REALITIES OF RANCHING FOR THE NEXT GENERATION

Holly Foster, MS
Robert Foster Ranch
Doing Business Since 1888
ROBERT FOSTER RANCH BEGINNINGS

" Since 1888 (first property recorded)
" Robert Mowe Foster (b. 1858 d. 1932)
" Sheldon L. Foster War World I Draft Card (1918) – Occupation: Cattle Raiser
FIVE GENERATIONS
VERTICALLY INTEGRATED

“Direct marketing at its finest
RANCHERS TODAY

“54 percent of U.S. cattle farms and ranches have been in the same family for three generations or more.

According to USDA’s 2007 Census of Agriculture, the average age of the American farmer is 57 years old.

The average age for farmers has been above 50 since the 1974 Census of Agriculture and has increased in each census since that time.
BARRIERS TO ENTRY

“ Capital investment
“ Credit/ financing
“ Loss of rangeland to other uses
“ Marginal return on investment
“ Estate tax
“ Lack of political will to preserve critical masses of agricultural land (e.g. Williamson Act)
WHY COME BACK?
Total U.S. Cattle Inventory

Forecast 2011 91.9 Mil
-1.8 Mil (2%)

Source: USDA, 2011 Projected
The number of beef cow operations has declined 25% since 1986

Source: NASS, USDA
ECONOMIES OF SCALE

“ From 2000 to 2011:

... Operations with 1 to 99 beef cows declined by 84,700 and reduced U.S. beef cow inventories by 2.075 million head

... Operations with 100 to 499 cows declined by 4,700 and decreased inventories by 400,000

... Beef operations with 500 or more cows increased by 200 and added 272,000 head to inventories (CattleFax)

“ Why?

... Herds with more than 500 cows, on average, have lower raised and purchased feed costs, lower total costs, and lower costs of production (McGrann et. al.)

... Herds in the top quartile of net income had:

- Higher production performance
- Lower feed costs
- Lower fixed costs

“ As we continue to see fixed and variable costs rise (feed, fuel, etc.), smaller producers cannot absorb the increase.

“ Margins mean we must manage our costs as efficiently as possible
CALIFORNIA’S COMPETITIVE DISADVANTAGE

“ Freight
“ Feed
“ Federally inspected harvest facilities

Cow Cost:

- Northwest - $399
- U.C. Davis study $574 (2008)
- Southwest - $380
- Midwest - $366
- Southern Plains - $359
- Southeast - $328
- Source: CattleFax (2007)
COST: ENEMY NUMBER ONE

Top five ways to reduce costs:

- Reduce harvested and supplemental feed costs
- Better pasture management
- Use the right genetics
- Reduce labor costs
- Implement an effective herd health program

Source: T.G. Field
<table>
<thead>
<tr>
<th>1964</th>
<th>TODAY</th>
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<tbody>
<tr>
<td>Steer averaging 675 lbs * 0.18 per pound (Chico Meat Co.)</td>
<td>$1.28 to 1.49 depending on quality</td>
</tr>
<tr>
<td>Chevy pickup - $3,500</td>
<td>$45,000</td>
</tr>
<tr>
<td>Gallon of gas - $0.25</td>
<td>Gallon of gas - $3.70</td>
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"IT AIN’T LIKE IT USED TO BE"
RANCHERS: MAKING A LIVING ISN’T A CRIME, AND IS GOOD FOR HABITAT.

“...working ranches as long-term, economically viable enterprises, while maintaining unfragmented landscapes, and restoring native ecosystems.” – Diablo Trust
ROBERT FOSTER RANCH TODAY

“ Multi-generational
“ Trying to grow
“ Uncertainty and volatility
“ Creative
  ... Unlikely partners
“ Goal = preserve a way of life and the open space that our ranch represents, and make a living doing it.
A YEAR IN OUR SHOES

Traditional California cow-calf operation with summer (Plumas County/historically in northern Butte County and Lassen National Forest) and winter grazing locations (Butte County)

... Calve August to October (fall calving)
  - Why?

... October - process calves/vaccinate cows
  - Why?

... November – return to winter grazing location
  - Why?

... May - move cattle to summer grazing
  - Why?

... June - wean once return to summer grazing (late)
  - Why?

... July - market feeder cattle via video sale targeting natural beef programs
  - Why?

... July/August - ship yearlings
  - Why?
CATTLE AND CONSERVATION

“Matching conservation goals with production goals

“Challenges and opportunity

“Compatible or incompatible
CHALLENGE TO YOU: CONSERVATION GOALS MUST MEET ECONOMIC REALITIES
QUESTIONS?
holly@robertfosterranch.com