

MEGATRENDS

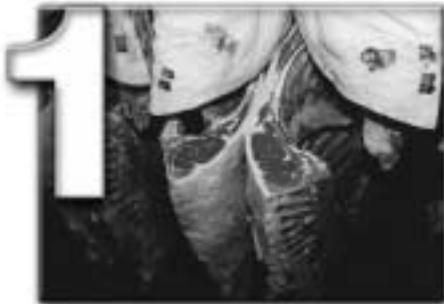
Four issues facing packers will have a major influence on your future.

BY ERIC GRANT

There's no doubt the beef industry is changing—and changing fast. And, as it becomes more responsive to consumers, producers will shoulder increasing responsibility in ensuring their cattle are bred for consistency and quality, managed with food safety and humane handling practices in mind, and marketed in ways to reduce quality defects like bruises and dark cutters.

Packers, who've come under increasing pressure to deliver safe, wholesome and value-added products to the marketplace, are driving much of this change.

Several packers are focusing on how changes in their business will affect commercial and seedstock production.



FOOD SAFETY

Hands down, the most pressing issue facing packers is food safety.

"Food safety is paramount," says Glen Dolezal of Excel Corp. "If you don't have it, you don't have a market."

Packing plants already have come under intense scrutiny from U.S. Department of Agriculture (USDA) inspectors, who've stepped up testing for pathogens and residues the last couple of years.

While beef remains one of the safest and most wholesome products on the market, industry experts agree producers probably will shoulder an increasing burden for preventing contamination of beef carcasses.

But this is a sticky point. Many packers believe concerns over food safety will drive development of an industrywide, individual-animal identification (ID) system. Such a system would allow problems

caught in the packing plant or beyond to be traced back to producers. Whether it will be a government-mandated program or a voluntary, industry-driven program remains to be seen.

"We have to have the ability to trace back problems," says one packer, under condition of anonymity. "You solve problems like *E. coli* contamination by eradicating it at the source, not by washing product in the plant."

Others aren't so convinced, pointing out the difficulties of determining when and how the contamination actually took place, then tracing that problem back to an individual producer. Producers would be unfairly targeted, some say, especially if they're one or two steps removed from the kill floor.

Factor in, too, that many *E. coli* outbreaks have been associated with ground beef. Meat grinders can contain beef from dozens of carcasses — and dozens of sources. So who's ultimately responsible for that problem?

There is a movement afoot, however, to encourage improved animal health recordkeeping, and no doubt producers will need to provide more-comprehensive animal health records that document when, how and where pharmaceutical products were administered on an individual-animal basis.

Last year, ConAgra Beef Co., the nation's No. 2 packer, took a big step in that direction when it adopted a policy to accept only cattle from suppliers who can verify they follow Beef Quality Assurance (BQA) guidelines. The company hoped to encourage producers to take a more proactive role in ensuring the safety and quality of their product and to make beef more desirable in the marketplace.

ConAgra is especially concerned with eliminating injection-site lesions and carcass bruises and with preventing residues from entering the food supply.

Another area where producers might be able to help is ensuring the cattle they bring in for slaughter are free of hide contamination. But this, too, may be easier said than done.

"I need cleaner cattle. And the industry needs research on how to control mud and manure in a simple and inexpensive way,"

says Steve Van Lannen of Packerland Packing Co. Inc., a beef processor based in Green Bay, Wis. "Mud that's on legs and bellies of cattle — that's where the problem is," he explains.

Van Lannen says mud and manure problems have become such a pressing issue that Packerland has begun investigating different ways of removing hides. In fact, the company may begin removing hides by cutting down the backs of cattle, instead of down the belly as is current industry practice. This would reduce the potential for contaminants' on bellies and legs coming in contact with carcasses, Van Lannen says.



ANIMAL WELFARE

Animal welfare issues are becoming an increasingly important issue for packers. They especially came to the forefront in 1999 after McDonald's Corp. set animal-handling standards for its meat suppliers, helped develop industry training videos and started auditing the processing plants. The fast-food chain suspended purchases from two cattle-slaughtering plants that failed its inspections.

"Plants started to realize this is part of doing business, like food safety is part of doing business," says the nation's most prominent authority on humane livestock handling, Temple Grandin of Colorado State University. The McDonald's audits "sent a big message out to the industry," she says.

In November, People for the Ethical Treatment of Animals (PETA) suspended an 11-month protest campaign that included handing out boxes, labeled "Unhappy Meals," that were illustrated with graphic pictures from slaughter plants.

In a letter to the company, PETA said the slaughterhouse audits were “a fine step in the right direction” and urged additional moves. “Our customers care about social issues. They expect a lot from companies like McDonald’s,” says Bob Langer of McDonald’s public affairs.

The audits assess how cattle are handled and whether they are properly stunned before being bled and skinned. A plant automatically flunks if auditors find an animal is bled while still conscious.

Grandin and others expect increasing pressure on packing plants in the future. And plants that specialize in processing feeder heifers and steers, not just cull cows and bulls, will come under scrutiny. “Humane treatment will become an enormous issue for us in the next 24 months,” says IBP’s Charlie Mostek.



CASE-READY PRODUCT

Packers are lining up to deliver case-ready products — deemed the most significant advance in the packing business since the advent of boxed beef in the late 1960s — to the marketplace.

In the past, packers simply have sold raw product to processors, retailers and restaurateurs, allowing these industry sectors to “add value” to the product. Now, most of the major packers have either rolled out case-ready product lines of their own or they will soon.

Certified Angus Beef LLC (CAB) has been a leader in this area. CAB has helped develop several product lines, ranging from precooked roast beef to fresh ground beef.

Other companies have followed suit. Farmland National Beef (FNB) moved into the case-ready market last fall when it reached an agreement to supply case-ready beef products to Wal-Mart’s Supercenter stores. Wal-Mart says more than 100 million customers visit its stores each week.

During the first quarter of 2001, FNB was packaging and marketing its own case-ready product produced at its facilities. In the next 18 months, the company will add three new case-ready beef plants to fulfill its agreement with Wal-Mart.

Even IBP Inc., the world’s largest beef

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— James Henderson

processor, got into the case-ready business last year. It launched a line of brand-name products, the Thomas E. Wilson line, which includes more than 90 beef and 40 pork items, ranging from closely trimmed steaks and chops to roasts and spareribs.

“We’ve found this was a necessary step to help our customers make money on the product,” Mostek says.

IBP even printed a toll-free number on its packages to handle customer complaints. At first, the company received one complaint for every 30,000 packages it produced. Now, because of improvements in processing, that’s fallen to one in 79,000. “If they don’t like the product, we send them a check,” Mostek adds.

Packers believe the shift to case-ready beef will have a profound effect on producers. The pressure to produce consistent, high-quality products will force packers to reach back further into the production system than they ever have, identifying producers and genetics that best suit their needs.



INFORMATION MANAGEMENT

Few would argue that it’s become essential for seedstock and commercial producers to collect feedlot and carcass information about their cattle.

Packers believe information flow will play an even greater role in the future.

The trouble is that carcass data are often incomplete, and packers often are unwilling to slow production speeds so in-depth, individual-identified carcass data can be taken.

James Henderson, who coordinates supply for B3R Country Meats, a branded beef company based in Childress, Texas,

spends a great deal of his time working directly with producers. He teaches them how to understand carcass and feedlot information and how to use that information when making breeding and culling decisions.

“A major challenge for our industry is learning how to interpret all of this data,” Henderson says. “The one thing I’ve learned is that you can give producers all of this information, but oftentimes they don’t know what to do with it.”

More often than not, even when information — or market signals — are available, the terminology used to describe product quality and consumer perceptions varies, Henderson says.

In some cases, market signals that consumers give retailers or restaurateurs often get clouded by the time they reach producers.

A case in point: “When our industry went to consumers in the 1980s and heard they wanted lean beef, we found our definition was different than theirs,” Henderson explains. “We’ve had to rethink what it was we heard because the kind of product we ended up producing was not really what the consumer wanted.

“They didn’t want trimmable fat. They didn’t want to buy product then leave a bunch of it on their plate. But the industry responded by producing a product that lacked marbling, which got too tough when they cooked it. That mistake cost the industry 10 or 15 years of progress. We simply didn’t understand what consumers were telling us.”

Henderson believes the industry needs to adopt a “common language” that all sectors understand and use to communicate with each other. “We’ve learned that if we can get even a little bit of information, we can service that client much more effectively. We need to figure out how can we get that information in a uniform way for all segments across the industry,” he says.

Information is a powerful tool and can lead to significant product improvements — especially when all sectors are reading off the same page, Henderson says.

“We spend a lot of time with producers looking at returns on individual cows,” he explains. “When we take this time, we have good results. For instance, one of our producers sent me a Christmas present last year. He was so happy that — for the first time in 50 years — when he culled cows last fall, he knew which ones to get rid of.

“He could see right there, in the information we gave him, which ones had the poorest return on investment. That’s the kind of progress the industry can and should be making.”

