

# Winds of Change Blowing Hard

Feedlot Business Summit addresses industry challenges and opportunities.

**W**hile the beef industry has witnessed significant technological advances in the past 50 years, beef producers will need to hold on to their hats during the next 50 years as the winds of change will continue to pressure producers to explore new ways to capture profitability. That was the message delivered by a panel of industry experts participating in the 2005 Intervet Feedlot Business Summit, sponsored by the company.

The summit is a traveling seminar, now in its third year of delivering business- and issues-related information to help feedlot owners, operators and managers make more profitable decisions.

"The Intervet Feedlot Business Summit takes place in Amarillo, Texas; Garden City, Kan.; and Kearney, Neb. — the heart of cattle country — to give beef producers the opportunity to gain valuable insight from industry experts, as well as visit with fellow cattlemen about issues facing the beef business," said Jim Miles, Intervet marketing manager, Cattle Performance Technologies.

This year, Intervet offered producers a program devoted to providing insights on how to better manage their businesses in an increasingly dynamic industry.

## Effects of technology

Technological progress in the beef industry has played a significant role in improving nutrition, management genetics and beef quality, according to an independent industry study conducted by Tom Elam and Rod Preston.

"Our findings indicate technological and pharmaceutical progress has increased beef production 82 pounds (lb.) per head, making the United States the most efficient beef producer in the world," said Preston, Thornton, professor emeritus at Texas Tech University.

Elam, president and strategic directions and adjunct fellow at the Center for Global Food Issues (CGFI), said that contrary to the assertions of anti-beef activists, these advancements have enhanced — not hindered — beef quality and the environment.

"If we tried to meet today's beef supply using 1955 levels of technology, it would require five large states just to house the cows," Elam explained.

The study, "Fifty Years of Pharmaceutical Technology and Its Impact on the Beef We Provide Customers," was funded by a grant from the Growth Enhancement Technology Information Team (GET-IT), of which Intervet is a member. GET-IT comprises animal-health companies committed to continuing research and educational information for the beef industry and its consumers.

## Market situation and outlook

As the volatility in the beef market continues to influence business decisions, Randy Blach, Cattle-Fax executive vice president, encouraged producers to look to the long-term effects of short-term choices.

"The short-term decisions that are being made today will impact this industry over the course of the next 10 to 20 years," Blach said. "It's important for us to take off our blinders and look at the potential ramifications of the chaos that's taking place relative to the market environments we're dealing with."

In 2004 beef imports were 3.6 billion lb., while beef exports were just more than 400 million lb. This was the largest gap between imports and exports in history and emphasizes the importance of regaining access to world beef export markets soon, Blach reported.

Blach further cautioned producers that despite aggressive expansion of the nation's cow herd, significant increases in beef production will need to be made to support increased per capita net beef supplies, which grew from 64.7 lb. during 2003 to 66.7 lb. in 2004.

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**— Randy Blach**

"Each one of us, regardless of what we do, has to ask ourselves, 'What is my value equation?'" Blach challenged.

"Understanding where you fit, whether it's in branded beef programs or the commodity market, will be critical to your success in the future."

## Opportunities, challenges of change

Dan Murphy, president of M-Phatic Communications, former editor of *Meat Marketing & Technology* magazine and former vice president for public affairs of the American Meat Institute (AMI), provided an overview of the trends and issues affecting the beef industry's future viability and profitability.

The \$516 billion retail food industry continues to rapidly evolve, Murphy said. "Superstores are putting a super spin on the retail meat market by offering fewer cuts, less variety and extremely low prices, while conventional retail stores are in a tailspin to compete with the superstores' meat departments and are doing so by offering customers greater meat varieties, specialty cuts, and higher meat choice and quality in their departments. This enables producers to market an animal with more value because it is being sold to the consumer at a higher margin and at a higher price."

Murphy also encouraged beef producers to get involved in the issues. "Beef producers need to recognize their voice as 'real people,'" he said. "You are the most powerful voice in the debate, and you should be involved."

## Balancing hot and cold

Finding the balance between carcass quality and live-cattle performance is possible, said John Hutcheson, Intervet animal health technical services manager, but it begins with balancing the issues.

"Many times producers forget what their ultimate target was and start marketing cattle based on short-term economic signals," Hutcheson said. "When this occurs, producers finish cattle too lean or too fat and blame it on something other than the composition of those animals. To avoid this situation, producers need to think about producing a beef product and understand what they are going to give us in performance

CONTINUED ON PAGE 142

## Winds of Change Blowing Hard

CONTINUED FROM PAGE 141

to get to that point.”

Hutcheson also said, “This approach will help beef producers to look at things a little differently and shift how they view their business — to look beyond just feeding to a particular end point and think about producing a beef product.”

### Positioning for the future

It’s difficult to name a business in beef industry not affected by changes in the cattle

business, and the animal-health arena is no exception.

“Producers need to be resilient in order to maintain a level of profitability through uncertain time, and they should expect no less from their animal-health provider,” said Chris Ragland, president, Intervet USA. “That is why Intervet invests more resources into research and development than any other international animal-health company.”

This investment in the future will bring a new wave of products to the market that will have significant effects on the final product. For the first time, value creation will take

place throughout the beef-production chain.

“Beef policies and customer demand are drastically changing the way our customers produce and market their cattle,” Ragland said. “What may have worked before in cattle-health production may now be obsolete, which is why Intervet is taking great efforts to anticipate the needs of our clients to help them maintain a level of productivity no matter what the winds of change may bring.”



**Editor’s Note:** *This article was provided by Intervet Inc., an affiliate of Intervet International.*