



Beef Talk

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Challenges in store for midsized producers

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 taught us 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 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 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.

Surviving with reduced scale

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 affect 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), several very real effects for small and midsized operations loom in the future. It is a lot like running 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.

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Changing consumer wants

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 to meet them, 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 a statement 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.

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



Editor's Note: *Addressing the past, present and future state of the beef cattle business, "Beef Talk" is a weekly column distributed by the North Dakota State University (NDSU) Agricultural Communication office. Ringwall is executive secretary of the NDBCIA, director of the Dickinson Research Extension Center and an NDSU Extension beef specialist. An archive of columns can be found at www.BeefTalk.com, and your comments are always welcome.*