



Highlights from the 2003  
Purdue/Top Producer  
commercial producer project  
help agribusinesses  
understand producers' needs

## **Commercial Crop Producers' Changing Attitudes**

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**By Dr. Allan Gray, Dr. Jay Akridge, and Kathleen Erickson**

Staying ahead of commercial producers who are running hard to remain profitable in a global agricultural industry is no small task. To help agribusinesses gauge their own understanding of these changes, Purdue University's Center for Food and Agricultural Business (Center) conducts a comprehensive survey of commercial agricultural producers every five years. In February and March of this year, some 2,300 mid-size and commercial producers from across the United States 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 over \$500,000 in annual sales in one of six key segments: corn/soybeans, wheat/barley/canola, cotton, swine, beef or dairy. Data of the 2003 project are still being evaluated, but some important findings on producers' attitudes toward value-enhanced production and contracting have emerged including:

Expansion of value-enhanced crop enterprises. In 2003, 24% of the commercial crop producers in the sample reported some sales of value-enhanced crops (tofu soybeans, food grade corn, organic crops, etc.). By 2008, 54% of the commercial crop producers expect to be producing value-enhanced crops on their farms. However, most of this group (61%) expects sales from

value enhanced crops to represent between 1% and 25% of their total crop enterprise sales. Clearly commercial crop producers expect expansion in the production of value-enhanced crops in the next five years. And, given they are open to and interested in the production of these value-enhanced crops, it is likely expansion could be much greater should profitable opportunities be forthcoming.

Expansion of value-enhanced livestock enterprises. In 2003, 12% of the commercial livestock producers in the sample reported some sales of value-enhanced livestock (hormone-free beef, organic milk, etc.). By 2008, 29% of the commercial livestock producers expect to be producing value-enhanced livestock on their farms. However, most of this group (62%) expects sales from value-enhanced livestock to represent less than 25% of their total livestock enterprise sales.

Mixed signals on contract production for crop enterprises. In 2003, 36% of commercial crop producers grew some crops under a contract where the buyer specified at least one of the inputs used for production. Yet, 65% of those producing under contract were contracting less than 25% of their total crops. When asked about the future of contract production about 60% of commercial grain producers either agreed or strongly agreed that the industry will see more contract production in the future. Interestingly, only 34% of commercial corn/soybean and 46% of wheat/barley producers anticipated increasing their contract production in the next five years. So, it appears that many crop producers are taking a wait-and-see approach to involvement in contract production while the market sorts out what contract crop production will look like in the future.

Dairy and cattle producers view contracts differently than hog producers. In 2003, 59% of the hog producers in the survey produce at least a portion of their hogs under a contract while a much smaller proportion of dairy and cattle producers produce products under contract (19% and 25%, respectively). Not surprisingly, 75% of hog producers believe more contract production will occur in the future. However, only 58% of dairy and 52% of cattle producers see contract production rising in the future for their products. Even more telling is that only 20% to 25% of dairy and cattle producers plan to increase their contract production in the next five years while 46% of hog producers plan to increase their contract production.

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### **National Conference Ahead**

These highlights are but a tiny fraction of the results of the full Commercial Producer Project. On November 19-20, 2003, the study results will provide the foundation for the National Conference for Agribusiness, "Commercial Producers: Meeting Needs, Adding Value" held on the Purdue campus in West Lafayette, IN. We will spend two days digging into the important ways commercial agricultural producers are changing, and more importantly what this means for agricultural input suppliers. For more information on this thought-provoking event, contact Scott Downey, Associate Director of the Center for Food and Agricultural Business, at 765-494-4325 or [downeyws@purdue.edu](mailto:downeyws@purdue.edu).