



U.S. Beef Industry in 20 Years

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Why was an economist invited???

- AVC's mission:
 - “to provide continuing education, member support and leadership among various entities of the beef cattle industry. The AVC goal strives for optimum productivity of a safe, high-quality product.”



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- AVC's mission:
 - “to provide continuing education, member support and leadership among various entities of the beef cattle industry. The AVC goal strives for optimum productivity of a safe, high-quality product.”
- Is world's view of “*high-quality*” changing?
- Is “*optimum productivity*” same as max volume?



Situational Summary



“Interesting Times” in the Beef Industry

***TRADE w/
BRAZIL***

***TPP/TTIP &
US Election***

In China Beef Trade, U.S. Gain May
Mean Australia Pain

***CATTLE
MARKETS
“BROKEN”***

***Cease of Georgia Dock Price? /
MPR Discussions***

***Q4 Hog Slaughter
Capacity***

***CME LC
CONTRACT
CHANGES***

***CME FC
INDEX
CHANGES***

***NO JULY
CATTLE
INVENTORY
REPORT***

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Broader View on Economic Forces

- The Center For Food Integrity (@foodintegrity) tweeted on Wed, Sep 04, 2013:

“Science tells us if we can do something. (supply)

Society tells us if we should do it.” (demand)

- Think about beta-agonists, feeding GM corn, gestation stalls, laying hen cages, handling techniques, euthanasia practices, ...



Economic Realities Going Forward

- Outcomes will only partially align with “best science”
 - Public will give license to utilize only a subset of available production options that ‘technically work’ (CFI quote...)
 - Economic &/or political optimality will trump
 - Vote-buy disconnect will persist
 - Short-term “unfunded mandates” will continue...




Effectiveness & Feasibility

- Why create something with limited odds of adoption?
 - How would  investors react?



Effectiveness & Feasibility

- Why create something with limited odds of adoption?
 - How would  investors react?
- Just because something “works” doesn’t mean it will be 100% implemented
 - Feasibility, effectiveness, & net econ. value are key
 - E.coli vaccines for fed cattle are prime example

View on Trade & Technology

- Key is **Diverse** Products from Each Carcass



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- Brazil-US: Top Sirloin Cap (Picanha) vs. Ground Beef



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- Domestically:
 - “Large Steaks” vs. Cheaper Ground Beef

Mature View on Market Share

- Would you rather have:
 - 10% of \$1million (\$100k)
 - or
 - 90% of \$100 (\$90)?



Mature View on Market Share

- Would you rather have:
 - 10% of \$1million (\$100k)
 - or
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- Selecting \$100k requires “sharing”...



Comparative Advantages

- World trust & places premium on U.S. beef



Comparative Advantages

- World trust & places premium on U.S. beef
- Grain-finished production
- Sound & effective infrastructure
 - Feed grain base, processing, safety, transportation
 - Genetics & meat quality expertise
 - Research discovery & outreach education
- Property rights encourage investment



Comparative **DIS**advantages

- Not lowest \$/lb producer



Comparative **DIS**advantages

- Not lowest \$/lb producer
 - Research funding declining
 - Will public trust “new discoveries” going forward???



Comparative **DIS**advantages

- Not lowest \$/lb producer
- Partially effective communication, coordination, and signaling
- Fragmented support of increased
 - traceability systems
 - focus on current and future beef demand



Key Opportunities & Challenges

- Refining domestic consumer efforts
- Expanding foreign consumer focus



Domestic Consumers

- Continue to leverage size, wealth, and historic reliance on domestic consumers
- Key questions
 - Cultural mix and diverse food preferences
 - Ongoing shift from FAH to FAFH
 - Preparation time and cooking knowledge
 - Ground beef's share of total beef volume
 - Are “really big steaks” good or bad???



Exports

- Arena of expected population and income growth = meat demand growth
- Key questions/issues
 - Identify “wealthiest top 10%” as target markets
 - TPP & TTIP trade deals
 - Support to increase exports AND imports?
 - Global competitor adjustments
 - Mexico’s expanding infrastructure, Brazil’s move into grain-finishing, Ongoing India (buffalo meat) expansion



Situation Synthesis

- Immense opportunity exists



Situation Synthesis

- Immense opportunity exists;

BUT

- Internal industry coordination must improve
 - National animal ID & traceability
 - Generic advertising
 - International trade deals
 - MCOOL comeback?



REALLY GRAY CRYSTAL BALL

Forecast for 2036

- Less animals & operations, yet more beef



Forecast for 2036

- Less animals & operations, yet more beef
 - Growing challenges with “new large” operations, “acceptance of science,” and public/private funding



Forecast for 2036

- Less animals & operations, yet more beef
- Exports as share of production >11%



Forecast for 2036

- Less animals & operations, yet more beef
- Exports as share of production >11%
- Improved coordination & information flows
 - Technology enhancement alone may drive this...



Forecast for 2036

- Meat quality signals will expand & diversify



Forecast for 2036

- Meat quality signals will expand & diversify
 - Quality
 - Prime, **Choice**, Select, Standard
 - CAB, Dairy, Dark Cutter...
 - Yield Grade
 - <.1" fat thickness, ..., **<.6" (3 score)**, ..., >1.2"
 - Weight
 - 4-500 lbs, ... , **6-900 lbs**, ... > 1,050 lbs

Current
Signals



Forecast for 2036

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- Quality

- Prime, **Choice**, Select, Standard

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Current
Signals

- Future Signals?

- Tenderness, Technology/Production Practice
Claims, Source Verification...

Key Questions for 2036

1. What is balance of collaboration & competition?



Key Questions for 2036

1. What is balance of collaboration & competition?
2. What support is there to prioritize export demand focus?



Key Points for Vets in 2036

1) Fewer customers, but larger volume



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Key Points for Vets in 2036

- 1) Fewer customers, but larger volume
- 2) Comfort with “partial use of science”
- 3) Less “pure public” info and expertise
- 4) “Income inequality” will grow



More information available at:



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