

Transitioning cropland to pastureland in Rolling Plains requires multi-year planning

A growing interest in shifting out of crop production and into a forage-based system in the Rolling Plains has Stan Bevers, Texas A&M AgriLife Extension Service economist in Vernon, consulting his crystal ball.

And he has some advice for those who are contemplating the move, “Have a multi-year plan and have a chunk of equity, because you can’t borrow your way through this.”

He said there are a lot of variables and a lot of factors involved in the transition. And while he has seen a number of acres go into pasture over the past two years at the peak of the cattle market, things are changing.

“I think there were people thinking there wouldn’t be another bad day in cattle,” he said. “They have quickly found out there will be.

“You have to have a multi-year plan, because no one can predict prices and production levels. This forces you to consider what might happen.”

What are the projections for calf prices in the next few years? And what about wheat prices; how long will there be below break-even-point wheat prices?

“With the cattle prices that have been projected for the next few years, transitioning doesn’t look like a good option, especially with wheat prices expected to move up over the next five years.”

Bevers said it has been a combination of the continual increase of input prices and market happenings – high beef cattle prices for several years and falling wheat prices – that have prompted the move by producers out of annual production and into a more permanent pasture situation.

“In areas such as the Rolling Plains where there is marginal crop production, specifically on wheat where costs of production have consistently been rising and the price falling, the average production of 20 bushels per acre just doesn’t work anymore,” he said. “We can even go to the \$5 to \$5.50-a-bushel wheat and still not make it work.

“So now we have producers saying they are willing to bear the one-time pain – the cost of putting in a permanent pasture — rather than the annual pain of the cost of putting in wheat,” Bevers said.

The problem, he said, is the cost of establishing a pasture is only the first step in the change to a forage-based system. Once the pasture is established, they have another pain to bear – determining whether to run cows or put stocker cattle on it.

“You need to be able to fund that with a chunk of equity. If you have to borrow the money to seed the grass and then borrow more to stock it with cattle, the way it is penciling out, you won’t have that paid off on a five-year note.”

Run the numbers; create a multi-year plan, he advised.

“This isn’t something you will do overnight,” Bevers said. “It will be a two- and three-year process. You usually don’t get 100 percent utilization the first year or two, so have an alternate plan.”

And while the prognosis for the future may not look good right now, he said the one given is that things will change.

“Considering the projections I’ve seen, everybody would be giving up right now,” said. “But something is going to change. It might be that there is a drought that will cause wheat prices to go higher, or things get worse and other producers get out, causing less production and forcing prices to go higher.”

In planning, he said, producers should be prepared for best-case and worst-case scenarios.

“If you are going to do this, you have to have a plan and recognize the amount of equity you have available to do this.”