



BeefTalk 538: The Future of Beef II - Midsized Challenges

SUPPORTING MATERIALS

The Future of Beef Production

"The North American animal agriculture industry remains competitive today in the world market, but the competitive pressures will increase with the evolution of increasingly global livestock production ..."

Michael Boehlje

'Economics of Animal Agriculture Production, Processing and Marketing', Choices (Volume 21, No. 3, 2006)(www.choicesmagazine.org)

Does a desire to expand really drive cattle producers?

One can always expect change, particularly if one is in the middle because the middle seldom stays the same. The middle may be comfortable for some, but for others, there is a distinct desire to move.

Some do not want to stay in the middle because, for many, our upbringing taught us to strive, excel, dominate and extend whatever it is that we have to do to improve. Now we have the concept that more is better. However, the consequence

of that concept is that in many rural areas, there are very few neighbors. In cattle country, that translates into the lack of people or help. This is a concept that has been with us since people have been engaged in business.

The cattle industry is declining in available breeding cattle. The discussion obviously turns to why that is. Does this desire to expand really drive cattle producers? Do we get bigger at all cost?

There still are many cattle producers as shown by U.S. Department of Agriculture data (www.nass.usda.gov). In 2009, 680,000 producers had cow inventories of 99 cows or fewer. Another 67,200 producers had from 100 to 499 cows and 4,350 producers raised 500 to 999 cows. Producers who raise more than 1,000 cows numbered 1,450.

The numbers have not really changed at all. The numbers show that 85.5 percent of cattle producers had cow inventories of fewer than 500 cows in 2004, while 83.4 percent had fewer than 500 cows in 2009.

There is a trend if one goes further back in time. However, more importantly, there still are many, many beef producers. The vast majority of these producers would not call themselves owners or partners of large beef operations.

Yes, there is a gradual elimination of the players or partners, as well as a notable decrease in cows. Historically, changes in the cattle cycle were explained as periods when producers made or lost money. Those who plot trends seem to be struggling with the recent cycle. Perhaps someday the cattle industry will go back to profit and loss cycles. However, for the time being, the future of the cattle business seems to be a bit untrendy.

Granted, many will say larger and expansive operations are on the move, even though the data only shows a little increase in those numbers. Cattle operations with inventories of 500 to 1,999 were 11.2 percent of the producer mix in



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2004. That percentage increased slightly to 13.3 percent in 2009. Producers with inventories of greater than 2,000 cows remained the same at 3.3 percent of total beef cow operations. Most of us are in the smaller to mid-sized beef operation categories.

What is the albatross or difficulty in surviving with a reduced cattle operation? Actually, most producers involved in small to mid-sized operations already feel the pinch. It is the pinch of increased costs and the inability to effectively proportion those costs across limited production units (cow and calf).

Besides the immediate and obvious struggles, the future brings with it some other unknowns that impact the beef operation. According to an article titled "Economics of Animal Agriculture Production, Processing and Marketing," authored by Michael Boehlje, there are several very real impacts for small and mid-sized operations that loom in the future.

Boehlje's article was published by the American Agricultural Economics Association's online Choices magazine (<http://www.choicesmagazine.org/2006-3/2006-3.pdf>).

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 successfully continue. For those involved in animal agriculture, there is always the risk of additional regulatory functions, changing consumer wants and varying marketing structures.

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

The beef industry will remain and more than likely will continue on the shoulders of small to mid-sized cow-calf producers. But I am not sure if that is a wish or a fact.

May you find all your ear tags.

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