Introduction

Five dollar corn in 1996-97 shifted placements of lightweight cattle from feedlots to wheat pastures. The increased demand for standing forage forced price discovery and set new rates for forage grazing. Feed costs that once ranged from 25 to 30 cents per pound jumped to 35 to 40 cents per pound of gain. Locating and securing wheat pasture, even at these new rates was a challenge.


Where is Wheat Pasture Located?

Texas, Oklahoma and Kansas are known as the wheat belt. It is estimated there are over eight million acres of wheat grown in Texas alone. Four million of those acres are winter-grazed. Collectively, over five million stocker cattle are winter grazed on wheat, rye, oat or other standing forage in these three wheat belt states. More cattle are winter grazed in Texas and Oklahoma than Kansas, even though Kansas has more acres of wheat. This is primarily due to the northern climate weather conditions in Kansas.

Thirty-eight percent of the fat cattle slaughtered annually in the United States occurs in Texas and Kansas. Only twenty-nine percent of the nations brood cow numbers are located in the entire southern Plains region of the United States. This makes the southern Plains area big importers of stocker and fed cattle. Total cattle inventory for these three states is 27 million head of cattle, calves, stockers and fed cattle. Brood cow numbers stand at nine million head. In comparison, Nevada has a brood cow inventory of 237,000 mother cows with a total inventory of 500,000 head of beef animals. Many of our calves and feeder cattle eventually wind up in the southern Plains region where the cheaper feed exists for both
growing and finishing. Additionally, the southern plains region is where the bulk of the United States kill capacity exists. With no kill facilities located in Nevada, cattle are shipped to Idaho and California for fattening and processing opportunities.

Nevada cattle are attractive to southern Plains stocker operators because of the truckload lots of fairly uniform and predictable animals. Cattle that are weaned and have an established immune system are particularly attractive. Southeastern cattle on the other hand, generally do not perform as well as western cattle. Also, southern cattle are usually not available in truckload lots and are not uniform in size, age or genetics. Cattle from Florida, Georgia, Alabama, and Mississippi are usually "put together" from sale barns. These cattle usually do not have an established immune system. Given the choice, cattle buyers usually prefer truckload lots of pasture and feedlot ready cattle from the west. Transportation costs are similar from both regions of the United States.

Graze-Out v.s. Fall Winter Grazing Wheat

Many of the millions of acres of wheat are owned by farmers, not cattlemen. Farmers have realized the additional income potential of grazing wheat acreage. By removing cattle in early March, wheat grain can mature and be harvested in June. This type of "double cropping" occurs on approximately 60 percent of wheat acreage. Graze-out wheat are acres that are grazed through May and no grain is harvested, a single crop program. In years of low wheat grain prices more acres of wheat are dedicated to graze-out wheat. Often the decision for graze-out or harvest grain acreage is not made until March. Securing graze-out wheat in advance usually requires paying a premium.

Who Controls Wheat Pasture?

Many of the nations' wheat pasture farmers stock acreage with raised or purchased cattle while others prefer to lease pasture directly to their neighbors or established clientele. It is extremely difficult without local contacts to secure "good old boy" acreages of wheat pasture.

Several of the larger farmers however, prefer to contract with feedlots to stock their wheat pasture acreages. This benefits the feedlots because they can secure lightweight cattle to maintain their long-term inventory. They can add gain to lighter cattle with the cheaper standing forage prior to entering the finish phase. Often the feedlots prefer to stock these wheat pastures with retained ownership cattle. The feedlots manage the cattle while outside the feedlot for a fee. When cattle are removed from pasture they are either sold directly to the feedlot operator or fed in their facilities. The finishing phase is either on a retained ownership or partnership basis. Several of the larger feedlots own many acres of wheat pasture themselves solely for this purpose.

Some farmers prefer to deal directly with wheat pasture brokers. These brokers secure the wheat pasture and find cattle to stock it. Some of the brokers buy cattle of their own while others prefer to place outside cattle. Often times the broker will manage the cattle while on wheat pasture for a monthly per head fee. Securing enough pasture and cattle can provide a full-time job for enterprising individuals. This situation poses little risk and little up-front money for the broker.

There are some farmers who prefer to sell pasture directly to the cattle owner but will not manage the cattle. In this situation there are many "cowboys for hire" in wheat pasture country. These cowboys specialize in total cattle care while on wheat pasture. It is important to find a creditable and experienced person for this job.

How is Wheat Pasture Priced?

Four pricing systems are routinely used in establishing value of winter wheat pasture for grazing stocker cattle. The typical stocking rate for irrigated pasture would be an initial stocking rate of 400 pounds of beef per acre while dryland would be about 200 pounds of beef per acre. Many feedlot operators will secure thousands of acres of wheat pasture and sublease those acres to cattlemen on one of the following agreements.

Many farmers prefer to sell season-long grazing by the acre. This shifts the risk of poor animal performance due to poor genetics, lack of precipitation or poor growing conditions from the farmer to the cattlemen. The typical contract would charge $80 to $90 per irrigated acre for grazing from November 1 to March 1. Graze-out irrigated wheat would be
charged at $100 to $150 per acre from November 1 to the first of May. Dryland pastures are priced below these figures. These costs would not include pasture care, mineral supplementation or any additional costs that may be incurred.

Selling wheat pasture on the gain is one of the more popular ways of pricing. There are incentives for both parties to optimize performance. The cattleman has incentive to provide superior genetic, healthy cattle with a lot of growth potential. The farmer has incentive to provide excellent pasture. The typical contract would charge between $0.32 to $0.40/pound of gain for season-long grazing on irrigated pasture and $0.30 to $0.35/pound of gain in a dry land farming situation. Mineral, animal care, hay if necessary and other incidental costs are usually covered by the cattle owner, unless otherwise specified. In this pricing structure, animal performance determines profitability for both parties.

A third pricing structure establishes a price for wheat pasture on a per head per month basis. The rate is determined based on the in-weight of the animals. The typical contract would price cattle at $3.25 per hundredweight of in weight per month for season-long grazing. A 400 pound steer would cost $13 per month ($3.25 x 4). Animal care would not be included in this cost. Contract cowboys historically charge $2 per head per month for care of animals on wheat pasture. Mineral supplementation, hay if needed and other incidental costs would be incurred by the cattleman.

The last pricing option commonly used is a flat fee for the seasons grazing. This pricing structure is used where established clients are contracting and historical data of animal performance and wheat pasture quality dictate a flat rate that approximates past costs. The typical contract would range from $75 to $110 depending on if it is fall winter grazing or graze-out and if it is dry land or irrigated pasture. Again the animal care, mineral supplementation and other incurred costs would be shouldered by the cattleman.

All four of the above pricing structures are similar in nature. Price determination shifts risk from farmer to cattleman in some scenarios and allows the farmer to share in more risk and more of the potential reward in others. Regardless of the pricing system profitability is determined by animal performance, health and the market climate. Usually the cattleman shoulders death losses up to 2 percent. Over 2 percent death loss is shouldered by the farmer. This encourages cattleman to send only healthy cattle with an established immune system.

The authors suggest a written contract be signed by both parties to insure a successful agreement that is understood up front by both individuals.

Summary

As an appendix to this paper you will find names, telephone numbers, and locations of contacts who fit each of the above categories. The authors recommend that you check references, deal with only creditable people, have a signed contract and establish a long-term relationship with one or more individuals. Your equity is in the hands of a stranger 1,300 miles from home. It is important that trust be established on both sides. Trust can only be established over time. It is recommended that producers looking at wheat pasture as a marketing alternative for lightweight calves initially feed only small numbers. Once an acceptable level of trust and confidence is established, more cattle can be retained for wheat pasture grazing. Some people have a low tolerance level for risk. Those individuals should not consider retained ownership or wheat pasture as a marketing alternative for their cattle.

References

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