



Dollars & Sense

► by Vern Pierce, beef economist, University of Missouri-Columbia

Buddy up!

The livestock marketing system has seen tremendous change in the last few decades. The poultry industry was first, followed by swine and now cattle. To that end, the consumer is influencing the characteristics of the products they buy more than ever before.

This is happening because retailers have taken a closer look at the money being left on the table at the meat counter. Convenience foods have commanded a premium in every section of their stores except the meat counter. But that's changing.

In addition, retail chains are growing. The largest four grocery chains now account for more than 40% of the food dollar. Americans, for the first time in history, are spending nearly half (49%) of their food dollar on food eaten away from home.

Recapturing the dollar

Against that background, retail operators are competing with the restaurant industry to recapture that food dollar by helping deliver meal solutions at prices consumers are willing to pay. These prices are higher than the prices for commodity products.

Retailers are working with supply chain partners at an ever-increasing rate to develop and market branded meal solutions to attract convenience-minded consumers. Once consumers have been attracted to a particular branded product, the supply chain must move to ensure a steady supply of consistent-quality animals to ensure growth in sales.

This changing environment will attract producers, livestock marketers, lenders, veterinarians and other input suppliers to work together to provide source- and process-verified animals to the consumer. There will be more money on the table to reward those in the system and a dwindling demand for commodity-type animals.

The question becomes, "How long will it take me to make the changes in my operation and to develop the relationships I need to be part of this new system?" Whether the answer is one year or five years, it will take you that long whether you start now or wait two years.

The problem in waiting too long is that by the time you're ready, the changes you

need to make may be completed too late. Here are some ideas on how to get started:

Begin now

Most importantly, get started! This is a process not an event. Start developing your plan. It will change; and that is fine. But it is hard to adjust a plan that doesn't exist.

Buddy up

I met a group of producers in California who get together every Friday morning for bowling. Their league also includes a management consultant and an accountant, whom they all use, bowling right along with them. Sure, they have some fun, but the main focus is to share ideas on management, production and

marketing. Because they are the more innovative producers in their area, there are many ideas to share. And, because they do it regularly, everyone gets an equal share of give and take.

Sitting down with other people who are in the same business you are in can be helpful in finding new ideas. I know of a veterinarian who started a lunch meeting with progressive beef producers in his area. He selected a group of six producers within 100 miles of his practice who he thought had a vision for how the beef system was changing from a commodity system to a food-product system. He watched for about

six months and went to a lot of producer meetings to find those he wanted to invite.

The invitees on the first list were not all clients of his. He offered to buy them lunch each week if they would commit to coming for six months. The idea was an open exchange of ideas with no strings attached. The result was a group of producers who eventually began working more closely together, and the veterinarian ended up with all those producers as clients.

Find partners

Think about the marketing system that you are involved in. Who are the people who are part of your network? Are they the suppliers that you purchase from and the upstream businesses that you sell to? Have you ever been in a room with more than one of those people at the same time?

I know one producer who had regular monthly meetings with several of his neighbors, their veterinarians, feed suppliers, livestock marketers, alliance program representatives and local bankers. There was no agenda, just an exchange of ideas. The result was that three of the producers and one of the bankers saw an opportunity. Together, they bought the feed dealership and set up a long-term alliance relationship through their local livestock market to supply calves to a branded beef program. Now they all make more money.

A partnership in this sense simply means people who influence your bottom line. That would include the people you buy from and those to whom you sell.

Making the necessary changes that will allow you to excel in this new system will not happen by your spending all of your time pulling calves and fixing fences. I suggest that you begin to set aside two hours once a week — early in the day when you are the freshest — and begin to think and plan. It's really that simple. Every trip begins by starting the car!

E-MAIL: piercev@missouri.edu

