Lost Opportunities in Beef

How far has the industry come in recapturing $12 million in lost opportunity?

INDUSTRY AT A CROSSROADS

by **TROY SMITH,** *field editor*

It is said that there is always room for improvement. Speaking at the 2014 International Livestock Congress (ILC–USA 2014) Jan. 14 in Denver, Colo., meat scientist and Colorado State University professor emeritus Gary Smith talked about opportunities for the U.S. beef industry to improve profitability and its competitive position in the marketplace.

Smith referenced a 1991 International Stockmen's School presentation by former National Cattlemen's Beef Association (NCBA) economist Chuck Lambert. In that presentation, titled "Lost Opportunities in Beef Production," Lambert had listed 11 sources of potentially avoidable losses amounting to $12 million annually.

"Chuck said the beef industry could increase gross revenues by 27% (about $45 billion at that time) if existing 'lost opportunities' were corrected. The total of these beef industry inefficiencies amounted to $458 per fed steer or heifer," stated Smith, explaining the relevance of Lambert's list.

"If some proportion of the total 'lost opportunities' could be recovered," he added, "the savings could be distributed across industry sectors and used to reduce retail beef prices, increasing beef's competitiveness and market share."

Has the industry succeeded?

Smith said 1991 also brought the first National Beef Quality Audit (NBQA), which became the benchmarking standard for focused improvement in three areas — excess fat, outlier cattle and management procedures — that were thought to represent 40% of the industry's economic loss. Progress has been made in all three areas of focus.

Smith said the industry has reduced excess fat and the number of cattle that don't fit packer parameters of desirability. Additionally, management practices have changed such that carcass bruising and injection-site blemishes are significantly reduced. But what about those other eight sources of potential economic loss?

Largely due to advancement in feeding management, but also because of genetics, feed efficiency has improved. Currently, on average, 5.75 lb. of feed is required to produce 1 lb. of gain in finishing animals. In 1991, the average feed conversion ratio was 7-to-1.

"At no time since 1991 has the industry benchmarked its progress in reducing economic losses from the other eight areas representing 60% of the $12 million that Chuck thought the beef industry was losing," said Smith.

Still room to improve

So, how has the industry fared with regard to potentially avoidable revenue reductions from reproductive performance, death loss, hot-iron branding, weaning weight, multiple processing, feed efficiency, retail shrink and out-of-stock retailers? Smith said consultation with numerous knowledgeable experts suggests answers are mixed.

Regarding reproductive performance, Smith said Lambert's data indicated that 80% of U.S. beef (and dairy) cows and heifers exposed to mating actually weaned calves. Twenty-three years later, the percentage is approximately the same.

"The industry has not been able to capitalize [on] this opportunity for economic improvement," stated Smith, adding that neither has there been improvement in overall death loss from dystocia, scours and pneumonia.

Smith said the industry has made progress in the area of weaning weight. Today's average is 550 pounds (lb.), compared to just less than 500 lb. in 1991. He said the experts credited 70% of the progress to improved genetics

Production


PHOTO BY KASEY BROWN

The industry has increased the efficiency with which beef is produced and delivered to the consumer, said CSU professor emeritus Gary Smith. He called that remarkable, particularly since causes for 60% of potential revenue losses have never been benchmarked.

and 30% to improved management practices.

Some progress has been made in reducing economic losses from redundant processing of calves after weaning. According to Smith, the occurrence of multiple processing events at several stages has declined with the adoption of advanced preconditioning programs supported by veterinarians and feedyards.

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Smith said Lambert had called for a reduction in hot-iron branding of cattle going into feedyards because the resulting stress-related performance reductions and hide-value discounts. According to the 1991 National Beef Quality Audit, 45% of fed steers and heifers were hot-iron branded, compared to the 44.8% indicated by the 2011 audit.

"There are fewer rib and shoulder brands now, but the industry really has not been able to capitalize on this opportunity to reduce economic loss," said Smith. "The problem is the lack of a market signal."

According to Smith, no progress has been made in reducing retail shrink. The beef industry still loses revenue from price markdowns and price differentials on reworked beef (grinding of higher-value cuts that did not sell quickly). According to Smith, the situation could be remedied by adding vitamin E to feedlot rations. Adding appropriate levels of vitamin E late in the feeding period has been shown to enhance beef shelf life, but market signals have not offered sufficient incentive to cattle feeders.

"We have not implemented routine feeding of vitamin E, and it is a big, big mistake," opined Smith.

Last on Lambert's list of money-robbing issues was "out-of-stocks," those situations where certain cuts of beef were not available at retail meat counters, at least 16% of the time. Smith said the industry has made progress, though. He credited the centralized cutting and packaging systems implemented by supermarket chains for reducing the percentage to a bit over 5%.

In conclusion, Smith said the industry has increased the efficiency with which beef is produced and delivered to the consumer. He called that remarkable, particularly since causes for 60% of potential revenue losses have never been benchmarked. It's like they say: There always is room for improvement.

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.*