

Producer survey explores implications for suppliers

“Marketing Insights” is a column created to assist agribusiness managers and marketers in running their businesses and best focusing their marketing and career development efforts.

By JAY AKRIDGE and ALLAN GRAY

Staying ahead of commercial producers who are running hard to remain profitable in a global agricultural industry is no small task.

To help agri-businesses gauge their own understanding of these changes, Purdue University’s Center for Food & Agricultural Business conducts a comprehensive survey of commercial agricultural producers every five years. In the spring of 2003, some 2,300 midsize and commercial crop and livestock producers from across the U.S. completed a questionnaire that explored how their farm business is changing and what they want from their agricultural input suppliers.

The center has taken the pulse of this critical customer group every five years since 1993. The survey focuses on farmers with more than \$100,000 in annual gross farm sales in a particular enterprise, with a primary focus on those with more than \$500,000 in annual sales in one of six key segments: (1) Corn/soybeans; (2) Wheat/barley/canola; (3) Cotton; (4) Swine; (5) Beef, or (6) Dairy.

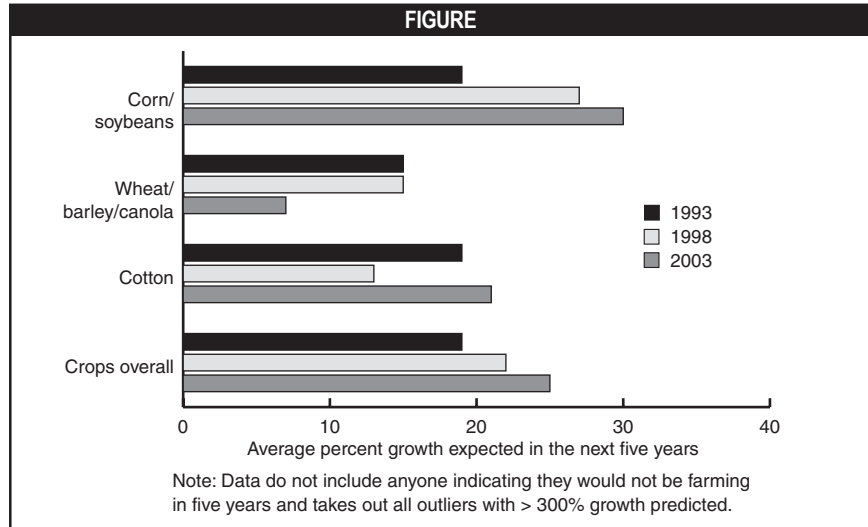
The more than \$500,000 group was broken into two subgroups: large producers, who represent the largest 15% of the producers in the sample, and typical commercial producers, who represent the other 85% of the more than

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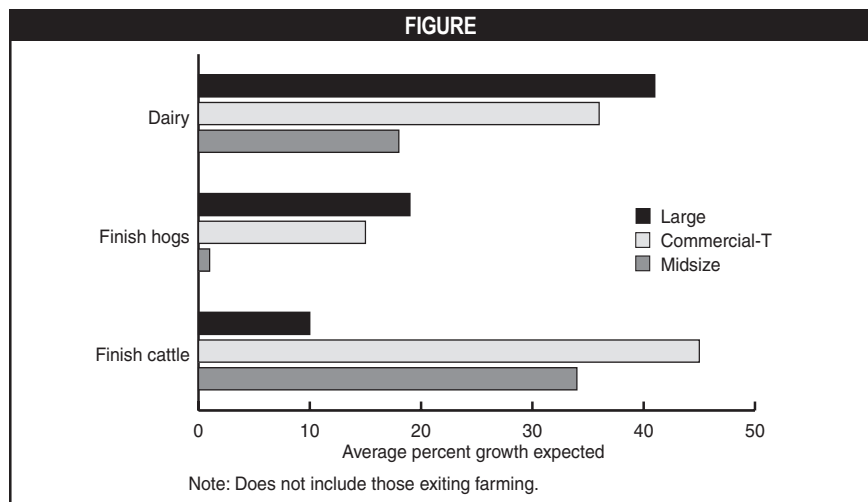
TABLE

Average size of current primary operations

	Midsize	Commercial-T	Large
Corn/soybeans (acres)	771	2,778	8,270
Wheat/barley (acres)	1,624	5,535	12,250
Cotton (acres)	606	1,641	4,650
Dairy (head)	94	721	3,007
Finish hogs (head)	2,233	10,405	39,295
Feeder pigs (head)	10,125	39,875	40,000
Finished cattle (head)	438	2,077	30,091
Fed cattle (head)	591	2,666	25,000



1. Growth prediction by year for commercial crop producers.



2. Expected growth in next five years for livestock producers.

\$500,000 group. The average size of the operations in the sample, by group, is shown in the Table.

Over the next several months, we will be bringing the key findings of this study to *Feedstuffs* readers. In this ar-

ticle, we will focus on growth plans of commercial producers and the implications for suppliers.

Crops: Mixed signals

Focusing first on commercial crop farms,

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growth plans are mixed. Commercial corn and soybean producers expect significant growth over the next five years and, on average, expect to increase the size of their operations roughly 30% by 2008. This is in contrast to the 21% growth expected among commercial cotton farmers and the 7% growth expected by wheat/canola/barley producers over the same period.

Growth rates across the different size classes are fairly similar: Midsize corn/soybean farms expect to grow 35% over the next five years, while the largest corn/soybean farms in the sample expect to grow 28%. However, it is important to keep the relative farm business scale in perspective. For midsize farms, this means adding another 270 acres to operations; for large farms, this means adding 2,315 acres (nearly three midsize farms) over the next five years.

Of some note is that commercial corn and soybean farmers increased their five-year growth projections during every cycle of the survey, from 19% in 1993 to 27% in 1998 to the 30% growth projected in 2003. Wheat/barley/canola growth plans have become less ambitious over time, and planned growth by cotton producers bounced back after slipping in 1998. (Figure 1).

Livestock: Mixed signals

Relative to 1993, commercial pork pro-

ducers are slowing their growth plans. In 1993, commercial pork producers indicated they would expand their operations 51% over the next five years. In 1998, this planned growth had slipped to 29% and in 2003 was a modest 18%. (Note that these results do not include the growth plans for the largest pork integrators and vertical pork processing/production companies.) Changes among midsize pork producers were more dramatic, with five-year growth plans dropping from 39% in 1998 to 1% in 2003.

Among commercial livestock producers, dairy producers report the most ambitious five-year growth plans with anticipated growth of 36% over the next five years. This is down from the 49% five-year growth figure commercial dairy producers reported in 1998. With dairy producers, the largest producers had the most ambitious growth plans. Already milking more than 3,000 head per day, these producers plan to add another 1,200 cows to their operations (12 midsize dairy operations) over the next five years (Figure 2).

Upshot

For input suppliers, a very careful look at the customer portfolio is in order. Which customers have the kind of

growth plans reported here? Which customers will be exiting? Of those producers with aggressive growth plans, which have the managerial talent to pull it off — it is one thing to plan growth; it is quite another to run a business 50% or more larger. What does your look tell you about who you should be strengthening relationships with and who you will need to “replace” over the next few years?

Aggressively growing producers have special needs. We looked at those producers in the top 20% of the sample with respect to growth, and several things stood out. In general, they are younger producers. They are the most confident in their own abilities and the most optimistic about the future of agriculture. These ambitious producers are more likely to use risk management plans, have a written business plan and attend management/technical seminars. They are more likely to use a computer and the internet in their farm business. They do more contracting and are the most likely to be involved in value-added crops and livestock over the next five years. This is a fast-moving, business-oriented, opportunity-seeking group of customers. How can you and your firm become a part of their plans?