



An Essay by Daniel Olson

And woe to the middle...

Differentiation shapes the world. From fashion to politics to marketing, everyone is trying to be different. Much of a person's perceived self-worth — and a product's actual worth — comes from differentiation from peers and competitors. This push for extremes makes the middle a very lonely and complicated place.

Negativity toward the middle is nothing new. The middle child, the middle finger and middle day of the week. Politicians love the middle class until they get elected, when they cater to the extremely rich and poor. From Shakespeare to Winnie the Pooh to the Revelation, the middle is always negative. It's not hot or cold, it's not new and it's not finished. Wednesday's child is born of woe, and even though Solomon Grundy was born on a Monday, he was married on Wednesday and it undoubtedly was an unhappy marriage.

A few months ago, the editor of Graze magazine wrote an editorial with which I fully agree. The middle road in agriculture makes so much sense when it comes to local economic growth and food supply. It's too bad that it will never happen.

The reason the middle road will never happen is that it doesn't know what it is. Marketing is becoming ever more important, and marketing is all about being one of two things: better or cheaper! Never truly both. The middle road does not have a marketing arm, so it markets to the cheaper category. But it doesn't have enough scale to thrive or survive in that climate, so the "middle" is forced to either expand, or switch to "better."

My great-grandpa milked 16 cows and made a living until the 1950s. My grandpa milked 32 cows until the 1970s, my dad milked 54, and now we are milking 120. Every generation doubled in an effort to survive in the middle. "Save money; live better." That may be true for some consumers, but it is a financial nightmare for farmers trying to live in the middle.

The market for "better" is expanding. A healthier economy, social media and media in general have driven the better-food movement, and it's not slowing down.

One of my hobbies/businesses is sales psychology and learning about what motivates buying habits. One of the most important things I have learned is that consumers don't make logical decisions. The vast majority of the time consumers make emotional decisions, and then justify them logically.

Car companies have known this for a long time. The ads begin with beautiful cars in exotic locations apparently void of traffic and traffic laws. As you watch this car barreling over a sand dune you make an emotional decision: "If I could ever afford a new car, I'd want one like that." Then, the white print comes up, showing how *EVEN YOU*



could afford a low monthly lease. Or take advantage of this amazing rebate! They give you a logical reason to justify your emotional decision.

The food industry's marketing is catching up. Putting farmers' pictures on milk cartons is marketing genius. Non-profit organizations know that if a picture of someone looking at you is on the brochure, donations increase by 40%. By making eye contact with this farmer (or imposter in overalls), people make an emotional connection and are willing to pay (you guessed it) approximately 40% more for the milk. They justify this decision by healthy benefits, taste or social reasons, but first they made an emotional decision.

This emotion-driven decision-making by consumers can drive farmers mad. These farmers in the middle are grazing their cows, doing a wonderful job of animal care and actually do know each cow by name, yet somehow they are lumped in with the "save money" crowd and are slowly going broke.

They are generally farming the way they always have. They are not milking thousands of cows. They are not using rBGH. They are not having huge manure spills. They are contributing members of their local communities. They are the people who built this vibrant dairy economy, and they are not being rewarded for it. There is no logical reason their milk should be worth 40% less than the "better milk." But there doesn't need to be a reason.

The interesting thing with better is that it's never enough. Organic is a big jump for some farmers, but the market is already moving past "just" organic and on to "grass milk", A2A2, polled/not dehorned and more. If someone sells milk from cows sung lullabies by a boys choir each night and fed coffee by the gallon for breakfast, there will be a market, and some consumer somewhere will gladly pay a premium because it is "better". The slogan "perception is reality" is never more true than when it relates to our food system.

So agriculture's future will be more segregated, as there is no gray in marketing. The large and the small. The cheap and the expensive. The good and the bad. The healthy and the unhealthy. Logically we know this is not true, but emotions drive the market and producers are forced to pick sides. When my 65-year old grandpa grew his first beard, he said that after 50 years of shaving, "If I can't beat them, I'll join them." A lot of farms in the middle are being forced to consider the same strategy.

I realize that these financial issues will arrive later on some farms. Grass-based farmers have proven they can compete on a per-cow profit basis with large confinement dairies, but limited access to grazing acres limits expansion, and many graziers will lose the race as per-cow margins continue to tighten.



And while farmers with high equity positions will be able to cash flow at profitable rates, I doubt that young farmers will be able to service debt without some sort of "better" marketing strategy. For some, this is an issue for the next generation, and it is no surprise that the average organic farmer is younger than the average conventional producer.

A few years ago our family decided to switch to "better," and we went on the organic truck last August. I would like to think it was a choice, but in some ways we were forced into the decision by an unsteady conventional market and an unwillingness to expand again. We are very happy with this decision, and think it puts us on a more certain footing for the future.

I realize organic dairy farming is not for everyone and won't be the answer for every farmer. But the future in dairy is in the extremes, and the middle won't be pretty.

As a seed company, Byron's has marketed their seed as "better." They have focused on premium products that bring added value to their customers. There is no shame in admitting that business model. The challenge is in creating enough value to justify the price.

The erosion of the middle, average sized, non-organic farms will impact our sales in the future. While many dealers may feel more comfortable marketing to organic farms, the large dairies will continue to make up a much larger percentage of the market place. The most successful dealers will be the ones who learn to effectively communicate with both groups - understanding that both fill a need in the industry and both have needs that we as a company can fill.