

Outside the BOX: Transformational trends

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If I had to choose just one adjective to describe the past decade, volatility would be my candidate. Markets, economics, consumer behavior, government, the weather — the list gets long in a hurry. Volatility creates both dissonance and opportunity. The key to capturing

opportunity depends on our ability to sort through the noise, pick the right targets, remain nimble in the face of variable conditions, and to act quickly to take strategic advantage during the confusion.

Never has it been more important for business leaders to focus their energy

on the \$100-per-hour activities that accompany a mind-set of working “on the business,” instead of the endless list of \$10-per-hour tasks that tend to dominate our time when the focus is working “in the business.”

Sorting through the stream of information and news to find the emerging trends that affect strategic direction and consumer demand is an important step in isolating and capturing opportunities. The following trends are those worthy of your attention and brainpower.

1. The Asian Dragon — Draw a circle that encompasses China, India and the remaining Asiatic nations. There are more people living inside that circle than outside of its borders. This fact alone doesn’t make other markets unimportant, and it shouldn’t deter us from working hard to build stronger beef demand domestically. However, if you are looking for the proverbial gorilla in the room from a global demographic perspective, you’ve found him!

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2. Rise of the global middle class — According to Randy Blach at CattleFax, today 17% of the world’s middle class lives in the United States, while 38% lives in Asia. During the next 15 years, a seismic shift will occur resulting in 48% of the global middle class residing in Asia, while the U.S. share declines to 13%. History has shown a consistent pattern of increased animal-protein demand as consumers move into the middle class. This pattern will hold true in the future, and the beef industry’s ability to generate wealth depends on our ability to forge a strategy to capture market share of rising global middle-class consumer demand.

3. Three factors drive consumer demand for beef — taste, quality and price. The global consumer assessment done by the Ketchum group in 2008, the recent Kansas State University beef demand report, and the 2013 Oklahoma State University food demand survey reach the same conclusion. Protecting eating satisfaction; assuring quality expectations by providing safe, wholesome and nutritious beef; and doing so at the right price point provide the framework to grow beef demand. The industry cannot be distracted by reacting to every criticism, because too often this has led to creating mountains out of molehills. A case in point: The Shelton Group reported that 48% of consumers identifying themselves as

“green” listed the economy as their No. 1 concern, while only 8% listed environmental issues as their primary issue.

4. Male shoppers deserve more attention. A recent survey suggested that nearly half of all primary grocery shoppers were men, and that men represented nearly 60% of primary shoppers in the Hispanic demographic. Men represent a rock-solid core of beef demand. Enticing men from across the age spectrum to the versatility, flavor and eating satisfaction of beef will pay both short- and long-term dividends.

5. Commodity beef production is giving way to a program and target focus. Consider the weekly schedule for packing plants today. A significant percentage of the 10 or 12 half-day work shifts are committed to harvesting cattle for specific markets — branded products, non-hormone treated cattle (NHTC) for the European market, source and age, country-of-origin specific, etc. Simultaneously, the feedyard sector is moving toward enhanced sorting systems and precision management to create and capture value, to optimize profitability of individual cattle as opposed to the pen mind-set of days gone by, and to align supply with retail and foodservice demand.

6. Cheap money has driven gains in the stock market while supporting commodity prices and export volumes. Low interest rates at current levels are *not* sustainable. Federal monetary policy makers can only sprinkle so much magic powder in the form of artificial supports before the forces of the market take over. When will the cost of money tick upward and at what speed? No one knows for sure, but experienced industry analysts suggest that keeping an eye on interest rates is increasingly important, and risk-management strategies to deal with increases should be developed sooner rather than later.

7. Erosion of trust — At every turn it seems we are confronted with the loss of public trust in established institutions. This challenge extends to relationships within the industry between competitors and participants in the beef value-creation and supply chain. Of all the mega-trend influences, the loss of trust has the potential to be the most damaging. Joe Stone, who leads the Animal Feed business unit at Cargill, offers a simple formula to measure trust.

$$\frac{\text{Sincerity} \times \text{Reliability} \times \text{Competency}}{\text{Orientation (self vs. service)}}$$

It is our shared responsibility to enhance sincerity, reliability and competency in serving our customers, suppliers, employees and partners if the beef industry is to develop lasting trust with consumers.

These seven trends make my list for having the most opportunity to exert transformational pressure on the beef business.

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