

The Beef Industry in 2025

Industry will be more profitable if we have the courage to change, says Bill Mies.

by Troy Smith, field editor

Plenty of people are wondering what the beef industry will look like in another 11 years. The national cow herd has dwindled, and the cattle-feeding and beef-packing sectors are burdened by overcapacity. Where is the industry headed?

Former feedyard manager and Texas A&M professor emeritus Bill Mies shared his thoughts on the industry's future during the 2014 International Livestock Congress (ILC-USA 2014) Jan. 14 in Denver, Colo. Mies said the stars are aligned for cow herd expansion, but there are good reasons why expansion probably won't kick into high gear.

Among the reasons are the advanced average age of ranchers and the fear that drought may return after they restock with high-priced cows or heifers. Other deterrents are implementation of more restrictive environmental regulations in the eastern United States, and tighter regulation of grazing on public lands in the West.

"I look for modest expansion or recovery in the short run," stated Mies. "I think by 2025 we will have only slightly more cows than today. Expansion will also be limited by regional droughts, urban sprawl and higher land values (for alternative uses)."

Because of high land values and high production costs, Mies expects more cow-calf operations to exist on leased land. He foresees a trend toward fewer small herds, with a higher percentage of producers managing 100 cows or more. Large ranchers seeking to expand their operations may consider doing it on land outside the United States.

Mies expects cow-calf producers to implement more technologies that help reduce costs of production. Continued and growing applications of expected progeny difference (EPD) values and gene markers should continue to enhance genetic selection, and use of advanced selection technologies will spread from the seedstock sector to commercial producers.

INDUSTRY AT A CROSSROADS



With regard to cattle and beef marketing, Mies predicted continued consolidation of cow-country auction markets into the hands of fewer owners. The success of branded beef products will continue to support alliances and cooperative marketing arrangements between ranches, feedlots and packers.

Feeding, packing sectors

"The feedlot segment is in tough shape. It is now overbuilt by about 25%," said Mies. "Until and unless the cattle-feeding industry is downsized to fit the cow herd, margins will be elusive, and downsizing does not mean mothballing a yard. It means dozing it down and hauling away scrap metal."

Mies said the feedlots that are currently full are those that excel at risk management, and that will be an essential tool. He called for updating of futures contracts, for they are based on a 1965 model. Mies said the cash market will always be a segment of cattle marketing, but it will continue to erode.

"The packing industry has taken steps to downsize overcapacity," said Mies,

citing plant closures at Emporia, Kan., and Plainview, Texas, as examples. "Currently, the packing segment is still overbuilt by 8% to 10%."

Mies said packers are likely to face challenges due to the shifting sands of export markets, government regulation, matching supply numbers with branded-beef requirements and setting reasonable limits on carcass weights. Fabrication methods will have to evolve so that packers can carve 900- to 1,000-pound carcasses into the smaller cuts demanded by hotel, restaurant and other foodservice customers. Explaining that 60% of production is currently consumed as ground beef, Mies said that amount is likely



PHOTO BY KASEY BROWN

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to increase. In terms of value equations, that places more emphasis on delivery of pounds as opposed to quality.

Mies said all segments of the U.S. beef industry will face competition from imports of fresh beef from countries where foreign animal diseases come under control. Lower-cost feedgrains will lower costs of production, but benefit pork and poultry more than beef. Challenges from political activists will continue, ranging from consumers actively concerned with animal care and well-being to people who believe all food production technology is inherently evil.

While he won't hold his breath, Mies said he would like to see industry-wide adoption of individual animal identification for use as a production tool. Additionally, he said, he wishes for establishment of a boxed-beef futures contract and retooling of the beef checkoff to realize more investment in programs designed to keep the beef industry competitive.

"The beef business may not be as much fun 11 years from now," stated Mies. "It will be more profitable, if we have the courage to change."



Editor's Note: Troy Smith is a freelancer and cattleman from Sargent, Neb. ILC-USA 2014, themed "The Cattle Industry at a Crossroads: How Do We Adapt to Change?" was hosted at the Renaissance Denver Hotel Jan. 14 in conjunction with the National Western Stock Show in Denver, Colo.

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