

## The Screwer and the Screwee

After a long haul that felt like an eternity there is finally some light at the end of the tunnel with improvements in feeder, fat and cull cow prices, even with a loonie that two-steps with the U.S. greenback. That must mean that the whole world is now finally ready to pay more for beef? Well, I wouldn't want to be on the record saying that.

The reality is the rise in price is not due to a huge increase in beef demand. It's more down to the fact that there are fewer animals to kill and occupy the hooks and packers have had to pay more to get them.

From the packer's side they have been able to pass the buck on a few of the items like trimmings because the demand for it has been strong, but there has been lots of resistance for the high valued cuts even as we head into the prime grilling season. Selling beef in the last month has been an arm wrestle, with buyers trying to duck the higher values presented by packers in light of the price they've just paid for the cattle. Going forward I see the packer losing their leverage and they will be the ones taking the hit for the next while at least until they can either push the price of the cattle down or the price of the meat up.

What a business... "the Screwer and the Screwee" .... take advantage of the situation as long as you can before the table gets turned. The commodity beef market is definitely not a wholesome environment that works together for the betterment of the industry. To quote Norm from Cheers, "it's a dog-eat-dog world and some people are wearing milk bone underwear" It makes me really question how it will get better?

It would be an understatement to say I have learned a lot about marketing beef in the past six years. Looking back, it's scary to see how naïve we were. I knew nothing about cutouts, beef values or the lingo of the trade. That said I am very proud of what our band of merry ranchers in Prairie Heritage Beef has been able to accomplish and the markets that we have been able to develop. Most importantly I am proud that we have built a business that every day is looking more and more like that elusive "value chain".

Yes, a value chain — the Eldorado of the industry. Consultants have talked about it for years but it still remains a myth to many. But when I look at the Screwer and Screwee commodity business I can honestly say I am glad we used a different road map. Every week it is giving more and more predictable outcomes compared to the commodity model.

A value chain is about industry segments working together for the good of all, realizing they depend upon each other for their success. Each segment has to make a fair return for the business to be sustainable and by doing so not only is the pie shared more fairly, the pie can also become bigger.

That may sound like Shangri-La, but getting there takes time, commitment and a never-ending search for partners to complete the chain from conception to consumer.

Our journey started with a handful of producers who wanted to break the status quo and a retailer that wanted a differentiated product. We had a rough road map with lots of blanks that needed to be filled in. I know now, the biggest mistake that everyone makes is thinking that these relationships can happen overnight. Build it and they will come. The reality is it takes an extreme amount of time and patience to bring the right partners together to build the chain. Having been over this rough path we have now been able to build a road that has a dedicated feedlot connected to a packing plant that is a partner, not just a contractor. That

connects us to value added manufactures and distributors that connects us to retailers and chefs. All are dependent upon the animals that walk on our pastures for their livelihood and all work to improve the efficiencies, quality and value of the product that we produce. And, little by little, the returns at the farm gate keep rising and becoming more predictable.

What's happening on the commodity side? Well, as you have seen, price is anyone's guess. The markets go up, the markets go down. Demand is up, demand is down. It is, and will continue to be, a business where everyone is out for themselves. As long as this attitude continues beef will continue to lose customers and market share. I had a talk with an experienced beef grader the other day about tenderness issues with a particular beef brand. We talked about the issue and concluded the same thing; combinations of implants and beta agonists are destroying tenderness in beef. It is the number one factor that consumers complain about in beef so why is it happening? This is just another example where feedlots are forced to lower costs of production by producing cheaper, bigger and faster because packers continue to keep bids low. Why? Because the guys they sell to want it cheap and cheerful. Occasionally supplies go up or down and so too does the leverage of one over the other in the chain and so a vicious circle of the screwer and the screwee continues.

Dr. Christoph E. Weder is a purebred Angus breeder in the Peace region of Alberta and also runs SVR Ranch Consulting. He is also a founding member of Prairie Heritage Beef Producers For additional info check out [www.spiritviewranch.com](http://www.spiritviewranch.com)