

by **Kris Ringwall**

The sensitivity between consumers and beef producers is increasing, but the sensitivity may not always be on the same tracks. Consumers register their opinion at the checkout counter through product selection and validate their opinions by how they shop and how much they pay.

With the expansion of the Internet, the opportunity for consumer validation, along with the expression of any disappointment with a meal or a particular product or service, has never been greater. The Internet expands the ability to monitor consumers, allowing businesses to stock specific products and to identify when they are most likely to sell.

Is the situation the same for cattle producers and the cattle they sell? No, so perhaps the balance between consumers and producers has yet to be determined. How this reality connects to the producer selling the cows and calves is probably a loose fit, yet consumer thoughts need to be integrated with production expansion

or contraction. After all, that is what drives the business.

Supply and demand

In 2006 I reviewed an article by Helen Jensen in *Consumer Issues and Demand*. She noted several very real impacts for small and middle-sized operations that loom in the future regarding consumer demand. Today the question is posed — have these impacts changed in the last 12 years?

The drivers identified in 2006 are more than likely still present. The first driver is increased income levels with dual-income families and related lifestyles. Income is not guaranteed, and families continue to budget the dollars they have. As income declines, spending will shrink. More importantly, though, the related lifestyle will not.

The second driver is a healthful lifestyle. There is no doubt obesity and associated health costs continue to surface as a major concern. As a result, the caloric content of food is displayed on the front of labels and on menus.

Whether the presence of calorie counts changes food purchasing decisions is yet to be determined.

Basic farm and ranch products when served without processed side dishes have acceptable caloric content. A quick lunch consisting of farm and ranch products amounting to a healthful dose of 300 to 500 calories is easily offset by a side of chips and dip amounting to 1,000 calories — never mind the potential visit to the automatic soft drink dispenser.

The third driver Jensen identified was a slowdown in population growth. The North American population is aging and ethnically diversifying. Although immigration directly affects various industries, the impact on beef production will probably rest on the supply and demand curves.

The final driver is a noticeable change in how markets distribute and sell food. Within the last decade, major food retailers have upgraded their floorplans. Farm and ranch products need floor space, counter

space and freezer space. Every cow-calf producer needs to ask, “How does my annual production make its way to the food counter?”

Currently, production discussion is more likely to occur in the harvesting segment of the industry. Unfortunately, beef producers continue to take a backseat in product recognition. All things considered, Jensen narrowed to three points contributing most to the beef industry.

- 1) Food safety will continue to be a paramount consumer expectation.
- 2) As North American incomes continue to increase, consumers will choose products on the basis of varied attributes, including taste, variety and convenience.
- 3) Continued concentration of large-scale processing, food distribution and retailing facilities may reduce consumer choice in markets. **HW**

Think Global

The expression “the world is your oyster” aptly applies to beef production. If one only sits in a shell and never looks out, one would miss the fast-paced comingling of the continents. Who would have thought a calf born in the back of a pasture could be walking off an airplane cargo deck halfway around the world a year later?

Additionally, a beef carcass processed in an inspected harvesting facility can go worldwide. Any product, once marketed, is released to the world. I reviewed previous thoughts by Flynn Adcock and associates in *Consumer Issues and Demand*. They indicated the three global forces impacting beef production are “animal disease outbreaks and discoveries, income growth in developing economies and trade liberalizations.”

The impact of these forces, proven true through time, is real and evident at morning coffee at the kitchen table. We farmers and ranchers need to desire to explore the complicated international news because international relationships and markets directly impact our farm and ranch.

Sometimes the rationale evades us, causing us to retreat, but we cannot. For decades those involved in American agriculture were comforted with the concept that they were feeding the world.

As a rancher or farmer, we felt good because our ground was growing produce that was helping people in many parts of the world. Those

thoughts superseded market value, the need to profit and our own need for material things.

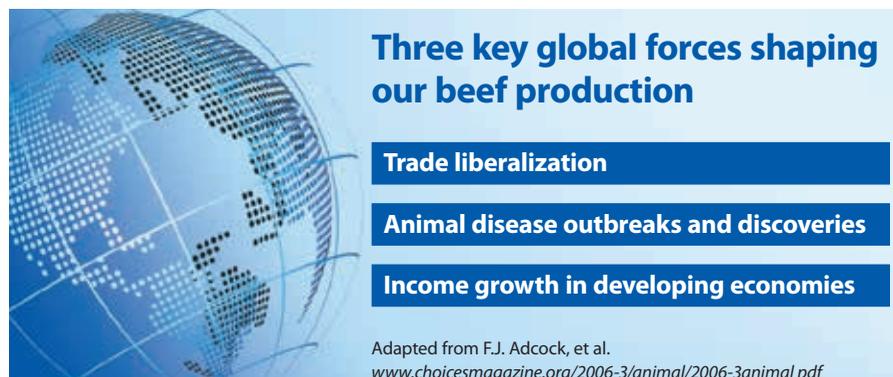
Today's industry

Today, however, the tables have turned. People in other parts of the world are having the same thoughts. The U.S. is not the world leader in beef production, and current leaders are continuing to increase their production.

Going back to the points Adcock identified — animal disease, income growth in developing economies and trade liberalization. They certainly imply the need for the beef industry to continue to engage foreign markets that have dollars to spend and to support and to promote the need for proper response to animal disease outbreaks. The morning coffee chat needs to incorporate the rest of the world.

Each fall, Chip Poland and I teach a cow-calf management course at Dickinson State University. Each class period begins with a review of the news. The students engage with news reluctantly, and when challenged to go there, they resist and generally do not share a deep understanding of the day's event.

The students are reminded that every livestock producer has a huge investment in agriculture and that shifting global forces can have a very large impact on their future. What a new producer acquires today may seem very small, but students are reminded



Three key global forces shaping our beef production

- Trade liberalization
- Animal disease outbreaks and discoveries
- Income growth in developing economies

Adapted from F.J. Adcock, et al.
www.choicesmagazine.org/2006-3/animal/2006-3animal.pdf

that the value of the home operation is very dependent on world affairs.

Although one never wants to think about negative impacts, a response plan needs to be developed in all agricultural operations as worldly events unfold. Producers certainly have no excuse not to stay informed, even if an individual's options may be very limited.

The world is very competitive for markets. Efficient production systems that control costs and sell products profitably will supply the world's craving for beef. Local niche markets that meet selective opportunities will exist, but in the larger picture, agricultural produce will follow defined retail outlets that match available product with consumer desire. The bottom line of the profit equation always will have efficiency embedded in the equation.

Modern retail outlets are no different. Retail supply will come from

those who deliver consistent products daily. The concept of large-scale marketing operations and large-scale harvesters that connect to large-scale food centers is the bold-print stories.

Beef producers produce beef. We producers rely on domestic and international demand to sell that beef. The rest of the world has beef producers, just like the United States, with the same expectations, all pursuing the same customer. For the beef industry, the world has changed. We fed the world, we educated the world and so the world and the people in it changed. They do not really need us, but we need them. In reality, the world needs us all. **HW**

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