The Future of Beef – Midsized Challenges

By Kris Ringwall
Extension Beef Specialist
NDSU Extension Service

There is considerable difficulty in being in the middle because the middle seldom stays the middle. The middle (average) is where no one wants to stay. For most, our upbringing has been to move away from the middle and strive to excel, dominate and extend whatever it is that we do to further heights.

The consequence of this business approach has affected rural areas in many ways. One major effect has been the lack of neighbors. In cattle country, the lack of neighbors translates into the lack of help. This is not a new concept, but it is a concept that has been with us since people have been engaged in business.

This gradual elimination of the players or partners in the beef business is part of a cycle that (hopefully) will perhaps someday recycle and redistribute resources. For the time being, the future of the cattle business seems to be pointed to larger and more expansive operations.

So what is the albatross or difficulty in surviving with reduced scale? Actually, most of those involved in small to midsized operations already feel the pinch. The pinch is increased costs and the inability to effectively proportion those costs across limited production units (the cow and calf). Along with the immediate and obvious struggles, the future brings with it some other unknowns that impact beef operations.

According to an article, "Economics of Animal Agriculture Production, Processing and Marketing," authored by Michael Boehlje and published by the American Agricultural Economics Association's online Choices magazine (www.choicesmagazine.org, Volume 21, No. 3, 2006), there are several very real impacts for small and midsized operations that loom in the future. It is a lot like running a race, at least a race in which various hurdles are placed before you and you must overcome them to continue successfully.

For those involved in animal agriculture, there is always the risk of additional regulatory functions, changing consumer wants and varying marketing structures. Regarding additional regulatory issues, Boehlje lists "added restrictions on business models, such as contract production or vertical integration, more restrictive immigration policies or worker safety rules, increased environmental regulation and restrictions on the use of feed ingredients/additives." These all add up to an uncertain future.

In addition to potential regulation guided by people who are relatively disconnected from the production of agricultural products, these same people have a very broad expectation of available products. Boehlje says changing consumer wants include many familiar terms, such as animal welfare, organic, social responsibility, environmental responsibility, free-range production, locally grown and no use of antibiotics, synthetic growth hormones or genetically modified organisms.

These are all on the list of product attributes that may be difficult to meet and, even if production is geared up to meet them, nonfactual trends are very apt to change faster than production can. The last category of hurdles, as defined by Boehlje, "are concerns that marketing agreements, contracts and similar business arrangements are more conducive to larger operations; reduce spot market liquidity; reduce the availability of market information needed for efficient price discovery; and adversely affect smaller operations."

"If there is a way, it can be done" is often quoted by those working hard to reach their end dream, but the doses of reality are hard. Like hurdles in a race, the winner will get to the end. Unfortunately, the hurdles usually are cleared faster by someone bigger than you. Another sad note, but life goes on.

May you find all your ear tags.

Your comments are always welcome at *www.BeefTalk.com*. For more information, contact the North Dakota Beef Cattle Improvement Association, 1041 State Avenue, Dickinson, ND 58601 or go to *www.CHAPS2000.com* on the Internet. In correspondence about this column, refer to BT0323.

Three Big Hurdles for the Future of Beef!

1. Additional regulatory functions
2. Changing consumer wants
3. Varying marketing structures

Adapted from Michael Boehlje,
(www.choicesmagazine.org, Volume 21, No. 3, 2006)