



# Vet Call

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## Branded beef production and your veterinarian's role

*Like most retail business in the United States, food merchandising is moving toward selling branded products rather than unbranded commodities. This is because consumers equate brands with an implied level of quality, consistency and accountability.*

*As food merchandising moves to selling branded ready-to-eat, ready-to-prepare or raw products, the producers of those foods are establishing procurement and processing or production systems that will meet consumers' expectations for branded products. These systems include source verification, production system verification and contractual production agreements. Within these systems, veterinarians may be expected to fill many roles.*

### Third party

Veterinarians may be asked by their clients to evaluate the economic rewards and risks for becoming involved in producing cattle for a branded product. In addition, veterinarians may serve as independent third-party verifiers for production systems on their clients' farms or in a region (non-client farms). And veterinarians will likely be asked by producers to help analyze the production information gathered on their cattle within the system, both while it is in their possession and after it has been sent to other production operations.

In most cases, beef produced for branded products will be done on a contractual basis to ensure that specifications are communicated, understood and implemented. When evaluating a move to a different form of marketing, one must know the farm or ranch's current cost of production, return per unit of production (for example, per cow or per acre), and the current return on investment (ROI). Using the current economic picture, a veterinarian can help determine the economic rewards and risks of changing to a branded-product or contract production system.

### Analyzing the cost

Costs of moving to a branded-product system of production may include buying shares in a company, changing facilities or land base, or changing genetics of the herd. In addition to determining the economic costs and potential return, one must also

evaluate whether moving to a contract production system will change economic risk, by asking whether the branded-product system will result in a predetermined income or income buffers compared to the current production and marketing system.

Branded systems may offer strategies to minimize production risk by using experts and information generated on each farm to suggest or to mandate genetics (growth, efficiency, reproduction and product), health, nutrition and management practices.

Many branded-product systems will require greater input from experts (like geneticists, nutritionists and veterinarians) than most farms are currently utilizing. These experts will establish recommendations, monitor performance and alter recommendations as needed. The cost of these experts may be borne by the branded-product company, the producer, or shared between the company and the producer.

Because of the specifications of branded-product production, either the product company or an independent third party must do verification of the production process. Because of the expertise of the veterinary profession, practitioners may fill this verification role for their clients or for a geographic area around their practice.

Elements to be monitored may include: genetics used by a herd, calving season or dates of birth for individuals, production practices either used or avoided (use of

implants, use of creep feed, use of antibiotics, ionophores, anthelmintics, etc.), biosecurity plans for the farm, and the timing and use of vaccinations.

Information-integrated systems will allow all beef producers (cow-calf, stocker, feedlot, packer, purveyor and retail) to determine the cost of value gained while the product is under their control.

In the past, from a cost standpoint, cow-calf producers were only interested in the cost per pound of live calf for sale, cattle growers (stocker, backgrounding and feedlot operations) were only interested in cost of gain, and meat marketers were only interested in cost of product.

This system was based on the fact that very little price differentiation occurred in the beef industry. At a given time, all beef (cattle or meat) was valued the same on a per pound basis, with very little variation. Because the only income differentiation was on pounds produced, cost of pounds produced was the most important economic measurement.

### Price differentiation

As the beef industry moves to greater price differentiation at all levels, we will see much greater variation in price per pound paid for both meat and animals; therefore, the cost of pounds gained is only part of the economic equation. The change in value of cattle and meat as it moves through the system won't be based solely on the change in weight of the product.

The economic evaluation of a branded-product (information-integrated) system will involve determining the value of the final product sold off the farm, and the cost required to produce that product. This is true whether the animal is sold as a calf, a yearling, a finished animal, a carcass or a selection of final products. Some production systems may increase the pounds of product sold and decrease the per-pound cost of production, but decrease the price per pound when sold. Other systems may increase the price per pound sold, but decrease either the pounds sold or increase the cost of production.

The food industry is changing rapidly along with the rest of the economy and society. Branded production systems for beef are going to have a great influence on producers and veterinarians. These systems will likely change some of the services that you can expect from your veterinarian.

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