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Marketing: A Changing Concept in Changing Times

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Marketing: A Changing Concept in Changing Times

Market Report	Yr Ago	4 Wks Ago	10/6/00
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt.	\$68.09	\$63.89	\$66.97
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt.	83.50	91.61	87.46
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg.	89.28	92.12	97.35
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt.	107.94	98.02	102.50
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt.	32.75	41.50	42.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd.	*	*	32.50
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt.	102.20	119.69	118.35
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt.	*	*	69.30
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt.	157.00	163.00	153.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu.	2.65	2.93	3.11
Corn, No. 2, Yellow Omaha, bu.	1.59	1.54	1.70
Soybeans, No. 1, Yellow Omaha, bu.	4.46	4.71	4.54
Grain Sorghum, No. 2, Yellow Kansas City, cwt.	2.66	2.71	3.00
Oats, No. 2, Heavy Sioux City, IA, bu.	1.09	1.20	1.22
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton.	92.50	105.00	107.50
Alfalfa, Lg. Round, Good Northeast Nebraska, ton.	32.50	67.50	75.00
Prairie, Sm. Square, Good Northeast Nebraska, ton.	*	82.50	82.50
* No market.			

Pork Powerhouses 2000, the annual report from *Successful Farming* magazine changed this year when they recast the report as the 50 largest commercial pork producers in North America. Recognizing the movement of pork production in the international sector, while not innovative in itself, indicates the changes in agriculture taking place in the world. The minimum number of sows to make the list increased sixty-six percent (66%) from 1999's 7,200 sows to 12,000 sows this year. Eight Canadian firms made the list this year with a total of 202,200 sows.

In the September 25, 2000 issue of *Feedstuffs* magazine, economists McVey, Baumel and Wisner¹, point out that a bushel of Iowa Soybeans have \$6.43 invested in them when they arrive in Northern Europe, while the investment in a bushel of soybeans produced in Mato Grosso, Brazil is \$4.97. Brazil's government and private industry together are investing \$305 million in transportation infrastructure, Brazil's weakness.

Iowa Beef Packers (IBP) has been sold to Rawhide Holdings, Inc., affiliated with Donaldson, Lufkin and Jenrette (DLJ), Merchant Banking Partners. The move will provide capital to facilitate IBP's move toward more branding and consumer focused marketing. While some shareholders are questioning the value of the bid, IBP management is moving forward to develop and compete in branded case ready products. Farmland Industries recently completed an arrangement with Wal-Mart (fast becoming the nations largest grocer) for case ready meats with the familiar Farmland blue and green labels.

☐ In other news - Harrisburg, PA. Fish Farming -

¹Marty McVey is an economist at AGRI-Industries in West Des Moines, IA; C. Phillip Baumel is a Charles F. Curtiss Distinguished Professor of Economics at Iowa State University; Robert N. Wisner is a professor of economics at Iowa State University.



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whether raising fish to stock ponds, feed the hungry or fill aquariums - it is big business in a state better known for its horses, cows and hogs.

- ❑ ConAgra announced that 19 new snacks, fun foods and complete meals have been or are in the process of being introduced to the public.
- ❑ Maryland agricultural officials have finished drafting standards to assure consumers the meat products they buy from Maryland's organic farmers are free of antibiotics, hormones and other chemicals.
- ❑ The recent acquisition of WLR Foods, Inc. by Pilgrims Pride points to a need for the chicken industry to consolidate. (Rod Smith, *Feedstuffs*, Vol. 72, Number 41).
- ❑ Unapproved Bt corn in Kraft taco shells. (Sally Schuff, *Feedstuffs*, Vol. 72, Number 41).

What is the average producer to do? With large companies struggling to figure out what they are doing, what do producers do to position themselves for the future? It is becoming increasingly important that producers of agricultural commodities need to reconsider pricing and think in terms of marketing their end product. The financial consequences of occurrences such as the incorrect handling of Bt corn in the food chain mentioned above may result in producer losses and liability in the future. Also, the producers meeting organic or other certification risk the liability if their products fail in any way to meet the consumers' requirement. These requirements may be as much perception as reality in the future.

When marketing in a niche, these considerations are certainly part of the process. With your label, your product is your liability. But what happens when you are relying on another firm do be responsible? Thus far, firms like Hudson Foods of Columbus, NE and Supreme Beef of Texas have suffered all the consequences for problems with products. As producers work together or singularly on moving food to consumers, these problems will no longer be isolated from production. As with the Bt corn problem, identity preservation will become a part of business for many agricultural products beyond those produced in a manner that the production system can be sold as a product attribute. For the producer who retains ownership of the product all the way to the consumer, there is information in niche marketing for dealing with liability and consumer satisfaction issues.

When we rely on others to take our farm commodities and further process them, there is less experience in formulating a marketing plan that includes which liabilities or problems will be the responsibility of the producer. Historically, in the food chain, even processors

carried little of the risk from the consumer. In a time of numerous retailers, consumers returned to retailers and few problems went beyond that point. If a processor's products were "bad enough" and sufficient retailers discontinued their purchases, the processor may have suffered or even gone out of business.

When Wal-Mart has every product in the meat case carrying an IBP or Farmland label (or any other) the consumer issue will move back to the firm on the label. This will go beyond just government scrutiny such as Hudson Foods, because it will be a true market driven activity. Will these processors, the IBPs or Tysons of the world readily accept all the responsibility? Likely not, if, in an identity preserved system, they can in turn identify where the product originated.

Certainly for producers price is an issue. Today, with #2 corn as the example, price may be the only issue. Specialty crops produced for an expected premium still have price as a part of the consideration. There are several issues beyond price to consider as the world of farm products changes. The Iowa soybean grower competing in a world market needs to consider whether the customer for the soybeans intends to deliver them as soybeans to Northern Europe or as feed products to North Carolina. While one may say the price of beans at a given market will be the same either way, the strategic problem is how well the marketing partner succeeds in the world. If the producer is marketing to an IBP or a Farmland and there is a serious problem, will the results pass quickly to the producer or will the producer have alternate choices if needed? If your marketing partner fails, is bought up or changes dramatically, it may have a big impact on the producers ability to market successfully.

Producers need to determine the role they have or want to have in the food chain. Then they need to think in terms of risk and opportunity. Opportunities will be great, but risk will be different from price risk. Ask any producer driving a lot of extra miles, or who no longer has crop choices because the local market no longer exists.

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