

Tool F: Checklist for Arranging a Lease for Dairy Cows

Use this **Checklist** to discuss the elements that should be considered when a lease agreement for cows is being arranged. It can be used to review a current agreement or to build a new one (using model lease agreement for livestock – Tool G).

The best arrangements are always the ones that are prepared specifically to suit each situation. This **Checklist** is designed to guide discussion of each element by both parties. It is recommended that the parties work with a dairy adviser to develop their agreement.

Prior to signing, both parties should consider obtaining independent financial and legal advice.

For more information and the latest version of this **Checklist**, visit www.thepeopleindairy.org.au/leasing

PARTIES TO THE LEASE		REF FOR TOOL G
Lessor (owner)		Schedule 1, Item 2
ABN		
Address		
Lessee <i>If the Lessee is a company, details of Directors will also be required.</i>		Schedule 1, Item 3,3a
ABN		
Address		
<i>Note: Types of referees for lessees include: Dairy Adviser; Dairy, Feed or Fertiliser Supplier; Herd Improvement officer; Veterinarian; Stock Agent or other person with professional role.</i>	Referees for Lessor Company Name Contact details Company Name Contact details Company Name Contact details	Referees for Lessee Company Name Contact details Company Name Contact details Company Name Contact details

Tool F: Checklist for Arranging a Lease for Dairy Cows

ISSUE TO BE ADDRESSED	DETAILS / WHAT WE AGREE	REF FOR TOOL G
<p>1. Type of lease Have you decided the type of lease required?</p>	<p><input type="radio"/> Ageless</p> <p>At the end of the lease period, the same number of animals, with the same age, breed, calving pattern and condition profile, which were provided by the Lessor at the start of the lease, have to be returned by the Lessee. Depreciation (losses and ageing) are a cost that the Lessee incurs. There is no ownership of residual stock by the Lessee except any replacement stock above the number required to maintain the age profile of the leased group.</p> <p><input type="radio"/> Depreciating</p> <p>Depreciation of the asset (ageing/loss of the stock) is taken into account in the lease costs. This is a common form of cow lease used to gradually change the ownership of the herd from the Lessor to the Lessee. If stock are returned at the end of this type of lease, they will be older on average, but be of the same pregnancy status, condition and breed. In contrast to the ageless lease, all progeny produced during the term of the lease become owned by the Lessee.</p> <p><input type="radio"/> Operating</p> <p>This is a tax effective method of transferring stock between generations, and also of financing the lease-purchase of a herd when funds could not be obtained from a traditional lender. Lease payments are set to reflect interest and depreciation and a residual is agreed upon as the last payment. Only when the last or residual payment is made by the Lessee, are the stock owned by the Lessee. Normally a residual payment would be about 30% of the total capital amount leased at the start. These leases have stringent requirements regarding the number and rearing of replacement stock. In the event of a breach of the lease, the owner will generally have the right to retain replacement stock.</p>	

Tool F: Checklist for Arranging a Lease for Dairy Cows

ISSUE TO BE ADDRESSED	DETAILS / WHAT WE AGREE	REF FOR TOOL G
2. Number of cows	Number of cows to be leased _____	Schedule 2
3. Term of the lease	Commencement date _____ Termination date _____	Schedule 1, Item 4 Schedule 1, Item 5
4. Description of the cows How are individual cows identified ? Is there a list of all cows? Is there a written record of ages ? Is there a record of veterinary pregnancy test results within 4 weeks prior to the start of the lease? Is there a record of body condition scores at the start of the lease? Have you conducted a joint inspection of the cows?	Breed _____ ID _____ Age distribution at the start of the lease _____ Pregnancy status at start of lease _____ Body condition at start of lease _____ Attach list of all cows Note: Take photographs for record.	Schedule 2
5. Ownership of progeny and replacement numbers What are the requirements for the Lessee to provide replacement animals?	The progeny will be owned by _____ Replacements required = _____% of number of cows leased	Schedule 2

Tool F: Checklist for Arranging a Lease for Dairy Cows

ISSUE TO BE ADDRESSED	DETAILS / WHAT WE AGREE	REF FOR TOOL G
<p>6. Health status</p>	<p>General health _____</p> <p>Mastitis – cell counts available for all cows? _____</p> <p>Were all cows treated at last drying off? _____</p> <p>Which drug? _____</p>	
<p>7. Biosecurity</p> <p>Do all cows come from herds with negative vat PCR tests for Mycoplasma?</p>	<p>National Cattle Health Statement provided _____ (date)_____</p> <p>Result of vat test of source herd, PCR for Mycoplasma _____ (date)_____</p>	
<p>8. Return of cows found unfit for purpose on delivery</p> <p>Have you discussed the arrangements for cows to be returned if considered to be unfit for purpose within 7 days of delivery?</p>	<p>The arrangements for return of cows are: _____</p> <p>Guide to defining ‘unfit for purpose’: Cows which have developed clinical mastitis, are visibly lame, or are diagnosed as clinically ill by a veterinarian within 7 days of arrival are not fit for purpose as milking cows. Cows which were leased as ‘in calf’ but by 7 days of arrival are found to no longer be pregnant do not have a calving pattern which is fit for purpose.</p>	
<p>9. Rental and other charges</p> <p>Have you agreed on an annual rental charge for the cows?</p> <p>Who is responsible for cartage to and from Lessee’s property?</p>	<p>Annual rent per head will be \$_____ (excl. GST)</p> <p>Total annual payment will be \$_____ (excl. GST)</p> <p>Cartage costs to be paid by _____</p>	<p>Schedule 1, Item 8</p> <p>Schedule 1, Item 14</p>

Tool F: Checklist for Arranging a Lease for Dairy Cows

ISSUE TO BE ADDRESSED	DETAILS / WHAT WE AGREE	REF FOR TOOL G
<p>10. Method of payment</p> <p><i>Note: Payments may be deducted from the milk cheque in advance via an automatic deduction on a nominated day each month</i></p>	<p>Rental payments will each be \$ _____ (including GST)</p> <p>Frequency of payments _____</p> <p>Date of first payment _____</p> <p>Method of payment _____</p>	<p>Schedule 1, Item 8</p> <p>Schedule 1, Item 9</p>
<p>11. Review of rental</p> <p>Will there be a facility for a rental review, and if so, when will this occur?</p>	<p>Method of rental review _____</p> <p>Date of review _____</p>	<p>Schedule 1, Item 10</p> <p>Schedule 1, Item 11</p>
<p>12. Renewal of lease</p> <p>Will there be a facility to renew the lease?</p>	<p>Method of lease renewal _____</p>	<p>Schedule 1, Item 12</p>
<p>13. Payment for deaths and culls</p> <p><i>Note: this will be required if you are arranging a depreciating lease.</i></p>	<p>The agreed price for deaths and culls will be _____</p>	<p>Schedule 2</p>
<p>14. Property where the cows are to be located</p>	<p>Property name is:</p> <p>Location is:</p> <p>_____</p>	<p>Schedule 1, Item 7</p>

Tool F: Checklist for Arranging a Lease for Dairy Cows

ISSUE TO BE ADDRESSED	DETAILS / WHAT WE AGREE	REF FOR TOOL G
<p>15. Access by Lessor Have you discussed inspection rights for the Lessor for stock and stock records?</p>	<p>Access rights for Lessor _____ Lessor or their representative will conduct _____ inspection/s per year Lessor will have access to the following records: _____ _____</p> <p>in the following ways _____</p> <p>Types of records to be agreed. Records specified may include: stock register, calving records, mastitis records, breeding and reproductive records such as insemination details and pregnancy test results, animal husbandry records, and Milk Recording reports. Access may be in hard copy or electronically.</p>	<p>Schedule 1, Item 16 Schedule 1, Item 17</p>
<p>16. Dispute resolution What dispute resolution procedure will be in the lease agreement?</p>	<p>The dispute resolution procedure recommended is: discussion between the parties, and if no agreement then mediation, and if no agreement then arbitration.</p>	<p>Clause 40</p>
<p>17. Preparation of agreement. Have you discussed how the Lease Agreement will drawn up?</p>	<p>The Lease Agreement will be prepared by: _____</p>	

Tool F: Checklist for Arranging a Lease for Dairy Cows

ISSUE TO BE ADDRESSED	DETAILS / WHAT WE AGREE	REF FOR TOOL G
18. Other terms and conditions	Any other matters _____	Schedule 3