

Beef Industry - Is Change Inevitable?

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Historically the beef industry has operated under a segmented structure based on production sectors. Traditionally, beef industry segments have been independent of one another and the result of specific, highly specialized production practices due to environmental or capital constraints. Below is a list of industry production segments.

The segmented structure of the beef industry is a result of the specialized capital needs (i.e. land, facilities, etc.) and management required for each segment. However, production segments can overlap within one business enterprise. For instance when a cow-calf producer decides to stocker their own calves through the winter and sell them in the spring. This particular enterprise is participating in both the cow-calf and stocker/background sectors. The industry segments work hand in hand with the seed stock sector providing genetics in the form of bulls and females to cow-calf producers. Cow-calf producers in turn produce weaned calves that are sold, generally at auction, to stocker/background operators. After stocker operators add weight to

weaned calves they are sold as feeders to feedlots which fatten the cattle for slaughter. Slaughter ready fat cattle are then sold to slaughter/processors or packing houses that convert the fat cattle to beef and beef products. The beef and beef products produced by slaughter/processors then are sold to retail stores or restaurants where it is then sold to individual consumers.

Traditionally the beef industry structure has been effective in physically getting beef to consumer's plates. However, the independence of each segment has and does cause antagonisms within the beef industry. For example, each segment tends to only do the minimal practices and management techniques necessary for that segment because it is often time felt that there is no economic benefit to do otherwise. In addition, information is rarely passed down from one segment to the other in fear of putting one

Industry Segment	Description
Seedstock	Produce genetics in the form of bulls and heifers for commercial cow-calf producers or other seed stock producers.
Commercial Cow-Calf	Produce feeder calves (often crossbred to take advantage of hybrid vigor).
Stocker/Background	Add value to feeder calves in the form of cheap weight gains in preparation for feedlot.
Feedlot	Fatten cattle for production of beef.
Slaughter/Processor	Convert fed cattle to beef or beef products.
Retailer/Restaurants	Merchandise beef and beef products to consumers.

segment at a competitive disadvantage to another. Because each segment competes for the total beef dollar and each wants to have the largest share, the segments are often at economic odds with one another. For example, in order for a stocker operator to make a greater profit he might bid a price to a cow-calf operator that reduces the cow-calf operator's profitability. The result of the industry's production chain being independently segmented and antagonistic is the production of a product that is variable in quality and often times fails to realize the primary goal of the industry which is to produce wholesome, great tasting beef. In a nutshell the beef industry has traditionally been a generic driven commodity business.

Recently the face of the industry has changed. Due to fierce competition from competitive meats like pork and chicken the beef industry has begun to move from a commodity based business to a business motivated by quality and added value. In the 1980's many manufacturing businesses in the US were under severe competition from foreign imports that were often times higher quality and in some cases a better value for the dollar. It was at this time that companies such as Ford started their quality enhancement programs. They streamlined their production and started to demand more quality and consistency from their suppliers. In order to keep their suppliers aware of their needs they freely passed information to suppliers about how their materials performed. In the end they found that they produced a higher quality, more consistent vehicle. They found manufacturing a higher quality vehicle added intrinsic value to the automobile and therefore it was more competitive in the market place. In the 90's the beef industry started down the same path. The industry decided it is in the business of producing beef not cattle. Therefore, the value of cattle is determined by the ultimate value of beef, which is consumer driven. What consumers tell the industry they want is a safe, convenient and consistent quality product. This is evident in the number of new convenient

beef products on the market and the growth of quality steak houses. The result of this move for cattle producers who have been in a position to source verify uniform groups of properly managed calves has been to receive higher prices.

What do these industry changes mean to cattle producers? In short, cattle producers in all segments must keep in mind the primary objective is the business of producing beef. What producers do during production will have an effect on the final product-beef. Therefore it is critical for producers to determine exactly what they are producing. Similar to the earlier example using Ford Motor Company, the production chains closer to consumers (retailer, packer, feedlot) are beginning to work more closely with their suppliers (seedstock, cow-calf, stocker). They are sharing information and are more specific about the cattle they need and how they want them managed and are willing to pay for what they want. This type of system is vertically integrated cooperation and makes everyone in the chain more responsible for the final product. By each segment of the beef industry adding more value to their product allows everyone in the chain to more equally share in total beef value, not just those segments that add value to the cattle. Over time antagonisms between segments will slowly erode. Ultimately the final product becomes more uniform and consistent giving the consumer what they want.

As a cattle producer what can I do to make sure my cattle are part of the preferred production chain? That part is easy, but it may take some time and effort to establish. The first step is to know where you are or more importantly what you have. A producer cannot make the necessary changes if he does not know what he has. With that in mind here are a few items that a producer could do to add value to their cattle and make them attractive to buyers down the production chain. They fall into 3 broad categories, management, genetics,

and marketing.

- **Management.** Some very simple steps that can be done to add value at each level is to make sure cattle are castrated, vaccinated; bunk and water broke and have been preconditioned for a minimum of 2 to 3 weeks. Once a producer establishes these management skills with a buyer down the production chain they are more willing to take your cattle and often times at a slightly higher price. Buyers realize they have less sickness and death loss resulting in greater overall performance.
- **Genetics.** It is important to remember reproductive traits, growth and efficiency traits as well as carcass traits are economically important. Generally it is not considered sound management to single trait select for just one trait. Studies clearly show that profitable producers make sure their cattle first perform in their environment and carry above average performance in traits important down the production chain. It is important that producers do get information about how their cattle perform so that critical selection can be made. Once that is known work with a seedstock producer with a similar philosophy and use them to help select appropriate genetics to improve your deficient areas and/or maintain the areas in which you excel.
- **Marketing.** Finally work to market your cattle in the most effective manner. If a producer lacks the number of cattle to feel they can seek out buyers of value added calves then work with others to combine cattle into uniform lots of similarly managed cattle so that many buyers are interested. Once a producer establishes a relationship with end users of their cattle they can continue to receive optimum bids and insure their cattle are in demand because a producer is producing a

product someone needs or wants.

The beef industry's shift from commodity driven to consumer driven production has begun. Although the wheels turn slow they will speed up. When the industry finally gets up to speed those producers not willing to add value and vertically cooperate will be penalized. In short, make sure you as a producer are aware of where you are and where you need to go. Build trusting relationships and work to find a niche for which your cattle will fit. When it is all said and done don't be left behind. Remember change is not always voluntary it is often times inevitable.

Southeastern Beef Improvement Program

What Is The Southeastern Beef Improvement Program (SBIP)?

The SBIP is a vertically cooperative network of cow-calf producers, stocker operators, and feedlots with the sole purpose of increasing profitability to every segment of the beef industry, while always staying focused on the driving force of the industry, consumer preference of beef. The program strives to supply the different segments of the beef industry with predictable, high performance animals that meet the demands of the feeder, packer, and the consumer. The SBIP is committed to the following goals:

To improve the long-term profitability of commercial cattlemen through the integration of resources and information to insure a viable beef industry. To utilize proven and performance tested genetics, progressive management, as well as using advanced marketing and information strategies to produce beef that will meet consumer's demand.

Focus on integrating proven genetics,

advanced management and progressive marketing, with open communication across industry segments which will provide commercial producers the opportunity to improve their genetics, add product value and cooperatively market load lots of cattle to increase their profitability .

The SBIP is a three-tiered program that offers commercial cattlemen complete services from conception to consumption. The SBIP consists of three operations: The Southeastern Genetic Development Program, the Southeastern Beef Marketing Program, and the Southeastern Data Collection Program .

The Southeastern Genetic Development Program

The genetic development program's purpose is to supply cooperating producers with performance proven, predictable genetics for their operation in the form of replacement females and bulls.

Commercial cattlemen can purchase bred or open replacement females from selected cooperating herds. These heifers have been selected under intense pressure for moderate birth, accelerated growth, early puberty, unmatched maternal ability, structural soundness, easy fleshing, uniformity and predictability. (The heifer development details will be further discussed in the field later). Cattlemen can purchase performance tested Angus and Gelbvieh sires to use in their own herd from selected seed stock producers.

The Southeastern Beef Marketing Program

The Southeastern Beef Marketing Program's purpose is to provide producers marketing alternatives for their feeder cattle. The SBIP offers several levels of marketing participation and cattlemen using SBIP genetics have the following

options available to them.

The SBIP or one of its cooperators can purchase weaned and preconditioned calves. Producers may retain ownership of 100% or 50% of their calves through the grass and feedlot.

Southeastern Data Collection Program

The SBIP dedicates itself to improving the beef industry through high performance, predictable, and efficient genetics. Moving information up and down the chain of production is essential for improved efficiency and output. In 2000 the SBIP started using Electronic Identification as a means to perpetuate this flow of data. By teaming up with AgInfolink we are able to use EID tags as our means of data collection and source verification. All data collected for producers is passed on to the producers so they may use it as a management tool. Data collected is as follows:

Pre-weaning information (birth weights, vaccinations, etc., if supplied by, producer)

Post-weaning information:

1. Stocker information (performance info on grass)
2. Health program (vaccinations, implants, worming, treatments)
3. Feedlot performance
4. Carcass data

All data are collected on an individual animal basis.

Guidelines For The Southeastern Beef Improvement Program

1. Participating producers must have used or currently be using SBIP genetics, either through sires or purchased replacement females.

2. Must use a comparable vaccination program:
Preweaning: Killed IBR, BVD, PI3, BRSV vaccine, 7-way clostridium, deworm.
Post weaning: Booster calves with modified live IBR, BVD, PI3, BRSV vaccine, H. Somnus, Pasturella, Pour-on for parasites.
3. Must be within 90 days of a December-February calving season.
4. SBIP Alliance fee of \$10.00 per head.

What Are The Benefits Of The Southeastern Beef Improvement Program?

- Participating producers can take advantage of

marketing cattle in load lots.

- Individual performance and carcass data for improved management decisions.
- Producers have a team of experts to utilize in making management decisions. (Example: broker, nutritionist, feedlot operator, and vet.)
- The SBIP has already developed positive working relationships with a feed yard.
- The program allows small to medium sized producers to act like large producers and benefit with economies of scale.
- Alliance is small enough that participating producers get personal attention.
- Producers have access to performance proven genetics.
- Producers have access to the latest technology in the industry.

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