

How Do I Get Started in the Cattle Business?

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Introduction

This paper is intended to point out a few things that people must consider before venturing into the cattle business. Well established ranchers generally understand the cattle business, so this document is intended for the less experienced people who are interested in owning land and cattle.

What Are Your Goals?

In most cases, the obvious answer to this question is “yes”, but the cattle business is just like any other. There are no profit guarantees, and in many instances, it can be very risky. Do not make the mistake of believing that cattle will generate enough profit to cover your land payments. Land costs are high enough today, that cattle profits will not even cover interest expense, much less the principle. On the other hand, if the land is already paid for, or perhaps you can lease land, the potential for profit is higher, but still, there are no guarantees. Market prices, costs of production, weather, and other factors will always be unpredictable influences on the chances at profit.

For some people, being in the cattle business is secondary to the opportunity to own land. If the profit on cattle is there, so be it, but land ownership may offer investment opportunities as well as certain tax benefits. In some cases the land is used as a weekend retreat. Whatever your reason may be, remember that land and animal ownership can be personally rewarding, but it does not come without the responsibility of good stewardship.

Tax Incentives

There are a few tax benefits associated with land and cattle, but cattle operations do not guarantee permanent tax benefits. They must generate a profit frequently enough to avoid being classed as a passive investment (see your tax consultant or accountant). The land itself can generate tax benefits if agricultural exemption can be obtained on the property. Land classed as “agricultural” land. You must talk to your county tax appraiser, because the requirements for this particular exemption vary greatly between appraisal districts. In the past, owning only one head of livestock would qualify your land for agricultural exemption. In many cases, this is no longer true.

Where Can I Buy Cattle and What Will They Cost?

Often people want to reduce the cost of their initial investment by buying the cheapest cattle available. From an economic standpoint, this is smart, but frequently cattle bought at bargain prices are a tremendous risk. These particular cattle are sometimes sick, old, and generally not productive. Inexperienced buyers do not have the expertise to succeed financially in the particular situation. Buy young, healthy cattle from a reputable rancher or professional cattle buyer. If you want to have a cow/calf operation, do not buy old cows, because these cattle are already beyond their most productive years. Instead buy three or four year old cows or replacement heifers that have already been exposed to a bull and are confirmed as pregnant. Perhaps even better, look for “three-in-one” packages (pregnant female with a calf at her side). These animals will soon produce calves and allow you to recover some of your initial costs more rapidly.

Purchase costs will be extremely variable between different types of cattle and from year to year. Registered (purebred) cows may cost thousands of dollars, whereas prices for commercial (non-registered) cows may range from \$450 to \$750 or more per head, depending on their quality and current cattle prices.

How Many Cows Can I Put on My Land?

The answer to this question requires careful thought. An important factor to consider is stocking rate which is defined as the number of acres required per animal unit (in this case, one mature cow), and the appropriate rate varies by location. Some pastures are more productive than others depending on rainfall, soil type, specie of grass, amount of brush (which cattle usually do not eat), and a number of other factors. East Texas and Gulf Coast areas generally tolerate heavier grazing because of high rainfall and adequate grass. West and South Texas are drier, have less grass, and require a lighter stocking rate. There can even be different stocking rates within a ranch because not every pasture is alike. Therefore, to determine the appropriate rate for your pastures, consult the Natural Resource Conservation Service in your area.

Where Can I Get More Information?

Your ready source of information is at your County Extension offices. You may also want to counsel with the Natural Resource Conservation Service, professional livestock consultants, agricultural lenders, agricultural accountants, veterinarians, and faculty members at agricultural schools and colleges. There are a number of free agricultural publications at the County Extension offices, and you may want to subscribe to some beef industry magazines. There are a number of books on beef cattle production, but be sure to get a recent edition rather than one from an old library. The industry is dynamic, and it is important to stay current with its changes.