

# Red meat sector: Challenges & Future Perspectives

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# Beef & Sheep Challenges

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**What are the real challenges to a beef & sheep business ?**

## **(1) Profitability is poor**

**Why ?**

**volatility in price**

**business structure (many small businesses)**

**reductions in subsidy**

**high exchange rates**

**lack of long term investment**



# Beef & Sheep Challenges

## Examples of beef Gross & Net Margins (2014)

	Upland herds	Forage based finishing
Output	754	578
Variable costs	410	375
<b>GROSS MARGIN</b>	<b>344</b>	<b>203</b>
<b>Fixed costs</b>	<b>446</b>	<b>251</b>
<b>NET MARGIN</b> (i.e. Profit)	<b>-102</b>	<b>-48</b>

**It's the fixed costs that need to be the focus**



# Beef & Sheep Challenges

## Examples of sheep Gross & Net Margins (2014)

	LFA Hill flocks	LFA Upland flocks
Output	42	93
Variable costs	26	42
<b>GROSS MARGIN</b>	<b>16</b>	<b>50</b>
<b>Fixed costs</b>	<b>39</b>	<b>53</b>
<b>NET MARGIN</b> (i.e. Profit)	<b>-23</b>	<b>-3</b>

**It's the fixed costs that need to be the focus**



# Beef & Sheep Challenges

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How to respond to these challenges ?

Profitability is poor so what can I do ?

change business strategy (e.g. specialise, go organic ?)

change business structures (get out, go part time or expand)

increase output (maybe improve income by other means ?)

improve efficiency (focus on improving **profit**)

only then will long term investment make sense



# Beef & Sheep Challenges

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How to respond to these challenges ?

What can the industry as a whole do ?

Maintain/increase output

(grow the beef & sheep sectors in Scotland/UK)

Extract max value from supply chain back to producers

(relationships along supply chain)

Go for “quality” premiums

(only if it makes more **profit !**)



# Efficiency of production and climate change

## Profit = income – costs

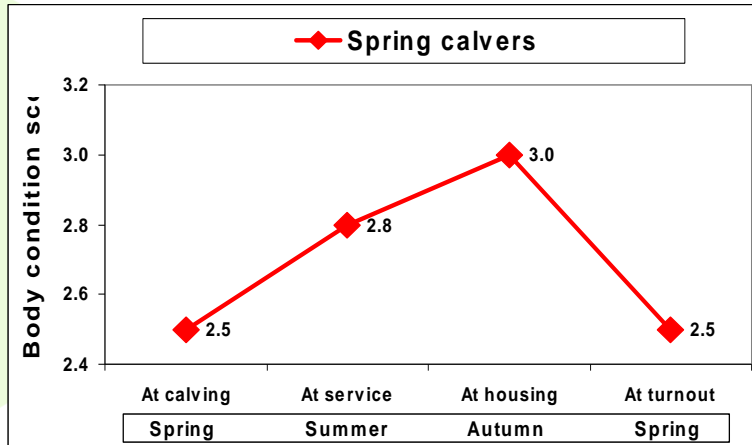
(Efficiency is the route to profit & cutting GHG)

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# Herd Fertility - 5 key principles



Management of cow condition



Bulls - soundness, fertility and calving ease



Avoiding difficult calvings



Heifers - hit target bulling weight



Herd health - keep out disease



# Herd health - keeping out disease

## Suckler cows

- BVD
- IBR
- Johnes
- Leptospirosis / TB



## Suckled calves

Respiratory disease

Etc

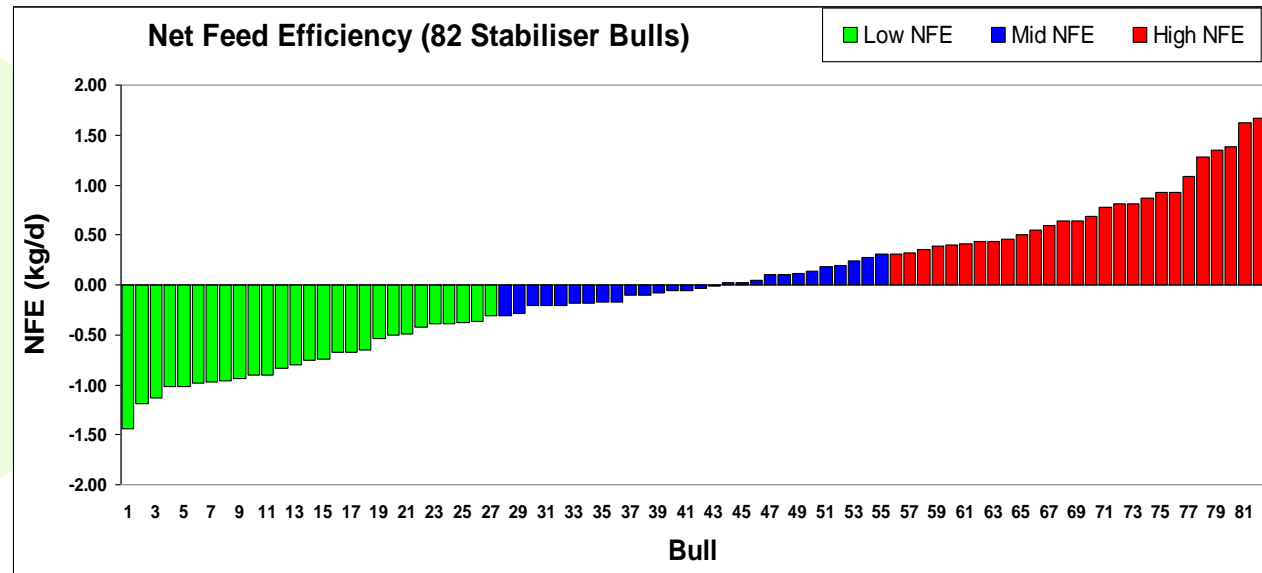


**(know your problems and address them to increase output)**

# Net Feed Efficiency (NFE)

**Breeding to improve individual animal NFE**

**Improves profit (& cuts GHG/kg red meat)**



# Efficiency in finishing systems

## Feed conversion ratio & costs

		Time to finish (months)			
		<u>12</u>	<u>18</u>	<u>24</u>	<u>30</u>
<b>FCR</b> (kg LWG/kg DMI)	5-7	12	16	20	
<b>Feed costs</b> (per tonne)	High	Med	Low	Low	
<b>Feed costs</b> (over lifetime)	Low/ Med	Med	Med	High	
<b>Fixed costs</b> (over lifetime)	Low	Med	Med	High	

# Improving efficiency in beef production

- **Strategies to improve efficiency in livestock (beef) systems**
- **Choose** to finish weaned animals using efficient, **short duration finishing systems**
- **Minimise** animal productivity losses due to adverse **animal health** problems
- **Adopt** measures to ensure **high fertility rates** in the breeding herds/flocks
- **Manage** cow (ewe) BCS to **minimise** use of **winter feed**
- **Calve heifers** for the 1<sup>st</sup> time **at 2** rather than **3** years of age
- **Use creep feed** to minimise performance checks at weaning
- **Ration** animals according to **feed quality** and **animal requirements**



# Beef & Sheep Challenges

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How to respond to these challenges ?

Profitability is poor so what can I do ?

focus on the output per unit of fixed cost

remember business profit is what actually counts

(the rest - *of which we hear a lot* - is secondary

to **PROFIT**)





# Animal monitoring technology (some examples)



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# Animal monitoring & management

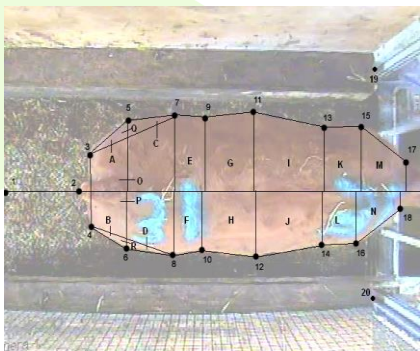
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- Beef cow calving study
- Dairy cow calving study
- Beef cow oestrus study
- Dairy cow oestrus study
- Methcollar study (methane measurement on animal)
- SARA studies (sub-acute rumen acidosis)

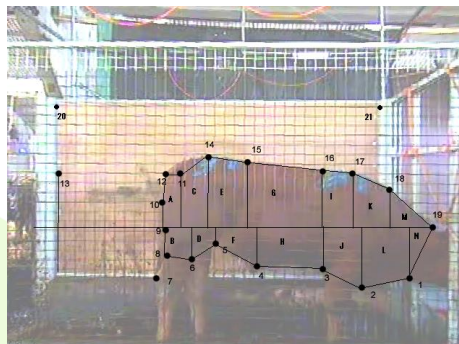


# Animal monitoring & management

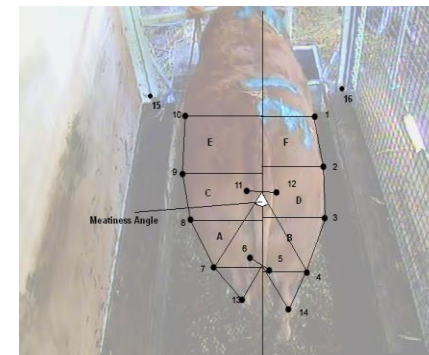
- Beef Monitor (digital image analysis of live finishing cattle)



Top view



Side view



Rear view

- EID systems for sheep
  - & handling technology



# Animal monitoring technology

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Can the expense be justified ?

Yes – we would not be doing the work if it could not

**BUT**

Only if its advantages & capacity to improve **PROFIT**  
are actually exploited

**We need to focus on people using it – not just the technology**



# Beef & Sheep Challenges

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How to respond to these challenges ?

What should be the R&D focus ?

Real business needs (i.e. fixed costs & **PROFIT**)

(not basic science – that has been a bad direction)

Actually making R&D useful to real people, managing real animals in real businesses in the real world

Less of the “R” and more of the relevant

**Development & business application**

**This is beginning to happen (e.g. Innovate UK)**



# Red meat sector:

**Challenges – focus on profit for businesses**

**Future perspectives – management, output & efficiency**

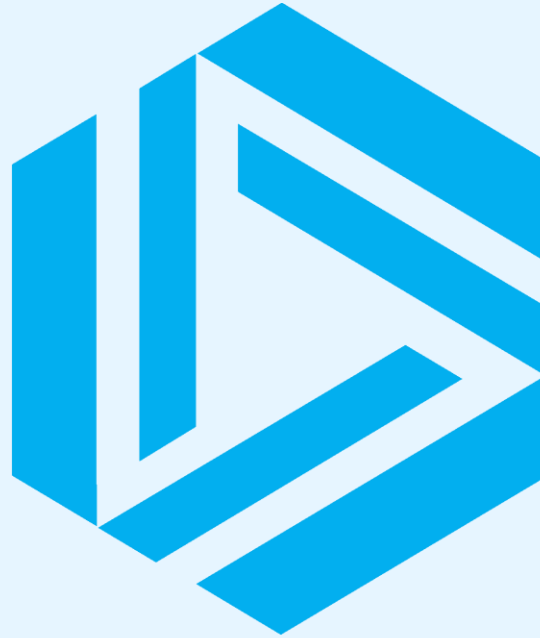
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