

# Plenary Session: Looking Ahead in the Livestock Industry

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It is indeed a pleasure for me to be here this morning -- and to have the opportunity to address you at this Plenary Session.

Even though I've spent a good part of my life traveling and working in over sixty countries of the world -- I haven't had many opportunities to be in such close association with people of your profession.

When I was growing up on a depression era farm in North Dakota, we usually didn't call the vet until our cow or horse was almost dead -- and so there was usually little reason for him to spend much time on our farm -- except to administer the last rites.

I remember after he left, my father and I would quickly skin the dead animal and sell the hide so we could pay his nominal fee.

In more recent years, it seems, the only times I've talked to veterinarians has usually been with dogs barking in the background and my own undisciplined dog straining at his leash.

So I quickly accepted when I was asked to address you, for I knew this would be a more favorable environment -- or at least I hoped it would be!

**Today, I've been asked to look into my crystal ball and tell you what I see ahead for the livestock industry.**

*Opening Address, Plenary Session, September 1, 1992*

**Before I do that, however, let me first take you on a brief journey back into time and lay a base for my predictions.**

Like many of you here today, I grew up in a time when being a rancher or livestock farmer was considered the pinnacle of agricultural achievement. I, myself, wanted to be a cowboy from the age of two until I discovered there weren't many young women on the open range! It was the same era in which a good, thick, juicy steak was considered the epitome of fine dining. Meat was the centerpiece of every meal --- including breakfast -- and milk was unquestionably accepted as the world's most perfect food.

Driven by these and other forces we witnessed a continual growth in the consumption of meat and other animal products from 1910 until 1945 -- when we reached a saturation point for both animal products and for total food. In fact, total per capita food consumption in the United States has actually declined since 1945 with the largest share taken out of crop products -- but a significant share from animal products as well. When income allows for the purchase of more food than the human body needs, the rate of growth in food consumption must decline and the quantity consumed stabilizes. That's what has happened in affluent societies like ours.

In addition to reaching a saturation point, there has been a dramatic shift in the types of meat products we consume. Poultry consumption has risen dramatically, while the consumption of beef has declined and pork consumption has remained rather stable. By 1989 per capita consumption of poultry had surpassed beef by 16 pounds and pork by 22 pounds.

In dairy, there has been a dramatic drop in fluid milk consumption and an increase in the consumption of cheese and frozen dairy products like ice cream.

During this period, competition for the food dollar has become more intense and food safety issues have become a major concern for consumers - - although to date most have not altered their food

purchases as a result of these concerns. However, under the glare of intense media attention, consumer food safety concerns relating to such things as antibiotics and hormones in livestock feed, for example, could erupt into widespread alarm at a moments notice.

But there is even more.

In terms of nutrition, the emphasis in the United States, and other affluent societies, has pretty much shifted from a focus on diseases caused by nutritional deficiencies -- to diseases which are linked to saturated fat and cholesterol. A nationwide survey in 1989 -- found a significant correlation between concerns about fat and cholesterol and decreased consumption of milk, beef, pork and eggs.

Ironically, the increased consumption of cheese indicates that consumer response, or their information about, high fat products has been limited, since most cheese is high in fat.

In the midst of all trends and changes, we have witnessed another phenomenon -- the emergence of a growing number of people in the world who strongly believe that "Livestock Production" and beef consumption are among the very worst threats to the future well-being of the earth and its human population -- stating that animal products not only cause heart disease and cancer but contribute substantially to world hunger, global warming and water pollution as well as by destroying rain forests, turning viable land into deserts, pouring methane gas into the atmosphere and polluting our water supplies.

Then there are the animal rights groups like PETA (People for the Ethical Treatment of Animals) who believe animals should not be used for food, clothing or experimentation.

And finally, there is the pending GATT Agreement and its potential impact on the livestock industry.

**Makes me wonder whatever happened to the good old days when all we had to be concerned about was weather and markets!**

Of course, some would argue that there have always been a lot of other things to worry about as well -- and that the good old days weren't that good either.

Besides, good or bad, those days are gone -- never to return -- so our attention needs to be focused on the future.

Which brings me to my predictions for the Livestock Industry.

Prediction #1 - I see a livestock industry emerging that will be much more responsive to consumer wants and needs than it has been in the

recent past. If for no other reason than it has to become more responsive if it wishes to capture a larger share of the market and stop the decline in beef consumption and other animal products such as milk. Consumers are increasingly asking the industry to convert its animals into a greater variety of products and specific types of meals.

Prediction #2 - The livestock producer of the future will be less independent and more integrated into the food chain -- raising their livestock under contract to meet certain specifications. Consumers are at one end of the food chain and producers are at the other. Consumer-driven changes work their way through the food system from the retailer to the wholesaler to the food processor and back to the producer.

Prediction #3 - Producers in the future will work more closely with universities and with processors, distributors and retailers to meet the consumer's demand for safe, nutritious, convenient and high quality food products.

Prediction #4 - I see the livestock industry working much harder than ever before at lowering the fat content of its products and improving its cost efficiency. A health conscious consumer will demand a lower fat content and competition will require greater cost efficiencies.

Currently 37% of the calories in the U.S. diet come from fat, a good share of it from animal products. Federal dietary guidelines call for a reduction in fat consumption to 30% of the calories in our diet.

The dairy industry is responding to these guidelines by producing products which are lower in fat. To date, the beef industry has done very little.

**For example: to stimulate higher protein and lower butterfat in milk, the Upper Midwest dairy markets are changing their method of payment to producers in 1993 from the current payment for hundredweights of milk to a method which pays producers for protein at \$2.00 or more per pound, for butterfat at \$.80 - \$.90 per pound and other solids at \$.25 - \$.50 per pound.**

The beef industry, on the other hand, has talked a lot about reducing fat content in beef the last few years, but a recently completed Beef Quality audit indicates that the amount of fat on beef carcasses has not really changed in the past 18 years, in fact it has increased somewhat.

According to Dr. Bill Mies of Texas A & M, advisor to the National Cattlemen's Association Quality Task Force, that fat translates into a loss of

about \$256 per head of beef -- because the industry produced the wrong kind of products or lost opportunities in production.

**The beef industry like the dairy industry will have to reduce fat content or stand the risk of a further and rather major decline in consumption.**

Whose to blame for the inaction in the beef industry and why did it happen? Probably everyone in the industry is to blame. The fact is that the packer has continued to ship the same specification of fat and lean to retailers that they have shipped over the years.

In order for this to change, livestock producers will need to get much more involved in lowering the fat content. The place to begin is with educational programs which educate the retailers to buy less fat from the packers, this in turn will cause the packers to buy less fat from the feeders and the feeders to buy less from the producers. Like in dairy, the economic signals need to translate themselves all the way through the food system chain.

And, keep in mind that time is very limited: The next five years are highly critical for the beef industry. During that period of time beef has to become much more competitive with other meats in the retail counter if it intends to survive long term.

The bottom line for the beef industry is to produce a product that not only contains less fat but is more convenient and more affordable as well -- while preserving its quality.

There are basically two ways to alter the composition of an animal product: By selective breeding (which is usually a rather long term process) or through genetic engineering (which is much quicker).

The livestock industry doesn't have time to rely on selective breeding alone -- nor does it have to -- because the technology is already available to do the things that have to be done. I'm referring to such things as gene transfers and splicing, cloning and embryo transplant and other similar techniques. Moreover, over the next few years this technology will continually be improved.

Survival for the beef industry involves two things: It has to change its methods and its products by making much greater use of genetic engineering technology, not only to alter its products but to improve its efficiency.

Let's face it, calving percentage hasn't improved all that much over the years. Nor have the rates of gain of cattle on pasture. There is a lot of room for improvement in both the alteration of products, and in the overall efficiency of production - and both will be needed for the beef industry to be competitive in the years ahead.

The same holds true for the dairy industry although there has been greater progress in dairy than in beef -- largely because of artificial insemination.

**Prediction #5** - Environmental issues will increasingly impact on the livestock industry and there will continue to be distractors who will try to characterize the livestock industry as the greatest environmental threat in the world -- polluting the air with methane gas -- polluting the water with waste -- destroying rain forests -- compacting the earth -- and causing disease.

The environmental damage caused by the livestock industry worldwide is greatly exaggerated by these groups and is almost always stated without any acknowledgement of the many benefits provided by livestock -- not the least of which is the conversion of plants and otherwise underutilized or useless land into human food. **The truth of the matter is -- the benefits of livestock still outweigh any problems they might cause by a considerable margin.** To characterize livestock as the largest single environmental threat to the world, as some are doing, is grossly unfair and inaccurate. The livestock industry is not even in the top 5 of the world's greatest polluting industries. But it may be in the top 10. In any event, the livestock industry will need to be much more conscious of the environment than it has been up to now. And it needs to be much more aggressive in educating the public about its characteristics and its benefits. But that's true for almost every industry in the world.

**One of the greatest challenges we will face in America in the years ahead will be to sensibly protect our environment without diminishing our competitiveness in the world.**

At a time when it needs to become much more competitive, the livestock industry, and indeed all U.S. industries are faced with a litany of environmental constraints which could make them increasingly less competitive.

To deal with this dilemma we need more dialogue between industry and environmental factions, more common sense and some worldwide uniformity in environmental rules. Because no one industry, or no one country or group of countries, struggling to maximize profits, with narrow margins, can do it alone.

Hopefully the GATT and the North American Free Trade Agreement will begin to establish such uniform environmental rules.

**The most immediate environmental issue for the livestock industry, in my estimation, is the matter of waste management -- manure handling.**



I predict that in the not too distant future livestock producers will need to routinely develop and file annual waste disposal plans -- and waste management will become an increasingly greater issue.

The methane gas produced by today's livestock industry is probably no greater than when the buffalo roamed our plains but it is more concentrated and dangerous -- as demonstrated by four deaths from methane gas poisoning in Minnesota alone in the last two weeks.

Prediction #6 - The GATT agreement will have a significant impact on parts of the livestock industry. World trade restrictions will be moderately reduced as regional and worldwide trade agreements are implemented. While U.S. beef exports will probably not increase all that much -- at least not immediately -- there will be greater access to markets in Japan and in other Pacific Rim Countries for grain fed beef, a segment of the market in which we are very competitive.

In terms of dairy the picture is more optimistic. The U.S. should be very competitive in the world dairy market as domestic prices decline and world prices increase because our industry is a relatively low cost producer and offers high quality products. Mexico should become a thriving market for U.S. dairy products and Canada will eventually open to U.S. dairy trade. U.S. marketers will enjoy significant cost advantages in Canada.

Prediction #7 - Federal support for the dairy industry will decline in real terms and as a result milk and dairy prices will remain volatile and additional financial resources will be required for survival at all levels of the industry.

Prediction #8 - The traditional family labor based milk production unit will fade away and be replaced by industrial type dairy farms in all regions of our country -- with typical herd sizes ranging from 300 to 1000 cows and only 15,000 such production units will be required to satisfy U.S. domestic markets.

By the year 2000 milk production in the Upper Midwest could be 20% lower than today. But at about the same time, growth will resume as investments are made in industrial type dairies.

**A new industry will emerge in dairy designed to provide highly skilled temporary workers to family type dairy producers who wish to get away on weekends or for longer vacations. This is being prompted by a new type of dairy producer who no longer considers perfect attendance in the**

### **milking parlor as a high priority!**

Prediction #9 - Animal rights groups such as PETA will continue to hound and harass the livestock industry in the future and their number will probably grow as farming and ranching increasingly become a more abstract way of life for a growing number of people -- making them ever more susceptible to distortions and lies.

The livestock industry cannot and should not ignore these groups or their negative impact on the industry, and it must resist the temptation to fight their often unorthodox methods with similar methods. The most effective way to diffuse the efforts of these groups is by producing convenient, nutritious, safe and affordable products; by handling livestock in a humane manner and by continually educating the public to the character and importance of the livestock industry. For the extreme hard core among them a few new laws may be needed as well.

Well, those are some of the things my crystal ball tells me about the future of the livestock industry. Obviously in the time allotted I could only cover a few things. But if it causes you to think about the future and your role in it -- I've probably accomplished what the program planners had in mind.

Let's face it. The future of the livestock industry will in large measure depend on people. People who make up the livestock industry -- producers -- processors-- wholesalers and retailers -- people like you who have an influence on the industry -- veterinarians -- consumers -- legislators -- interest groups.

**As veterinarians, you have a unique and highly important role in determining the future of the livestock industry.**

**Beyond your many professional responsibilities, you are in a position to interpret the things which are impacting in the livestock industry -- and to advise, educate, encourage and to guide.**

**In other words, you can make a difference.**

**When it's all said and done, the character and success of the livestock industry 10 years from now -- as compared to now -- will largely be a reflection of how well you and I and others in the industry have interpreted the various forces which are impacting on the livestock industry and how well we have reacted to these forces.**

**My overall prediction is that the livestock industry will do quite well -- but it won't be easy.**

**It's been a pleasure being with you -- and my best wishes to you for a most successful conference.**