



Dollars & Sense

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

To ID or not to ID

The development of a national animal identification (ID) system, in which animals that are sold into the food system are traceable from the point they are purchased back through the food chain to the original producer, has gained some momentum in the last few months.

Greater urgency

Prior to the discovery of the first case of bovine spongiform encephalopathy (BSE) in the United States Dec. 23, 2003, plans were on the table at the U.S. Department of Agriculture (USDA) to develop a mandatory ID system. However, those plans have been moved to the front burner and are on the horizon.

Proponents of the mandatory country-of-origin labeling (sometimes referred to as COL or COOL) program, of which I am not part, gained some momentum for that agenda. Even Senate Minority Leader Tom Daschle (D-S.D.) mentioned the country-of-origin labeling program in the Democratic response to the President's State of the Union address in January.

How did labeling less than 5% of the meat consumers buy end up on that priority list? While there are merits to some of the language in the program, the costs to producers far outweigh the benefits to consumers.

My point here is to encourage you not to confuse the benefits of an ID or labeling system for the beef supply chain with the suggested agendas of this or any other program on the table that has gained speed in recent months. If we fall into the trap of thinking of an ID system as a national mandate, we will spend our time fighting a battle that we likely will not win, when we could be designing the end product instead.

Take a proactive approach to helping design and to being part of the development of a market-driven animal ID program before a mandatory system is enforced. If beef producers begin to discuss a system that would provide all the necessary information that USDA is looking for regarding traceability, and add to that features that will increase bottom-line profits for individual

producers, we could end up with a system that makes sense because it was developed out of market necessity.

When we let the marketplace drive innovation, the result is increased usefulness of the resulting system.

Why a market-driven system?

Remember the cattle drives when producers would move their herds by horseback many miles to the "local" packer for slaughter? There was usually only one packer option for each producer, and once the herd was at the packer's gate there was no turning back. *That* is market power and concentration at its highest.

The transition from cattle drives to rural buying stations owned by individual packers, and later to livestock auction barns, was driven by the free market responding to newer technologies, changes in demand and transportation system innovations.

The original concept of the livestock auction, driven then by local supply, served the needs of the system very well and continues to do so today in many places. However, the presence of these facilities has also declined in many areas as the market has reduced the profitability potential for auction barns and has caused them to either close, consolidate or innovate.

Many producers have expressed concern about their ability to access the marketplace once again, as the presence of these facilities and the resulting market options for their animals have declined in their communities. Yet, many auction facilities are thriving.

The difference, I charge you to discover, is the experimentation by some with innovation in their facilities, adjusting to changing signals and conditions in the

marketplace. Of course, in some areas where cattle supply for the commodity market still matches the demand of order buyers, change is slow and, perhaps, unnecessary. However, that is the free-market system working well, even in the case of slow change, in which the players in the system drive the mechanisms used by it.

As we move to a beef supply chain that results in more and more branded product at the retail store, there will be a substantial growth in the interest of retailers and manufacturers of branded products to develop relationships with those who influence how the final product turns out. That, of course, is you.

Think about the automobile manufacturing business. Consider one of the most beloved possessions of beef producers, *the Dodge truck*. If you are a Dodge truck fan, it is because the Chrysler Corp. has built a reputation with you in which you have come to expect a certain standard of performance and reliability.

Imagine what would happen if they started buying windshields for the trucks in the "commodity windshield market." You may give them a break the first time your windshield flies off in the pasture; but, over time, you will begin to look elsewhere for your next truck if you are always losing your window. The same will be true for branded beef products.

As the companies that are developing branded products begin to gain loyalty and interest by consumers, the desire for repeat business will demand that they put a consistent product in the package. When that day comes — and it will, in months rather than years — the presence of an ID system that allows feedback to everyone that influences the final product, which is developed by the people who will be using the system, will be much more profitable for all involved than a system developed by congressional staffing interns in Washington, D.C.

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