

Vet Call

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Use of the Internet to buy, sell in the cattle business

Last month I wrote about using the Internet for finding information about cattle health and production. This month let's discuss e-commerce, the buying and selling of products and cattle via the Internet.

The Internet is affecting how Americans and others around the world behave as customers and retailers. Everything from books to cars to groceries and stocks are being bought and sold via Web sites. This new method of goods exchange is affecting agriculture and the cattle business in a number of ways.

In many situations the Internet simply is serving as the marketplace of supply and demand. It allows buyers and sellers from a huge geographic area to interact any time, day or night, regardless of time zone or even nationality.

One generally thinks of an e-business as having a large central warehouse or other supply mechanism and banks of computers and operators to link supply and demand with few intermediate transactions and middlemen. Oftentimes people assume that individual service and flexibility are sacrificed in these businesses in order to offer maximum efficiency and low prices.



For products that require little instruction for their use, that can be produced in large volumes without much differentiation, that can be shipped easily and inexpensively compared to the product's value, and whose price is an important driver of purchase point, the Internet is likely to serve as a major marketing mechanism. Grains; other commodities, such as energy, wood and minerals; and some consumer products, such as cars, books and entertainment, fit this scenario.

In the cattle business, feed grains, equipment, pharmaceutical products and cattle potentially can fit scenarios in which e-business would increase transaction efficiency. When products require training at the point of purchase (some vaccines and

pharmaceuticals), when products cannot be transported easily long distances (some feed ingredients), and when products are sold in small lot sizes (some groups of cattle), the Internet's effectiveness as a major marketplace is limited.

From my veterinary perspective, when pharmaceutical products or vaccines are purchased from Web-based businesses, the ability to have problems addressed and resolved is important to cattle producers. In any business transaction, errors can occur (such as shipping the wrong product, shipping to the wrong address and the product's arriving broken).

When dealing more directly with the supplier, the cattle producer takes on some of the responsibilities and headaches that traditionally are handled by local

middlemen. This increased responsibility for the cattleman offsets the lower prices. How well an e-business minimizes inconvenience and maximizes cost savings will determine its value to beef-producing customers.

The Internet may be used by businesses serving small geographic areas, such as a community or region, to improve ordering and inventory efficiency. In these cases Web-based marketing may be in addition to brick-and-mortar businesses with the goal to add service and convenience to their walk-in customers. These types of businesses may include grocery stores, lenders, agricultural suppliers (feed, fertilizer or pharmaceuticals) and veterinary practices.

The Internet also is affecting buying and selling in the cattle business by linking Web-based marketing with computer-generated information to increase the amount of information in each transaction. This differs from the transfer of commodities via the Internet with little information included (energy, grains and some cattle) and fits

many branded or identity-preserved marketing systems.

This type of marketing is common in alliance and cooperative systems either within a traditional cattle business segment (a feedlot cooperative, for example) or between cattle segments (alliances of cow-calf producers, feeders and retailers, for example). Consumer and retailer demand for more information with their food purchases and the ability of computers to handle large amounts of data have provided the demand and technology necessary for information-included transactions to become more common in the cattle business.

The veterinary services performed, the health status on the farm of origin and all subsequent production locations, and the production practices used during the cattle's lifetime increasingly will be requested or required for some markets as information is linked with live-cattle and beef-product sales. The farm of origin, record of vaccinations and other health procedures administered to the cattle, and previous health and growth performance of cattle from the same herd likely will be used in marketing cattle via the Internet.

The business world is changing rapidly, partly in response to the Internet. Agricultural production, agribusiness and food retailing are changing just as rapidly as the rest of the world. The Internet and other technologies will shift the efficiencies of the beef business and are likely to be an increasingly important aspect of raising cattle.

Those producers and agricultural suppliers (such as veterinarians) who do not understand the strengths and weaknesses of Internet marketing will be at a competitive disadvantage compared to those in agriculture who can use the Internet to increase efficiency, service and information flow. And those who are at a competitive disadvantage for any length of time are at risk of going out of business.

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