Livestock Alternatives for Small Farmers: Economic Viability or Liability?

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I am going to continue in the tradition of the speakers you have heard here today, in that I will tell you that I did not come here with a gun loaded with silver bullets. I don't have an answer as to the "one thing" that will replace tobacco in Eastern North Carolina. I can tell you that no one thing exists. That is not to say that there aren't alternatives, and I will talk about that, but there is no one crop that will do it. One of the differences between alternatives that work and those that do not has to do with marketing. The small farmer has to be willing to do market research and base his or her product development on that—you need to have an ability to market it, produce it, and manage the income, costs and the profits associated with it. So, if you have an idea, and you can do the marketing, then there is room for success. NC State and the other universities can do all the research and explore every idea, but it's the people out there who really have the opportunity—you've got to get on the web sites and search a lot and look for these things, and then evaluate them for yourselves. At North Carolina A&T, we have developed what we call a Decision Model for Small Farmers, a workbook that helps people to work through this process. People have to work through the market research, get the information, sort through it, and then it comes down to the bottom line—either "I ought to try this" or "I ought to leave this alone." And that is what has to be involved in sorting through the menu of alternatives out there. But today I want to talk with you about small-scale livestock alternatives, as economically viable livestock production units, for small farms.

One of the things we can learn immediately when we look at the US agriculture industry is that concentration and consolidation has seriously crippled the economic opportunities of small farms. Certainly, we have seen this consolidation firsthand in North Carolina, where in the past we were talking about 3 or 4 major swine companies, and now we're maybe talking about 1 or 2. This situation, coupled with depressed market prices for traditional crops and livestock, has sent small family farms in search of new alternative agricultural enterprises. In their search, many small farmers have asked whether or not livestock production is a viable enterprise for small farms. If approached in the traditional sense, it would seem that small farms are at a competitive disadvantage relative to the big producers, in terms of scale of production and numbers marketed. But there are ways in which small farmers can retain a production advantage. If you're small, you can have a specialty area or niche, but you need to know how to capitalize on it. When the angle of direct marketing or value-added processing is considered, small farms can be highly successful. Critically important to that success, however, is the ability of producers to handle marketing as well as market development for themselves. The level of success achieved by a farmer will depend upon his/her abilities to produce a top-notch product, and to build a customer base from which to market. So, when it comes to specific livestock enterprises, there are no "silver bullet enterprises" that will guarantee success for the small farmer. Today, the key factor in the success and profitability of small farm livestock enterprises is "good marketing."

Marketing Options

When I talk to farmers about direct marketing, there are a couple things that we have to clarify before we can get very far. There are two basic questions that must be answered by every producer engaged in direct and/or value-added marketing. Those questions are: "am I marketing my product or just selling it?" and "where are my markets?" Let's begin with the question of marketing versus selling. I define marketing as the active, coordinated effort of placing goods and services into the consumer's hands in an organized and effective way. In contrast, I define selling as a simpler process, involving the exchange of goods and services to the consumer for a negotiated price. I think it is very important for small producers to realize the difference between these two concepts, because if they think they are practicing marketing, but all they are really doing is selling, they will be much less likely to be successful. Selling is just exchanging goods for a price, but marketing is a lot harder, because it requires the seller to think about what the customer wants and how they want it. To be an effective marketer, producers must first *know and understand the demands of the market.* Second, they must be able to *deliver a quality product or service*, and third, they must *deliver that product on time.* In general, they must be prepared to deliver a product or service to the customer in the quality, form, condition, size, color and/or package that the customer prefers, and at the time the customer specifies. You must have a commitment to excellence, in terms of these three factors, along with good marketing skills—this will make for a successful venture into direct and/or value-added marketing. Now let me tell you about some of the market options that are out there, and some of the specific characteristics of these different livestock niches.

To begin with, there are direct sales options. With direct sales, basically you cut out the middleman, so the product goes from your farm, through processing, and then right to the customer. Some examples of this kind of product include the freezer market, ethnic and religious markets, gourmet markets, retail grocery stores, and restaurants—these are all direct sales. With the freezer market, live animals are sold to the customer for home consumption, and the producer arranges for the processing and packaging of the animal for the customer. The animal may be sold on a per-pound or per-head basis, with processing costs figured into either the pound or the head price. The ethnic market is similar, but the producer must be sensitive to the cultural customs and preferences of the ethnic or religious group. Many gourmet markets and upscale restaurants are looking for things like antibiotic/hormone-free products, and along with retail stores, they may be only looking for premium cuts of meat. So each of these markets has specific needs and desires that a producer can serve, but what is crucial in this area is the producer's reputation and the quality of the product. You must build a reputation in these markets. You've got to be known as the guy who has a great quality product and who can deliver it consistently.

Another market option for the small producer is specialized sales, and here we are talking about holiday market sales. These specialized sales generally offer a higher return for animals sold, but here again, the quality of the product is very important. When marketing to processors, these sales capitalize on the quality of the animals offered. There are a number of important things to keep in mind when considering these sales. First, certain sales are designed to take advantage of various holiday markets; for instance, various ethnic groups in the US consume a lot of goat meat at Easter. The sales may vary time-wise; they may be held weekly, monthly, or even annually or semi-annually. At specialized sales, animals are weighed and graded in accordance with state or USDA standards, and animals are auctioned on a per pound basis in small to large lots.

Now, a third market option that is associated with livestock alternatives is the weekly auction market. For this one, you can go to the North Carolina Department of Agriculture (NCDA) and get a listing of all the livestock markets, with published sale dates. These weekly auctions provide another market outlet for farm animals, but unlike the specialized sales, the animals at weekly auctions may be sorted but not graded. Market prices may vary, and the animals may be sold on a per head basis versus a per pound basis. It can be important to keep these differences in mind, because if you have invested a lot in genetics and produced an expensive Boer goat, for instance, but then your goat gets sorted in with all the other goats, you may not be able to get any financial reward on your investment in genetics. In addition, certain markets have the reputation for being able to sell animals at a very good market price, whereas others may not do as well. So, you have to know the markets and take advantage of that.

Livestock Alternatives

In addition to the market options I have just discussed, there are also a number of livestock alternatives available to the small farmer. I am going to list some specifics, but I'm only listing a few. I don't have all the answers, but these are some examples. To begin with, there is poultry. There is not a lot of room in the poultry industry, because it is mega-consolidated and vertically integrated as an industry. But the "pasture poultry" industry concept is gaining a small foothold, and there's even a pasture poultry producers' association. Pasture poultry means that the poultry (chickens, turkeys, etc.) roam/graze on fresh grass and pasture and they have an opportunity to be exposed to fresh grass daily. Then they process and sell these chickens, and there is tremendous interest in it, and a market for it. People are saying it's more flavorful—that there's a particular taste to it. We also have free-range chickens and turkeys. This is a similar concept, except that they are out in a pen during the day, where they can free range, but then they are put back in at night. Free-range egg production is the same thing. People have been very successful in that, because they have made a market niche.

Then we move along to the issue of swine. One thing you are hearing more and more about is antibiotic and hormone-free pork. There is some interest in this, and people are beginning to carve out a market there. There is also free-range pork, a concept being imported from Europe. Europe is imposing so many restrictions on farming operations that they are moving more and more to an outdoor/free-range production system in a lot of areas, so that is a niche area as well. Turning to beef and sheep, there is also a market for antibiotic and hormone free beef and lamb. And there is also a market for grass or grain fed freezer beef or lamb—-there are opportunities to do that on a small, consistent basis. One of the things that is consistent with any of these market areas is the importance of developing a customer list or clientele. With these sorts of products, it is not always sufficient to just call the county agent and ask where you can sell your pasture poultry or whatever. You need to evolve the customer list, and then once you have it, you can 'grow into the business' verses 'go into the business.'

I have also dealt a lot with the rabbit industry over the years. I have seen commercial rabbit production go from zero to a gazillion and back to zero again. Right now, we are back at zero because of a failure of marketing. Everybody who raised rabbits wanted to have a market, but you don't need a market, you can sell them yourself, if you are willing to develop a customer base. In North Carolina law, it says that you can process up to 1,000 rabbits or poultry a year on your farm without inspection, as long as you sell them directly for consumption. You can't have them in a cooler sitting at the flea market—you can't sell them like that. But you can process and freeze them at home and have people come to you directly to buy them. So you can do very well at home with a small operation, but you have to work to develop it. Note that there are rules and regulations governing pet markets in the United States. So, if you intend to raise rabbits on the farm to sell to the pet industry, or maybe even be a pet dealer, you have to be licensed. People from NCDA can put you in contact with the various government licensing agencies that do that sort of thing. But one of the things that may make it difficult to break into the pet industry is the importance of reputation, quality and consistency. In the pet industry, people really want to deal with people they know, and people who can guarantee a consistent product, because pet dealers want to make sure that the pet will not get sick. They want to know the pets are healthy, and that they're free of internal parasites and diseases. So most pet brokers have a restricted list of people they buy from and they stick with it. Rabbit producers can also sell to the biomedical industry; but again, consistency and reputation are very important. I know of only one rabbit producer that really had a lead into that market, and he was very secure in it. But it is the same sort of thing. Since it is for research, buyers are very concerned about consistency and results, and they do not want to buy from a different producer every time. They are looking for animals that are healthy and consistently sized, and if you can meet their requirements then they might buy from you. This consistency is important even for the meat industry—again, you need to be able to produce what you say you can produce, whether that is a 5 pound fryer or 3 pounds or whatever. It needs to be of high quality and good taste, and if it is, then you have market value. But even then, you might have to put some effort in to develop a customer base of people who eat rabbit meat. You might have to start by giving some away until you find that customer base, and then you can gear your production up based on that. As the demand grows, then you can grow your production.

One of the last areas in the livestock industry is the exotics, such as ratites (ostrich, emu and rhea), and even potbelly pigs. Concerning exotic birds, I think we have seen that industry go from a novelty, to a breeders market, and now it is at the level of trying to convert into a real industry. A real industry means it is not just based on breeding, and on buying and selling breeding stock back and forth. Right now, this means trying to process these birds into a finished product—like feathers and leather—and make money. But the industry is suffering. In North Carolina, we are not big. In Texas, they're further along, so there are places where they are actually processing these birds and turning it into a real product, and some places have sold ostrich meat. And of course, we know we have seen the novelty of the Vietnamese Pot Belly Pig, used as pets. But once again, when it is a pet for sale, you need to move it along the market. Some people are finding that these things are cute, but when you get three or four or more, they no longer are so cute and no longer a novelty. This is the point where I get a phone call asking for advice about markets, and I have to say that there is no market, that you need to develop a market. If you find a market, I can supply all the production information you need, but I'd rather tell people what the market situation is up front, and let them choose to develop a consumer driven market—and then we can work on that.

So in summary, I'd like to say that there is always going to be an interest in livestock production, and this is something that I want to see continue. But there has been a shift in the industry and the focus now must be on marketing. When you choose to be engaged in an alternative product, you also must make the choice to be involved with marketing—if the market does not exist, you need to provide the market. You need to build and know your customer base, and you can do that by focusing on your value added—what your product brings to the equation—because that is the part that your customer will be interested in. But at the same time, the markets are evolving, and you need to respond to customer demand. And then finally, I think it is also very important, with whatever product you produce, to pay attention to timing. The worst thing you can do is to create a demand and then be unable to develop the product on time. If you said it was going to be ready in March, and it's not ready until April, someone else is going to deliver on time and you will lose that market. And then let me just conclude by saying that, while there are no 'silver bullets', there are opportunities and they exist out there.