



# Market Advisor

by **TIM PETRY**, North Dakota State University Extension Service

## Opportunities for young producers

There has been a trend in questions that many young people entering the business ask me. I decided to use this column to address a couple of these questions, which are “How can I get started in the beef cattle industry?” and, “What does the future look like for profitability in beef cattle production?”

The escalating price of land and increasing costs of many inputs in beef cattle production

certainly make entering the industry a challenge for young farmers and ranchers. Probably most new entrants into livestock farming and ranching operations are young family members entering an existing family operation. Some operations are large enough

to accommodate an additional family member. Others may have to expand or implement new strategies to provide additional sources of income.

Common methods of expansion for cow-calf operations may include retaining ownership of calves through backgrounding and feedlot phases, developing replacement heifers either on a custom basis or for sale, and even adding a purebred seedstock operation.

Some young beef producers may decide to pursue off-farm careers to generate revenue and farm or ranch on the side to build up equity. An advantage that many young people can bring to an operation is youthful enthusiasm to try new things and adopt rapidly changing technology.

### Profitability outlook

For the past several years, the range in prices for the same weight and grade of calves at livestock auction markets during the fall marketing season has been \$20 per hundredweight (cwt.) or even more. A 550-pound (lb.) calf that brings \$20 more returns an additional \$110 per head in revenue to the operation.

There are many factors that affect calf value, and marketing does take time, effort and documentation. Young producers tend to be the most willing and able to “market” calves to gain value rather than just “selling” them at lower prices.

Beef-cow share-lease arrangements may be a way for young producers to gradually build a cow herd. Older producers may be looking for a

way to gradually exit beef cattle production. They can lease cows and sometimes even pasture, buildings and equipment to youthful operators. Generally, the revenue that each party receives is in the same proportion as the contributions of each party. It is necessary for both the lessor and lessee to participate in developing a written agreement that can be flexible

to meet the needs of both.

For example, the young lessee may want a larger share of the heifer calves to build a herd. The North Central Farm Management Extension Committee has recently published an in-depth publication titled *Beef Cow*

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*Rental Arrangements for Your Farm*. It is available on the committee’s website at [www.aglease101.org/Doclib/docs/NCFMEC-06.pdf](http://www.aglease101.org/Doclib/docs/NCFMEC-06.pdf). This publication documents how to develop equitable share agreements. It has a number of example worksheets and sample written lease agreements.

What does the future hold? The beef cattle industry has had its share of challenges in the past decade, which have led to a smaller beef cow herd. With challenges also come opportunities, and I think the future is bright. Weather is always uncertain, and drought the last couple of years has prevented beef herd rebuilding and caused high feed prices. When better moisture conditions return, feed prices will moderate.

A worldwide increasing middle class of beef consumers, along with a strong beef demand base in the United States, will be supportive to increasing cattle prices for several years. The beef industry will continue to change, and young producers will need to deal with emerging issues, but exciting opportunities will certainly be there for a new generation of cattle producers.



**Editor’s Note:** *Tim Petry is a livestock marketing economist at North Dakota State University Extension Service.*