



American Dairy Science Association®
MIDWEST
American Society of Animal Science



March 18, 2015
Des Moines, IA

A Challenge for Tomorrow

sponsored by

zoetis

Glynn Tonsor

Dept. of Ag. Economics, Kansas State University

KANSAS STATE UNIVERSITY



**Who wants to go home with a
new phone?**



Who wants to go home with **THIS** phone:



Sources: <http://imgkid.com/old-rotary-phone.shtml> <http://www.gizmag.com/mobile-phone-40-year-anniversary-photos/25677/>
<http://www.cellphonereviews.com/who-invented-the-cell-phone/> <http://science.howstuffworks.com/innovation/inventions/who-invented-the-cell-phone.htm>



Who wants to go home with THIS phone:



Sources: <http://imgkid.com/old-rotary-phone.shtml> <http://www.gizmag.com/mobile-phone-40-year-anniversary-photos/25677/>
<http://www.cellphonereviews.com/who-invented-the-cell-phone/> <http://science.howstuffworks.com/innovation/inventions/who-invented-the-cell-phone.htm>



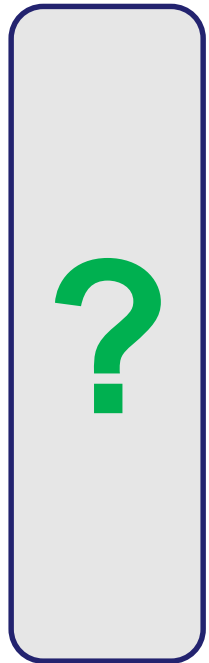
Consider how much phones have changed...



Sources: <http://imgkid.com/old-rotary-phone.shtml> <http://www.gizmag.com/mobile-phone-40-year-anniversary-photos/25677/>
<http://www.cellphonereviews.com/who-invented-the-cell-phone/> <http://science.howstuffworks.com/innovation/inventions/who-invented-the-cell-phone.htm>

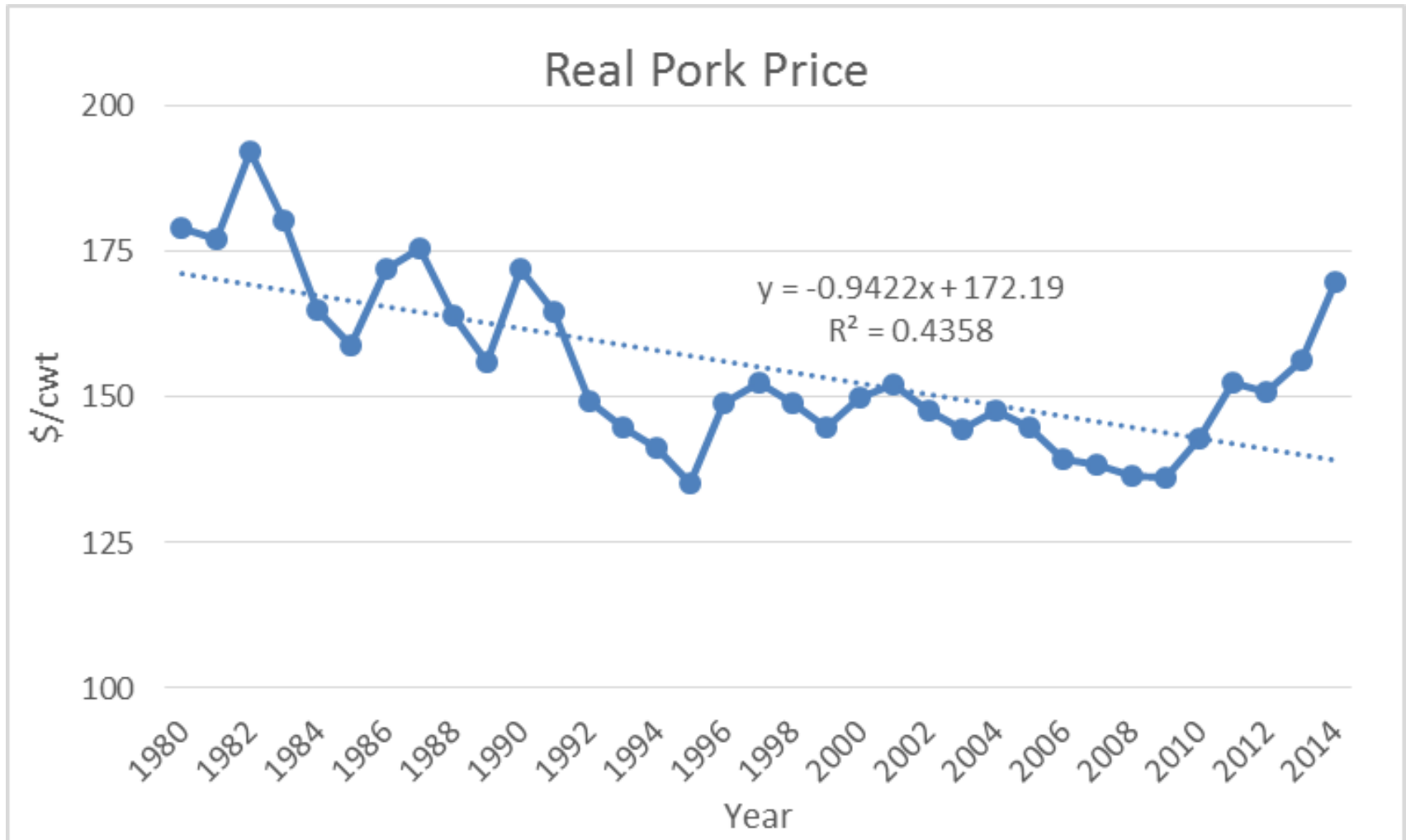


Consider how much MORE phones WILL change...



Sources: <http://www.techradar.com/us/news/wearables/apple-iwatch-release-date-news-and-rumours-1131043>

Why does the industry not simply use this graph?



Consider Industry Strategic Efforts

1. 2020 Strategic Plan

- Build Consumer Trust
- Drive Sustainable Production
- Grow Consumer Demand

Source: <http://www.pork.org/national-pork-board-introduces-2020-strategic-plan-focused-people-pigs-planet/>



Consider Industry Strategic Efforts

1. *We Care Initiative*



2. *Operation Main Street*



Source: <https://www.pork.org/programs-and-events/operation-main-street/>



Current Situation of U.S. Pork Industry

Ongoing calls for change, verification, &/or improvement:

Credence Attributes

- Food safety
- Environmental impact
- Animal Welfare
- Origin labeling
- Antibiotic use

Other Attributes

- Price
- Freshness
- Taste
- Nutrition
- Health
- Convenience



Lister et al.

Journal of Food Products Marketing (forthcoming)

- “Social Issues” less important in purchasing decisions than:
 - Safety
 - Freshness
 - Taste
 - Nutrition
 - Health
 - Price

Source: http://www.agmanager.info/livestock/marketing/WorkingPapers/WP1_FoodValues-LivestockProducts.pdf



Lister et al. (forthcoming)

Importance Shares	
	<i>Ground Beef</i>
Safety	21%
Freshness	20%
Taste	12%
Health	12%
Nutrition	8%
Price	7%
Hormone Free/Antibiotic Free	7%
Animal Welfare	5%
Origin/Traceability	3%
Environmental Impact	3%
Convenience	2%

41%

18%



Lister et al. (forthcoming)

➤ “Social Issues” < safety, freshness, taste, price...

Importance Shares by Product				
	<i>Ground Beef</i>	<i>Beef Steak</i>	<i>Chicken Breast</i>	<i>Milk</i>
Safety & Freshness	41%	37%	39%	38%
Taste, Health, Nutrition, Price, Conv	41%	47%	44%	45%
HF/AF, AW, Origin/Tr, Env	18%	16%	17%	17%



Lister et al. (forthcoming)

➤ Heterogeneity must also be appreciated

Importance Shares by Product and Population Group				
	<i>Ground Beef</i>		<i>Beef Steak</i>	
	Group 1	Group 2	Group 1	Group 2
Safety & Freshness	42%	40%	35%	37%
Taste, Health, Nutrition, Price, Conv	46%	39%	55%	44%
HF/AF, AW, Origin/Tr, Env	12%	21%	11%	19%
Class Size:	31%	69%	32%	68%



Current Situation

- Importance of attributes is clear
- **HOW** public wants outcomes achieved is less clear
 - May also be changing over time...



Economic Realities Going Forward

- Center for Food Integrity's Sept. 4, 2013 tweet:

“Science tells us if we can do something.

Society tells us if we should do it.”



Economic Realities Going Forward

- Outcomes will only partially align with “best science” approaches or recommendations
 - Public will give license to utilize only a subset of available production options that ‘technically work’
 - Economic & political optimality critical to see



Economic Realities Going Forward

- Outcomes will only partially align with “best science” approaches or recommendations
 - Vote-buy disconnect will persist



Economic Realities Going Forward

- Outcomes will only partially align with “best science” approaches or recommendations
 - Vote-buy disconnect will persist & is not unique to pork

Table 2. Willingness to Vote for Restrictions and to Pay Premiums, December 2013

Production Practice	Vote to Ban/Limit	Pay a Premium
Limit antibiotic use for cattle to only disease treatment	70.9%	48.0%
Ban cattle castration without use of pain control	66.1%	35.9%
Ban use of sow gestation stalls in the swine industry	51.3%	34.9%
Ban use of laying hen cages in the egg industry	49.7%	40.5%

- Short-term “unfunded mandates” will continue...



Economic Realities Going Forward

- **Change will continue in U.S. pork industry**
 - Requires additional documenting on multiple issues,
 - Perhaps higher variable costs of production, &
 - Perhaps alternative fixed costs
 - **Combined: Alters views & make-up of industry going forward**



Context on Global Comparative Advantage Impacts

- How do pork exporters compare on “social issues?”

	2014 Share	2024 Share
Exporters		
Brazil	9%	11%
Canada	18%	16%
Mexico	2%	2%
European Union	33%	33%
China	4%	4%
United States	35%	34%

Sum:
>
80%

Source: USDA OCE, Nov. 2014

(<http://usda.mannlib.cornell.edu/MannUsda/viewStaticPage.do?url=http://usda.mannlib.cornell.edu/usda/ers/94005/.2015/index.html>)



Q: Will Consumers Pay for These Changes?

- Short-Term: **NO**
 - Otherwise we'd see more differentiation
- Longer-Term: **YES**
 - Production costs are realized over time impacting Ps & Qs for whole industry



Q: *Will Consumers Pay for These Changes?*

- Short-Term: **NO**
- Longer-Term: **YES**

—Maintain Context:

- World wants more pork +
- U.S. positioned to provide it =
 - *Can adapt, evolve, and pass on associated costs of changes*



Q: Will Consumers Pay for These Changes?

➤ **Not the only question we each must consider...**



Q: Will Consumers Pay for These Changes?

➤ **Not the only question we each must consider...**

Q: Will you survive if you do not adapt and evolve to changes?



Wrap-Up

- Recall “A Challenge for Tomorrow” seminar theme:
“...future of food”



Wrap-Up

- Recall “A Challenge for Tomorrow” seminar theme:
“...future of food”
- Consider fate of rotary phone & wrist watch salesmen



Wrap-Up

- Recall “A Challenge for Tomorrow” seminar theme:
“...future of food”
- Consider fate of rotary phone & wrist watch salesmen
- Better to recognize (perhaps accept) change and adapt than to resist “at all costs”...
 - Adjusting and/or documenting practices now a cost of doing business & survival



Wrap-Up

- Recall “A Challenge for Tomorrow” seminar theme:
“...future of food”
- Consider fate of rotary phone & wrist watch salesmen
- Better to recognize (perhaps accept) change and adapt than to resist “at all costs”...
- Adjusting and/or documenting practices now a cost of doing business & survival
- **IN A GOOD INDUSTRY!!!**



More information available at:



This presentation will be available in PDF format at:

<http://www.agmanager.info/about/contributors/individual/tonsor.asp>

Glynn T. Tonsor
Associate Professor
Dept. of Agricultural Economics
Kansas State University
Email: gtonsor@ksu.edu
Twitter: @TonsorGlynn

