



Farm Management

A FRAMEWORK FOR UNDERSTANDING INDUSTRIES

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Crop and livestock farming are part of the food industry. As I give presentations and talk with farmers, it amazes me how many segments there are in the farming business despite less than two percent of the population being involved in producing the food we eat.

Exploring business growth, calculating the potential of a new enterprise, or planning to more effectively deploy resources often involves studying industry trends. As we examine the business of farms, farming and food production, it is often helpful to put a framework around the food industry.

There are three dimensions to the concept of an "industry" that might help the entrepreneur grasp the nature of an industry and a venture's potential for success in that industry: 1) carrying capacity, 2) uncertainty, and 3) complexity.

Carrying Capacity

Carrying capacity or degree of saturation is the extent to which the industry can support growth, from both the entry of new ventures and the growth of existing ones. Entrepreneurs typically seek out an industry that can support expansion, thus allowing the new venture to grow and to obtain the resources it needs.

Difficulty entering a specific industry because of many competitors, major companies that control needed supply chains, or economies of scale, suggests that the industry may be approaching saturation — that is, the production capability of the existing firms may equal or exceed customer demand for their products. The only way to enter such an industry is through the introduction of new technology or the discovery of a niche where a need has not been met. The growth of organic food production and direct-to-consumer marketing are examples of niche markets originating from a saturated industry.

Uncertainty

Uncertainty is the degree of stability or instability and ambiguity in an industry. A dynamic, uncertain environment is one that is difficult to predict because it is in constant flux.

Industries that operate in volatile environments, such as the pharmaceutical industry, contain higher degrees of uncertainty or risk. Consequently, the rewards are usually higher as well. Dynamic, even chaotic, environments also provide a fertile growing ground for new opportunities and have given birth to many successful companies.

Complexity

Complexity is the number and diversity of inputs and outputs facing an organization. Firms that operate in complex industries usually have to deal with more suppliers, customers, and competitors than firms in other industries, and they regularly produce a greater number of dissimilar products.

Industries with a high degree of complexity, such as the electronics industry are, by their very nature, difficult for new businesses to enter. They are also extremely competitive; therefore, new ventures often find a great deal of hostility rather than collaboration in those industries. Telecommunications and biotechnology are both industries with a high degree of competition and government regulation and in which product life cycles are very short.

Industry Evolution

Industries do not remain static or stable over time on any of the three aspects of this framework. In fact, they are in an almost constant state of evolution. Like people, industries move through a life cycle that includes birth, growth, maturity, and ultimately decline.

The stages of the industry life cycle are identified by the different kinds of activities occurring at each stage:

1. Birth: A new industry emerges, often with the introduction of a disruptive technology such as the Internet.

2. Growth and adaptation: The new industry goes through a volatile stage, and companies and their respective technologies jockey for position and the right to determine the standards. Proprietary rights give companies a brief "quiet" period to gain acceptance by customers.

3. Differentiation and competition: As more firms enter the industry, intense product differentiation occurs as the industry-established standards and proprietary rights no longer provide the exclusivity they once did.

4. Shakeout: When competition is the most intense, those companies that are unable to compete leave.

5. Maturity and decline: The industry reaches a mature state with several major players that dominate. If research and development in the industry do not produce a resurgence of growth, the industry could face decline.

Few worthwhile activities are easily accomplished. Developing, maintaining, and growing a business within the food industry offers many opportunities and challenges. The likelihood of finding fulfillment in our role as an entrepreneur can be increased by giving some consideration to the industry we are a part of and the business of farming.

Penn State Schedules Two Field Clinics

UNIVERSITY PARK (Centre Co.) — Two one-day field clinics at the Agronomy Research Farm at the Larson Agricultural Research Center near Rockspring have been scheduled by Penn State's Department of Crop and Soil Sciences.

The clinics will be conducted Tuesday, July 29, and Thursday, July 31. The registration fee is \$45 per person and includes lunch, refreshments, and support materials. The late registration fee of \$65 will be charged after July 21.

These one-day field clinics are designed to improve the agronomic management skills of industry personnel, extension and public agents, crop consultants, and producers.

Specialists from Penn State and the agricultural community will provide hands-on diagnosis training in crop production, pest management, soil fertility and soil and water conservation.

Participants will be able to choose from a variety of topics and have ample opportunity to diagnose, solve, and discuss crop management problems and situations. In addition to gaining agronomic knowledge, CCA and pesticide applicator license credits can be obtained.

Registration can be made by mailing or faxing the form reproduced here or e-mailing information to LACB@psu.edu, fax (814) 863-7043, or standard mail to the address on the form.

Farmers Group Suggests Common Sense Approach To COOL

WASHINGTON, D.C. — In his formal comments to USDA's Agricultural Marketing Service, NFU President Dave Frederickson addressed many of the recent concerns and myths about the new law, which was included in the 2002 farm bill.

"It was clearly not the intent of Congress that the full burden of compliance and verification be placed upon the American producer," Frederickson said. "We believe the voluntary program guidelines should expand upon current programs without creating a costly new regulatory burden on producers or other food product sectors. To the extent existing record-keeping systems and import information can be utilized and tailored to meet the COOL requirements for consumer notification, the less costly and more efficient the labeling system will be for all parties."

Frederickson explained that the vast majority of U.S. livestock and crop producers do not import any livestock or crop products that would subject their operations to foreign origin verification. "As long as these operations continue a 'domestic only' production system, they should be able to self-certify their commodities as United States country-of-origin when they market their products," he said.

For those farmers and ranchers who do market imported products, Frederickson said they should have an appropriate record-keeping system. Existing identification programs, such as health certificates from the USDA Animal and Plant Health Inspection Service or import information gathered by the U.S. Customs Service, can be coordinated and used to identify the country-of-origin for imported commodities, he explained.

10th Anniversary

2003 Penn State Agronomic Field Diagnostic Clinic

Please return this registration form by July 21 to:

Field Diagnostic Clinic
Attn: Lisa Crytser
Dept. of Crop and Soil Sciences
Penn State University
116 ASI Building
University Park, PA 16802

You are invited to attend one of the following programs:

Tuesday, July 29 ___ or Thursday, July 31 ___

Number attending _____

Amount enclosed (\$45.00 per person) _____
(make check payable to Penn State University)
(Late registration fee is \$65 after July 21)

Name, company, address, and phone number of primary registrant:

Name _____

Company _____

Address _____

Phone _____

(please clip and return this registration form before July 21 to avoid a late fee)

New Program Manager Joins Penn State Dairy Alliance

UNIVERSITY PARK (Centre Co.) — Michele C. Moyer has been named the new program manager of the Dairy Alliance, a statewide initiative in Penn State's College of Agricultural Sciences.

The Dairy Alliance partners with dairy producers and related service providers across the commonwealth to enhance the economic development of Pennsylvania's dairy industry through leadership and focused educational efforts.

"Since its launch in 2000, the Dairy Alliance program has strived to play an important role in increasing the profitability and sustainability of Pennsylvania's dairy farms," said Dr. Lisa Holden, associate professor of dairy science at Penn State. "Michele's addition to the staff will help us in our ongoing efforts to provide excellent quality programs to our progressive dairy producers."

Dairy Alliance staff collaborate with various segments of the dairy industry to deliver educational programs focused on four subject areas to dairy producers: information management, human resource management,

business management, and nutrition management. Through workshops and conferences offered across the state, dairy producers are able to receive the most up-to-date information available from Penn State agriculture faculty and researchers.

In her new post, Moyer is responsible for coordinating the Dairy Alliance's communication and marketing efforts. Her duties include promoting the educational programs of the Dairy Alliance, maintaining a calendar of statewide dairy events on the worldwide web (www.dairyalliance.com), and directing calls received through the organization's toll-free dairy resource line (1-888-373-PADA).

Moyer joined Penn State in 1998 as the public information officer at Penn State DuBois. Prior to that, she was the editor of The Progress newspaper in Clearfield. She serves as the editor of the Clearfield County Farm Bureau newsletter and volunteers as the dairy coordinator for the Clearfield 4-H Livestock Club.

Office Closed July 4

On Friday, July 4, Lancaster Farming office is closed. The office will reopen Monday, July 7.

For the July 5 issue, there are some deadline changes:

Public Sale and Mailbox ads, 5 p.m., Friday, June 27.

Classified, Section D ads — 4 p.m., Tuesday, July 1.

Classified, Section C, farm equipment ads, 4 p.m., Tuesday, July 1.

General news — noon, Wednesday, July 2.