

Envision the cattle industry 20 years from now.

by Troy Marshall, American Angus Association



I don't profess to have any special insight — or even a crystal ball. This article is simply intended to point out obvious trends that are well-established, because these trends have as many implications for changing our industry as the events few will see coming.

One thing I can be pretty sure of is the business will be more competitive than ever. I know of very few other industries where it is truly a lifestyle investment, and everyone is both passionate and committed. You aren't a rancher because you want to get rich. There are a few who inherit a ranch and continue because they don't know what else to do; but, to most ranchers, it is a calling. Profit incentives will continue to be drivers, but profit is only a portion of the decision-making process for most ranchers.

Integration vs. consolidation

Most of today's economic drivers will continue to play a big role during the next 20 years. Economies of scale will continue to be important, but we are seeing a shift away from the winners simply being determined by low-cost production. Value creation will play an ever-bigger role in profitability.

Integration has always been seen as a dirty word in the cattle industry — it goes against our independent nature. Yet, a commodity marketing system drives industry concentration and consolidation. Branded programs and value-added products require functional integration throughout a supply chain. The importance of supply chains will continue to increase.

Sustainability is another word that has negative connotations with some, but when we talk about value creation and sustainability, it is impossible to not talk about supply chains, information exchange and an integrated systems approach to production.

The segmented, silo

mentality that has long characterized our industry is counterproductive and can not continue if we are to remain competitive. Supply chains look at profitability from a total systems approach and reject the notion of measuring solely segment profitability.

The market will continue to demand reproductive and production efficiency. To go along with that, quality grade (eating experience) will continue to be a huge differentiator of value. Economic models for all segments are driven by throughput and capacity utilization. Fixed costs are significant in our business, so the importance of pounds is not going to decrease. Furthermore, you can't have a discussion in agriculture without bringing up the issues with finding labor. Technology will play a role here. Transferring ownership to the next generation will, as well, but we will continue to ask managers to do more with less.



Genetic differentiation

Genetics are the single biggest factor driving differentiation in the marketplace. Management is important, but bad managers are going to eliminate themselves. Genetics has been and will continue to be an area where continuous incremental improvement can be applied. Genetics reduce risk. Genetics drive reproductive efficiency, production efficiency, compositional end points, and consumer satisfaction.

Genetics in the cattle business are becoming a little like computer chips for the computer industry. The rate of progress is increasing at a staggering rate, and what was industry-leading becomes obsolete at an ever-increasing rate. When it comes to genetics, the obstacle to being great truly is good.

Technology is changing genetics. Genomics and reproductive technologies are greatly increasing selection pressure, selection intensity and accuracy. This will lead to constantly redefining the targets for maternal and terminal excellence. This

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will lead to more segregation of genetics and increased use of maternal and terminal lines.

Managing genetics

Along these lines, while genetic merit is crucial, it will increasingly be about defining the genetics and knowing how to manage them to reach their optimum outcomes. As a result, we will see an increased emphasis on breeding programs and objectives. Uniformity, consistency and predictability will grow in importance, as they are crucial to being able to optimize results. This will require ever-evolving and more sophisticated indexes and selection tools.

Marketing vs. sales

Marketing will continue to grow in value relative to increasing net income. For most of the history of the cattle industry, marketing has not been a big part of a manager's focus. In fact, marketing was left to third-party entities for the most part. Marketing in the cattle business does not even fall under marketing in the classical sense of the definition. The industry's focus has been on facilitating the transaction, making our product available in a competitive setting, managing risk as best we can, and trying to make appropriate decisions about market timing.

The shift to marketing from sales facilitation creates significant opportunities, but it places new responsibilities on cow-calf and seedstock producers alike.

In 20 years we will still be focused on taking care of the land, taking care of the cattle, providing for the people and responding to consumer demands. We will still be praying for rain, riding horses, chopping ice, building fence and combating those who are opposed to our industry. We will still be working to better match the cow to her environment and the calves to the marketplace. We will be adopting new technologies like AI (both artificial intelligence and artificial insemination), and we will be using new tools to help us along the way.

I believe one of those tools will be the Genetic Merit Scorecard® (GMS). Predicting the future is a risky business, but we now have a tool to help buyers make purchases with confidence. A tool that helps cattlemen differentiate their product — and market their cattle more effectively — is not so much about predicting the future, but stating the obvious. **ABB**

Editor's note: The American Angus Association offers a host of programs to assist commercial cattlemen in profiting from their Angus genetics. Troy Marshall is director of commercial industry relations for the Association.