and revenues. Costs can only be spread across the guaranteed length of the lease. Thus, if the lease is only guaranteed for five years then the entire fence cost must be accounted for within those five years. If the cost of the fence is shared between the two parties then both parties need to consider what revenues they must generate to return the cost of building fence.

Though a direct answer cannot be provided through this article to the feasibility of building fence and the returns expected from it, livestock producers and land owners are encouraged to visit http://economics.ag.utk.edu/fencingcalculator.html where the Microsoft Excel based “Fencing Budgets Calculator” can be accessed. This tool helps producers calculate fencing costs for barbed wire, woven wire, high tensile fixed knot wire, high tensile electric wire and poly wire fence. Producers are also encouraged to read the publication “The Contributions Approach to Establishing Equitable Pasture Lease Agreements” (http://farmlandlegacy.utk.edu/pubs/LegacyPB1816D.pdf) when determining lease agreements. Some livestock producers will find it feasible to fence land while others may not find it feasible, but it is important for producers to evaluate the decision thoroughly to evaluate the investment.