Overview of System Options: Economics and Production

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I appreciate the opportunity to be here. When we were planning this conference, we decided that since Mark and I were part of the planning committee, we’d speak at the end and try to be a buffer to see that we get back on schedule. And since I’m bigger than Mark, I’m a bigger buffer. So I’m going to go very quickly through what I have to cover.

A lot of what I wanted to say has been covered. I want to reemphasize that as I prepared for this and thought about what I wanted to say, I decided I did not want to go through a lot of numbers. Just as there are differences between Sweden and the United States, there are differences between producers. We need to think about that and look at what we are trying to do. I want to emphasize that I really agree with the last point that was made with the quote from Frances Bacon (see p. 34). Too often today we’re looking at whether technology today is good or bad, a friend or a foe, and that’s not really the issue. The issue is whether or not a given technology is appropriate—what’s appropriate for our system, what’s appropriate for our resources, what’s appropriate for what we’re trying to do on our farm, in the state of Iowa, and in the country as a whole.

So, as we consider the issue of what is appropriate, let’s remember what Stan was saying: change occurs. Change is going to happen. There’s an old saying that it takes all the running you can do just to stay in the same place. And so it isn’t a question of going backwards. Some of the comments and discussion that I’ve heard remind me of the talk about the original term called LISA, meaning low-input sustainable agriculture. The connotation was that we were going to go backwards and that LISA was low tech.

Those of you who were here in Ames a few weeks ago know that the city shut down (due to a blizzard and extreme cold). In 1993 we had a major flood—then, too, much of the
state shut down. So who is really in control? That is one issue we need to think about.

When the future is uncertain, which it always is, then the best path to choose is the one that is going to give us the most options. That’s why the title of this conference is Swine System Options. We’re trying to look at systems that will allow us more options. How do we do that? We take the resources that we have available and combine them to achieve the goals that we’ve set. And as individuals, our resources change over time. When you’re 25 you have a different set of resources than when you’re 45, or than when you’re 65. And so you’re going to be changing; everything is going to be changing, and we need to keep options and doors open. We have to use approaches that maintain or expand our options, not narrow them.

Each farm, each farm family, each farmer is different. But too often the research that we’re seeing is geared toward trying to get everyone to look alike. There was a commercial that was on TV before Christmas that said in a perfect world, we would have one corn hybrid. That isn’t a perfect world! In a perfect world of that nature, we would also have a perfect disease that would come along and wipe out the perfect hybrid. So we need to think, to be attuned to what is going to happen. Everybody has to look at what’s going to work best for them, for their families, and for their neighbors.

We worry about size—big or small, corporate or family. It’s partly a question of being a good neighbor. It’s also question of how are we producing, how are we combining the resources that we have to achieve our goals. We need to realize that this is going to change over time and keep that in mind. We just had the tenth anniversary of the Russian space station yesterday. Ten years is not really a very long period. Look at the difference in the world today compared to ten years ago. What’s it going to be like four years from now when we hit the 21st century? We don’t know. So we have to gauge ourselves accordingly and look at changes coming. But how are we going to work with them on our own individual farms?

What does society want? Food that is cheap, abundant, reliable, safe, and so on. It wants a clean environment in terms of air quality and water quality. It wants to look at how are the resources being used. It wants to conserve resources. We’re concerned about industry concentration. World communities. What’s happening to the quality of life. Animal care, or animal welfare—how we are treating our animals. These are issues. It’s true: we need to be thinking about these issues—and a whole lot of others.

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What is the individual producer looking at? Profitability. As an economist, I was taught that a business tries to maximize profits. But we don’t! I’ll bet that 90% of the decisions made on our farms today do not maximize profits. You have to have profits. But profits are a means to an end, not the end themselves. When we look at our decision-making and at what we’re doing, what kind of system is going to work for us, profits are important. But then we have a whole array of other goals that come into play. Risk is an important factor: financial risks and health risks.

Perception is another issue. What are the neighbors going to think of me? That’s important, and we need to be aware of that.

Land values are another issue. I watch land values here in Iowa. I still maintain that at the end of the 1970s there was almost an element of pride in how much we could say we spent for an acre of ground. That’s really changed a lot. But again, it’s partly a matter of perception. At the local coffee shop, we hear a lot about what goes on. What are the neighbors thinking about us? How does this or that approach fit within our management style? Each system isn’t for everybody. Some of what Stan was covering was looking at a system that works in Texas in a certain way. Texas isn’t Iowa. Dickinson county isn’t Fayette county. All of us are different. We have different management styles. We have different goals.

In terms of the individual farmer, labor is yet another issue. A lot of my friends say they got away from pasture farrowing because they didn’t like it. They remember growing up and having to go out there. Different times, different questions, different issues reflect changing perceptions about the labor involved in pasture farrowing. Timeliness is part of the labor issue. Capital investment is a big issue, along with the amount of management, and the complexity of management that is required.

Impact on the world, and on our communities, is another issue in pork production. I think this is a societal concern; I know it is an individual farmer concern. When we survey farmers about their major concerns, much of it isn’t production agriculture, it’s school consolidation and topics like that. We live in our communities, and we must be concerned about them.

The production aspects of swine systems are more challenging and diverse than ever before. What kind of animals are we raising? Genetics and feeds are critical these days.
Finally, market availability is a major issue for pork producers in Iowa. I’ve known people who have gone out of the pork business, not because they weren’t making money and not because they didn’t enjoy raising pork, but because in their minds when they looked into the future, they didn’t see that there was a place for them. They didn’t see options within the market access issue. Their perception was that they were going to be forced out. We need to think about that. I think John (Lawrence, p. 6) was showing what’s going to be happening, but we still need to be vigilant and ask ourselves, what is our resource base? Our longevity? How long are we going to last in this?

We talk about trends: decreasing farm numbers, increasing farm size. I gave a lecture the other day to a class. I thought a lot about it and I came up with a different spin that may be very applicable here. I think that we have two major trends. One is the shift in the major resource categories that we use—the internal versus external.

And the second has been a shift among the resources—land, labor, capital, and management. We substituted capital for labor for a long time, and it was good. It got rid of some of the back-breaking labor, and it allowed us to do more. But I am concerned now that we have reached a point that we are substituting capital for management. We have reached a point where we are deciding that maybe we get into a certain kind of system and it’s a different style of management, so it will take extra effort and learning. I’m not saying that we don’t have management skills now, but we need to look at the mix of resources that are unique to us and how are we combining them to help us reach our goal.

**Farm Resource Categories**

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<tr>
<th>Category</th>
<th>Internal</th>
<th>External</th>
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<tbody>
<tr>
<td>Land</td>
<td>Owned</td>
<td>Rented</td>
</tr>
<tr>
<td>Labor</td>
<td>Own, family</td>
<td>Hired, custom</td>
</tr>
<tr>
<td>Capital</td>
<td>Owned</td>
<td>Borrowed</td>
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<tr>
<td>• Seed</td>
<td>Homegrown</td>
<td>Hybrids</td>
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<tr>
<td>• Fertilizer</td>
<td>Rotation, manure</td>
<td>Purchased</td>
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<tr>
<td>Pest Management</td>
<td>Rotations, mechanical</td>
<td>Pesticides</td>
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Another big shift has been in our source of power, or energy. This has occurred over a long time, from human to animal to fossil. We must have power, but we need to question how much, for which purposes, and what it’s costing us overall.
As an economist, I see some major problems in terms of how we value our costs and benefits. We use the market because that’s the best system we know, the one we have in place, but it has some problems. We must think about those problems from the viewpoint of society but also from the individual’s perspective. What is an hour of leisure worth? That varies! If you’re already underemployed, saving another hour really isn’t worth that much. If it is peak season, saving an hour is worth a lot. How do we value these benefits and costs? What happens to those values over time? The current technique that we use is discounting, where if you extrapolate more than 40 or 50 years, it doesn’t matter how big the amount is today; it goes to zero. So we have a built-in structure, a bias in our system that pushes everything close, and we don’t look down the road more than five or ten years.

To conclude, let’s remain mindful of changes in technology—again, keeping the options open as we look at which direction we’re going. How do we use the technology that works for us? Just because it’s new doesn’t mean it’s better. It needs to be appropriate technology, and it needs to fit in. I think the biggest challenge that we face is deciding which direction we are going to choose. We have to stop looking for single broad solutions. We have to quit structuring the research, the products, and the markets so that everybody has to be doing the same thing. We have to think about our own individual circumstances. And we have to start evaluating and educating the public to the tradeoffs and the conflicts in choosing from a variety of options for raising swine.

A lot of the goals that I’ve mentioned for society directly conflict with one another. As you look at maximization, you must realize that only one thing in an equation can be maximized. So ordering is necessary. What are our priorities? Whatever they are, they will shift and change over time. Passing more laws is not the right answer. I’ll bet there isn’t a farmer in this room that isn’t in violation of some federal law or state law. Not because you’re law breakers, but because some laws are silly. For example, is it 4 feet or 4.2 feet? That isn’t the point. The point is whether you are being a good neighbor, how you are raising your animals, how you are treating your family, and the like. I believe we should set broader general guidelines and let people work within the guidelines and not worry about all the minutiae. For example, what happens when we say that if you’re more than 4,000 head, you’re subject to a constraint, and if you’re under that number, you’re not? Some producers have 3,999 head. Is that the right approach? No! There can be as much environmental damage from an outdoor production system that’s set up
wrong as there can from another kind of system. There are trade-offs. And that’s what we’re here to talk about today. We must evaluate these trade-offs, how they work for us, and how they fit in on our farm, because each one of us is unique. And the uniqueness is what we must capitalize on, instead of encouraging everyone to be the same.