
The Changing Face of Beef Production

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An article, "Economics of Animal Agriculture Production, Processing and Marketing," authored by Michael Boehlje, was published by the American Agricultural Economics Association in its online "Choices" journal (Volume 21, No. 3, 2006, www.choicesmagazine.org). The article focuses on issues the beef industry finds hard to accept, or at least the conclusions probably don't mirror our hopes.

Beef producers have known for a long time that production operations are getting bigger. The associated advantages of scale simply outweigh leaving things the way they were. The solution will not be found by burying our heads in the sand or by a constant call to arms.

While the review of facts is unsettling, future business planning is essential. History has shown us that the future slowly becomes the present. Trends based on facts generally become the norm.

The beef industry is changing. Beef cattle production is only one part of a very large food industry. As Boehlje noted in the article, the beef industry "continues to undergo major structural change due to rapid evolution in product characteristics, worldwide production and consumption patterns, technology, size of operation, and geographic location."

These changes are not unique and beef cattle producers are not immune. The article cites statistics from the USDA's Cattle on Feed report of February 2006. The report notes that in 2004, 48.4 percent of the cattle marketed were sold by feedlots of fewer than 16,000 head, while feedlots of more than 32,000 head marketed 33.6 percent. In 2005, lots of fewer than 16,000 head marketed 30.2 percent (down 18.2 percent), while the lots of more than 32,000 marketed 52 percent (up 18.4 percent). It is hard to believe inventory and marketing numbers can swing that much in one year, but they did.

Likewise, the article lists the "four-firm concentration ratio" for cattle. The term is defined as the sum of the portions of sales, value-added, assets or employees held by the largest four firms in the industry (www.specialinvestor.com). In 1980, the ratio was 28.4. In 2004, the ratio had risen to 70.9 for the cattle industry (USDA Packers and Stockyards Statistical Report, G1PSA SR-06-01, February

2006).

Since one can relate this ratio to competitiveness, the obvious pondering point would be that there is less competition in the beef industry. These points are really some startling figures and not very sympathetic to smaller or midsized operations. For most of us, smaller to midsized beef operations are who we are.

Even in North Dakota, there are fewer small and midsized beef operations. Since the start of the 21st century, North Dakota has lost 1,600 beef producers who had 100 or fewer cows, according to the North Dakota Agricultural Statistics Service (www.nass.usda.gov/Statistics_by_State/North_Dakota/index.asp). The same source showed we have 500 fewer producers raising 100 to 499 head of cattle. There are 70 more producers with inventories between 500 and 999 cows and there was an increase of 30 producers running operations of more than 1,000 cows.

Currently, the NDASS lists 11,700 cattle producers, down from 13,700 in 2000. Boehlje says, "Successful small and midsized producers face serious survival challenges in determining how they fit into integrated supply chain structures."

While there may be some value-added opportunities in the beef business, the bottom line is to get big or look big. This seems rather sad.

The answer, since we are not all going to get big, appears to be more efficient networks, more and greater cooperation and significant, meaningful interdependence among small and midsized producers. This commonly is called alliances or cooperatives.

Maybe mom and dad had it right. They joined the coop, not so much to sell, but to buy. Reversing the two and increasing the scale could work. We just need to know where to have the potluck.

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 BT0322.

**Percentage of Cattle Marketed by
Feedlot Size in 2004 and 2005**

	2004	2005	Change
Small feedlots (< 16,000 head)	48.4%	30.2%	-18.2%
Large feedlots (> 32,000 head)	33.6%	52.0%	+18.4%

USDA Cattle on Feed, NASS, February 2006