



# CHAROLAIS

VIEWPOINT

J. Neil Orth, Executive Vice President

## Round and Round it Goes.

Where it stops, nobody knows!

**W**riting a monthly column keeps the focus on the here and now. Yet, when it comes time each month to actually begin to commit words to print, most of us will think, on occasion, “this seems vaguely familiar”. This month’s column has been revised from an earlier message. The subject matter is as relevant today as it was when originally written.

The beef industry is cyclical. It’s simply the nature of the business. We make enormous progress, but we do it as the entire industry ebbs and flows in a cycle we all accept as reality. Up or down movement results from many factors. Overall economy, supply and demand, drought, politics, etc., all collide at some point and move the cycle up or down. Producer survival depends on the ability to be nimble and willingness to accept change.

Study the business cycle and one can become rather quickly overwhelmed by the fundamentals of economics. The four phases of a business cycle—contraction, trough, expansion and peak, are not regular or predictable. Their timing is random and can be charted by measuring the pace of economic activity.

Once in decline, market share shrinks. The company is forced to cut costs, reduce the quality of the product, manage the inventory differently or, as a last resort, remove the product from the marketplace.

If you are asking yourself, “How does this apply to my Charolais operation, my membership in AICA or my role in the production of beef cattle?”, here’s the connection. While we don’t have a classic “manufacturing” model, we are no less in the manufacturing business. Our manufacturing business is fragmented into very distinct segments. Our model is built on seedstock production, commercial cow-calf production, stocker operations, feeding systems and finally, the packer. While traditional manufacturing is usually housed under one roof, we are engaged in various segments of beef production in every corner of the country.

A consumer has many, many options when making decisions about what to feed the family. Yet, before we can even think about satisfying the consumer, we must first listen to the signals being sent from our customers in the next, more immediate segment of the food chain. If you are the registered seedstock producer,

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A product life cycle, however, is much more predictable. Clear signals are sent down the production line to the ultimate originator of the product. Producer response to signals determines whether or not the product moves to the next cycle. The movement from the introductory or development stage, through the growth stage, to maturity and finally decline can be determined by asking a simple question. Is the product meeting the needs of the consumer? If the answer is yes, the product moves from introduction to growth.

Once the maturity stage is reached, the real competition for market share begins. The product or company can enjoy all the benefits reaped during the maturity stage and continue to pour profits and realized resources into improvements, research or expanded services. Those products not winning the war for market share move to the next stage of the product life cycle, the decline stage.

your long-term survival is dependent on your ability to produce a product that ensures success for your customer, the commercial beef producer. If we are successful, those profit opportunities are passed from the beginning of the food chain to the end and the consumer loads a shopping basket with fresh, healthy and nutritious beef.

We can’t change the economy. We can change how we think about our business. We can change how we conduct our business. And we can manage our products and services over time to ensure we not only meet but also exceed our customers’ needs. We can control the life cycle of our product.

While the anti-meat and anti production agriculture noise seems deafening at times, supply and demand data indicates the movement by this obnoxious faction is not achieving much success. Consumers love beef.

**CJ**