

# Adapting beef practice to future realities

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## Background

When I graduated from veterinary college in 1983, there were no practices in Western Canada that specialized in feedlot medicine. Feedlots received veterinary services from local mixed animal practitioners. Veterinarians were paid on a fee-for-service basis, and usually sold pharmaceuticals to feedlots. Herd health programs and preventative medicine concepts were actively discussed, but were not actually implemented. As an undergraduate, I could see that there was a significant opportunity to build a specialized feedlot practice in Western Canada if the issues associated with a traditional veterinary-client relationship could be resolved in a business model where both parties had a vested interest in success. Thus, the concept of charging on a “per-head-day” basis emerged. In this situation, the veterinarian is paid each day based on feedlot occupancy, so that revenue is not connected to “problems” such as postmortems or large numbers of sick cattle. In this model, there is an incentive for success and considerable improvement in business alignment for both the feedlot and the veterinarian. Also, the potential conflict of being a prescriber of pharmaceuticals and a supplier was resolved by creating a model whereby the feedlot was not obligated to purchase pharmaceuticals from the feedlot veterinarian. In addition, a data-based decision making approach that utilized information from large pen research trials was adopted to make pharmaceutical selection decisions. These changes, which look relatively simple in retrospect, led to the development of Feedlot Health Management Services from a “one man show” into a company with over 20 professionals and a total team of 60 people.

In 1983, there were no practices in Western Canada that specialized in delivering services to cow-calf clients. Cow-calf producers received services from local practitioners involved with a mixed animal or large animal practice. Veterinary services were provided on a fee-for-service basis and the expectation (both in the mind of the veterinarian and client) was that consultation would be provided for “free”, as the producer would purchase the required pharmaceuticals from the attending veterinarian. Delivery of services to cow-calf operators has always been handicapped by the fact that on average, production occurs in small herds (Tables 1 and 2).

In Canada and the US, veterinarians are no longer the exclusive suppliers of pharmaceuticals to their beef clients. Large pharmaceutical distributors reduced the

margins to the extent that only a few beef practices can participate in selling to their major customers. One can argue whether this is good, bad or indifferent, but the simple fact is that the loss of pharmaceutical sales has decreased the profitability of beef cattle practice.

The total number of beef cows in North America has significantly declined because of lack of profitability, drought, and increasing carcass weights.

Moreover, there has been considerable consolidation of the beef industry at all levels, from the cow-calf producer to the retailer. The number of cattle producers has declined and the size of operations has increased (Figures 1, 2, and 3). The beef business has transformed from “mom and pop” operations into large-scale, sophisticated enterprises that are profit-motivated and are achieving economies of scale by spreading fixed costs over a large number of units. As a result, there are less total patients (Figures 4 and 5) and customers for beef cattle veterinarians. Carcass weights have increased in the face of declining cattle numbers (Figures 6 and 7), thereby maintaining tonnage of beef supply to meet consumer demand. In addition, the opportunity to see these patients has been further reduced as beef producers have assumed the role of performing many of the task-oriented activities that have traditionally been reserved for veterinarians, such as primary care and pregnancy diagnosis.

## Current Situation

Feedlot/stocker veterinarians have become specialists delivering a number of consulting services, including processing protocols, treatment protocols, data analysis, education of personnel, health management strategies, and benchmarking of animal health parameters. In most situations, the veterinarian is paid on a per diem basis. A few practices are paid on an occupancy basis.

Cow-calf veterinarians continue to provide task-oriented services (pregnancy examinations, breeding soundness examinations, and surgeries) but have considerably expanded the consulting role and receive remuneration on an hourly rate, a per diem, or on a per cow basis.

Despite progress in improving the degree of sophistication of services to the beef cattle industry, I submit that veterinarians must radically change their business models or risk greater marginalization. We must create revenue streams that result in win-win scenarios for the clients. Bold innovation is required, not just tinkering

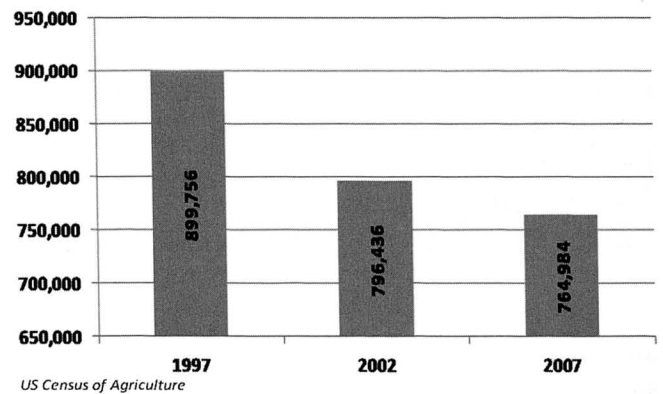
**Table 1.** Beef cows: Farms reporting and number of animals by size class. Source: 2006, Census of Agriculture, Statistics Canada

| Beef cows             |                            | Canada           | NF         | PEI           | NS            | NB            | QUE            | ON             | MB             | SK               | AB               | BC             |
|-----------------------|----------------------------|------------------|------------|---------------|---------------|---------------|----------------|----------------|----------------|------------------|------------------|----------------|
| Size class            | Item                       |                  |            |               |               |               |                |                |                |                  |                  |                |
| 1 - 7                 | farms reporting            | 11,166           | 44         | 99            | 324           | 189           | 733            | 3,288          | 779            | 1,554            | 2,454            | 1,702          |
| 8 - 17                | farms reporting            | 13,954           | 13         | 139           | 316           | 268           | 1,210          | 4,299          | 1,141          | 2,401            | 3,269            | 898            |
| 18 - 47               | farms reporting            | 25,661           | 11         | 210           | 371           | 344           | 2,294          | 5,573          | 2,721          | 5,847            | 7,244            | 1,046          |
| 48 - 77               | farms reporting            | 12,059           | 2          | 64            | 72            | 72            | 792            | 1,163          | 1,661          | 3,630            | 4,194            | 409            |
| 78 - 122              | farms reporting            | 9,494            | 0          | 26            | 34            | 24            | 395            | 483            | 1,414          | 2,973            | 3,766            | 379            |
| 123 - 177             | farms reporting            | 5,013            | 0          | 9             | 8             | 9             | 155            | 140            | 761            | 1,650            | 2,063            | 218            |
| 178 - 272             | farms reporting            | 3,492            | 0          | 3             | 5             | 3             | 81             | 51             | 497            | 1,096            | 1,555            | 201            |
| 273 - 527             | farms reporting            | 1,776            | 0          | 0             | 1             | 0             | 36             | 17             | 213            | 501              | 909              | 99             |
| 528 +                 | farms reporting            | 385              | 0          | 0             | 1             | 0             | 3              | 3              | 29             | 86               | 211              | 52             |
| <b>with beef cows</b> | <b>farms reporting</b>     | <b>83,000</b>    | <b>70</b>  | <b>550</b>    | <b>1,132</b>  | <b>909</b>    | <b>5,699</b>   | <b>15,017</b>  | <b>9,216</b>   | <b>19,738</b>    | <b>25,665</b>    | <b>5,004</b>   |
| 1 - 7                 | number of beef cows        | 43,618           | 165        | 398           | 1,288         | 854           | 2,582          | 13,101         | 3,183          | 6,261            | 9,626            | 6,160          |
| 8 - 17                | number of beef cows        | 170,575          | 152        | 1,654         | 3,809         | 3,263         | 15,488         | 52,172         | 14,003         | 29,414           | 40,198           | 10,422         |
| 18 - 47               | number of beef cows        | 772,980          | x          | x             | 10,449        | 9,871         | 68,627         | 158,583        | 84,006         | 181,979          | 223,078          | 30,178         |
| 48 - 77               | number of beef cows        | 726,253          | x          | x             | 4,165         | 4,207         | 46,718         | 68,217         | 100,810        | 220,118          | 253,811          | 24,381         |
| 78 - 122              | number of beef cows        | 924,880          | 0          | 2518          | 3,117         | 2,199         | 37,627         | 46,111         | 138,321        | 289,686          | 368,706          | 36,595         |
| 123 - 177             | number of beef cows        | 732,102          | 0          | 1338          | 1,092         | 1,269         | 22,224         | 20,206         | 111,164        | 241,507          | 301,465          | 31,837         |
| 178 - 272             | number of beef cows        | 750,630          | 0          | 608           | x             | 585           | 17,475         | x              | 106,381        | 235,430          | 334,521          | 43,614         |
| 273 - 527             | number of beef cows        | 627,543          | 0          | 0             | x             | 0             | 12,810         | x              | 75,027         | 175,215          | 322,498          | 35,462         |
| 528 +                 | number of beef cows        | 333,015          | 0          | 0             | x             | 0             | 2,685          | x              | 22,692         | 65,030           | 181,938          | 58,248         |
| <b>with beef cows</b> | <b>number of beef cows</b> | <b>5,081,596</b> | <b>761</b> | <b>16,107</b> | <b>25,925</b> | <b>22,248</b> | <b>226,236</b> | <b>377,354</b> | <b>655,587</b> | <b>1,444,640</b> | <b>2,035,841</b> | <b>276,897</b> |

**Table 2.** 2007 US Census of Agriculture; Beef cow herd size by inventory. Source: USDA, NASS

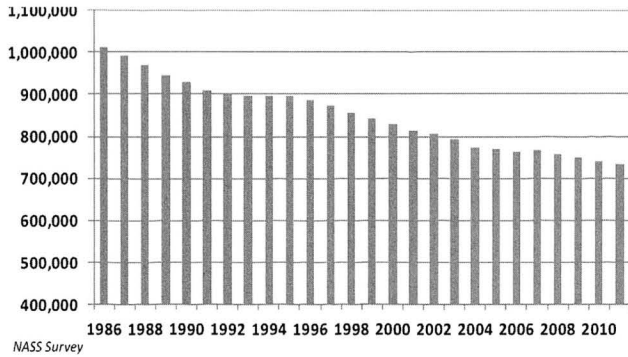
| Farm size    | No. farms      | No. total beef cows & heifers that had calved |
|--------------|----------------|---|
| 1 - 9        | 246,863        | 1,160,439                                     |
| 10 - 19      | 160,005        | 2,162,448                                     |
| 20 - 49      | 200,840        | 6,090,407                                     |
| 50 - 99      | 84,253         | 5,656,207                                     |
| 100 - 199    | 43,575         | 5,753,342                                     |
| 200 - 499    | 23,635         | 6,722,106                                     |
| 500 - 999    | 4,413          | 2,861,202                                     |
| 1000 - 2499  | 1,215          | 1,648,412                                     |
| 2500 or more | 185            | 780,238                                       |
| <b>Total</b> | <b>764,984</b> | <b>32,834,801</b>                             |

and repacking herd health concepts. I believe that veterinary salaries clearly indicate that our value proposition to beef producers is not very compelling. Quite simply, a doctorate degree that can only command a salary of \$71,000 per year indicates lack of demand or a severe over-supply. It is amazing to me that veterinary colleges still have considerable competition for enrollment.

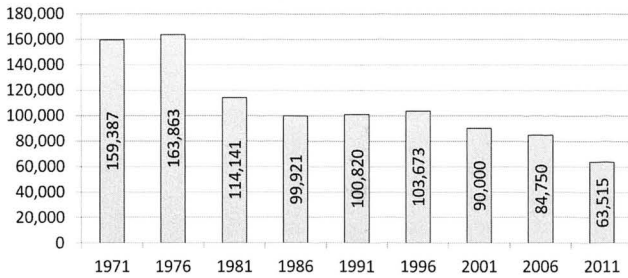


**Figure 1.** Number of farms reporting beef cows in USA.

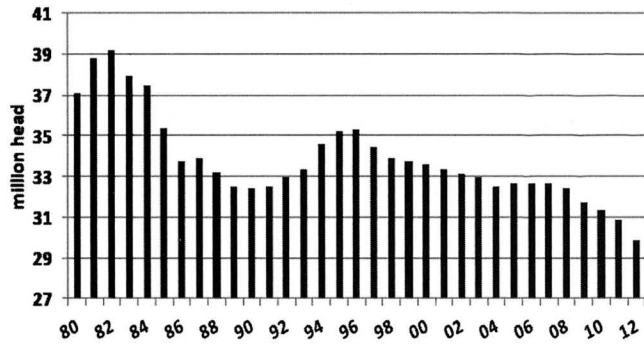
“From 1989 to the present, starting salaries for new graduates entering food animal-exclusive practice are higher (\$71,096) and have grown faster than those entering either food animal-predominant or mixed-food-animal practice, according to exit surveys of new graduates. Student debt, however, has grown even faster, increasing at a rate of 7.6% each year between 1989 and 2007, and by 6.5% between 2010 and 2011. Students now owe an average of \$142,613 upon graduation. In 1989, educational debt was approximately 110% of starting salaries. In 2011, those entering food-



**Figure 2.** Number of farms reporting beef cows in USA.

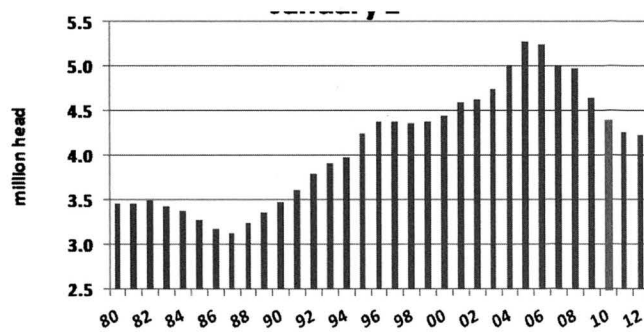


**Figure 3.** Number of farms reporting beef cattle in Canada. Source: Statistics Canada



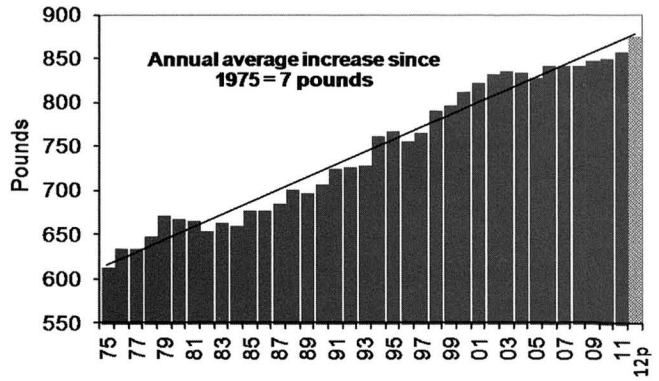
Source: Cattlefax, USDA

**Figure 4.** US beef cow inventory, January 1.



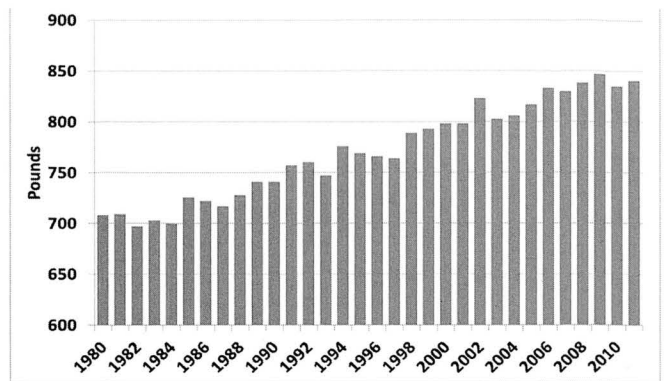
Source: Canfax, Statistics Canada

**Figure 5.** Canadian beef cows, January 1.



Source: Canadian Beef Grading Agency

**Figure 6.** Canadian annual steer carcass weight.



**Figure 7.** Annual steer carcass weights, 1980-2011.

animal-predominant practice face debts of around 205% of their initial salary.”<sup>1</sup>

### Future

In the future, there will be significantly fewer beef cattle practitioners than today and three types of beef cattle practices. One practice type will serve the needs of smaller producers and “recreational” ranchers in geographic areas where a sufficient population of beef cattle exist to allow for an economically viable practice.

The second type of practice will be a multidisciplinary team of scientists and paraprofessionals that provides a comprehensive, all-inclusive service for the external consulting needs of cow-calf operations, stocker operations, and feedlots. Disciplines required include veterinary medicine, nutrition, meat science, epidemiology, statistical analysis, economics, accounting, information technology, engineering, as well as legal and human resources. Consolidation in the beef feedlot sector will continue and the size and complexity of beef operations will continue to grow, so the inescapable fact is that these operations will hire and build their own professional infrastructure with in-house people, unless

highly specialized and sophisticated companies can be hired externally at a competitive cost.

Examples of areas that the multidisciplinary beef practice should be engaged in for cow-calf clients include:

1. Provide a marketing service for the calves and yearlings
2. Provide financial services (from simple book-keeping to filing tax returns)
3. Provide production software
4. Provide a mechanism for cow-calf operators to retain ownership in their calves
5. Provide education opportunities
6. Develop/provide certification services for specialty programs
7. Provide management for value chains and alliances

Examples of areas that a multidisciplinary beef practice should be engaged in for feedlot clients include:

1. Provision of production software
2. Cattle procurement and marketing strategies
3. Research
4. Nutrition
5. Cattle sorting (individual animal management)
6. Environmental management
7. Animal and facility certification
8. Benchmarking of production parameters
9. Economic modeling

Consider the following from a presentation given by one of our clients, Dave Plett, CEO, Western Feedlots Ltd., High River, Alberta, Canada, to the student feedlot rotation:<sup>2</sup>

**Figure 8a.** What do we look for from a veterinarian?

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**Technical expertise**

- Health management protocols and technologies
- Production enhancement protocols and technologies
- Surveillance, compliance monitoring, reporting, and intervention

**Understands clients needs**

- Awareness of industry/business issues
  - Awareness of client-specific needs
  - Determination of problem complex
  - Strategic solution identification/matching
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**Figure 8b.**

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**Logistical skills**

- Decision making process
- Project design and management
- Proper analysis and use of data
- Implementation/execution of strategies

**Feedlot personnel training**

- Disease processes, diagnostic skills, and technical procedures
  - Product selection and use
  - Performance monitoring
- 

**Figure 8c.**

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**Communication skills**

- Teaching, sharing, listening
- Learning

**Contacts**

- Regulatory agencies for policies and protocols
- Knowledge sources: researchers, health professionals, universities, etc.

**Business Savvy**

- Decision making economics
  - Pro-active strategies and planning
  - Innovation capabilities.
- 

The third practice type will have all the capabilities of the second practice type, and will also be actively engaged in the beef industry on a large scale. These practices will be involved in ownership of cattle and facilities. With equity participation, these practices will achieve true alignment with their clients and/or partners and achieve rates of return concomitant with educational investment.

**References**

1. National Research Council. *Workforce needs in veterinary medicine*. Washington, DC: The National Academic Press, 2011.
2. Dave Plett, CEO, Western Feedlots Ltd., High River, Alberta, Canada.