

Cattle Feeding Partnerships - an Alternative for Feeding Cattle in North Dakota

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In the competitive cattle feeding business of the late 1990's, the ability to control risk is paramount. Cattlemen are considering vertical integration as a method for reducing risk. Cow calf producers could vertically integrate through retaining ownership of their calves during the backgrounding and finishing phases. However, retained ownership usually implies feeding one group of cattle for one market period. Although genetically superior performance is an assumed advantage for the cow calf producer, marketing cattle during one period of the year doesn't necessarily reduce risk.

To further reduce risk, cattlemen are looking at other avenues to conduct business. One structure that has been explored for owning cattle in North Dakota is the limited liability partnership. A limited liability partnership allows a group of cattle producers to own cattle without additional risk beyond the money invested into the partnership. Through the limited liability partnership, the partners can join together financially to represent a larger volume of cattle than they could as an individual. Through increased volume and economies of scale, the limited liability partnership can improve performance, reduce costs, and be more competitive.

A limited liability partnership was recently created to own cattle for feeding to finish in North Dakota. The purpose of this feed club is to own cattle that are fed in a custom feedyard in North Dakota. With marketing in mind, the feed club is sufficiently equipped to purchase feeder cattle monthly and, after a ramp up period, sell cattle monthly. The cattle are fed in North Dakota where feed costs are lower than in traditional feeding areas.

Advantageously, the partnership allows for the cumulative knowledge of all partners to manage the business. This, conceivably, allows for better, more informed decisions by the feeding group. The feed club has a goal of earning a yearly 20% return on investment.

Since North Dakota cattle producers are traditionally cow calf producers, their experience needed for entering into the business of cattle feeding is limited. Through creating a limited liability partnership, cattle producers can experience and learn the business of feeding cattle with minimal risk.