



Outside the Box

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Creating wealth

One of my college professors made it his life's work to help his students develop the ability to step back from a problem and gain perspective on the situation. His office door was adorned with the following quote: "When you are up to your knees in alligators, it is difficult to remember that your original goal was to drain the swamp."

Keeping an eye on the prize

I have often wondered if those words were especially valid for the beef industry. The beef industry is so besieged by alligators that it can indeed be challenging to keep our eye on the prize — to create wealth.

A variety of entities in the beef business have tried to create mission statements and objectives that focus attention on the beef supply chain, and these efforts almost always result in statements about beef demand. But growing demand alone may not yield sustainable wealth if there are intervening externalities such as trade and regulatory barriers; rapid shifts in input costs; or the inability to compete with more nimble, more efficient or better capitalized competitors.

Wealth is a composite of profitability in both the short and long term, the ability to generate jobs and opportunities for others, to provide stability for community infrastructure, and to enhance the ability of a society to develop its cultural attributes. Wealth provides opportunity, flexibility and resiliency.

To be fair, consumer demand plays a role in wealth generation as well as access to natural, human, intellectual and capital resources. Industries and the enterprises that comprise them cannot afford to be singularly focused on increasing demand. They must also deal with political, economic, competitive and other external forces to assure their future.

Consider Table 1, which compares cattle inventories and beef production tonnage of the five nations that comprise one-third of the cattle inventory and one-half of the world's beef production. These data point to a very clear advantage of the U.S. production system — the ability to generate more production on a per animal basis than its competitors. The productivity and distinct quality advantages of U.S. beef are the basis for its historic global position.

A changing world

However, the world's demographics are shifting and American agricultural leaders must take note of these trends. Perhaps the

most significant of these shifts is the estimate that by 2050, China will have seven times as many middle-class citizens as the United States. Today, middle-class citizens in the U.S. and China are nearly equal in number.

This rapid rise in buying power will have dramatic effects on the world's agricultural markets. Furthermore, as Table 2 illustrates, not all nations have equal population densities or access to comparable productive land mass.

These data make it clear that some nations are likely to be net exporters while others will be net importers. This situation could potentially create dramatic value disparities between domestic and export markets such that policy makers will have to consider weighing the cost and benefit of the economic advantages of meeting export demand vs. the political advantage of assuring domestic food security. Given the shifts in global economies, the United States may face just such a dilemma in the future if the productive capacities of its agricultural assets are overly constrained. Only by staying focused on free enterprise can such situations be avoided.

The global victors in terms of creating agricultural wealth will make choices that optimize resource utilization with consideration to food production, energy generation, natural resource health, and community infrastructure.

Maintaining perspective allows solutions to emerge. For example, a neighbor now irrigates some 120 acres of crops with a below-ground system that allows for precision delivery of water and nutrients, resulting in more efficient use of resources. As the result of lowered long-term costs and increased productivity, the opportunity for generating lasting wealth has been increased.

The window of opportunity for American agriculture and the U.S. beef industry to become a major creator of wealth is open. Whether or not we take advantage of this historic opportunity will depend on what gets our attention, time and creative energy.

So what will it be — the distractions created by alligators or shifting our perspective to those objectives that generate lasting wealth?



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Table 1: Cattle inventories and beef production of five nations

Country	Domestic cattle inventory, % of global inventory	Domestic beef production, % of global production
Argentina	4	4
Australia	2	4
Brazil	13	13
China	6	9
United States	7	20
Five nation total	32	50

Table 2: Population density and land mass

Country	Land mass, million km ²	Population, million	Population density, people/ km ²
Argentina	2.7	40	14.7
Australia ^a	7.7	22	2.7
Brazil	3.2	192	22.5
China	9.0	1,334	138.6
United States	9.8	307	31.6

^aThe arid conditions of the interior are a natural barrier to increased productivity.