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December 1995

## What Does a Commercial Producer Expect In a Strategic Alliance?

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Teichert, Burke, "What Does a Commercial Producer Expect In a Strategic Alliance?" (1995). *Range Beef Cow Symposium*. 187.

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**WHAT DOES A COMMERCIAL PRODUCER EXPECT  
IN A STRATEGIC ALLIANCE?**

**Burke Teichert**  
General Manager  
Rex Ranch  
Ashby, Nebraska

The discussion of strategic alliances in this setting at this time in the cattle numbers and price cycle is extremely appropriate. I am honored to have been selected to speak for commercial producers regarding what we expect of strategic alliances.

While some may have a fairly concise, narrowly defined idea of what a strategic alliance is, I would prefer a less structured view. A strategic alliance could be any long-term win/win relationship between two or more independent businesses. When this happens the businesses become inter-dependent. This makes the quality and structure of the alliance very important to all parties.

A strategic alliance for the purpose of producing, adding value to and marketing cattle or beef represents a huge investment of time, negotiation, emotion and money. Such investment requires long term benefit and commitment. To make such a commitment a commercial cattle producer is going to want reasonable assurance that certain expectations will be met.

I think there is some danger that in ten years or so, when the next down-turn in the price cycle comes, it may be difficult for those not involved in alliances to sell feeder cattle. I hope a sense of this kind of future market place doesn't cause us to rush into alliances without insuring that most of our expectations will be met.

My list of expectations is brief and, I hope, simple:

1. There must be a way to fairly share the burden of input and the financial benefit. Right now with packer margins and the ranch to retail spread the largest in history, it's easy to feel like someone's coming to us saying, "We have this marvelous opportunity for you to improve the health and conversions of feeder cattle and to improve carcasses and we'll share the improvement.

Let's ask some pertinent questions: a) When we should all be producing for the consumer, why should the feedlot or the packer ask us to improve management and genetics when the feeder isn't willing to sort to kill or the packer isn't willing to use proper electrical stimulation or guarantee adequate aging? No amount of pre-feedlot management and genetics can make kill lots as uniform as sorting to kill. It is known that electrical stimulation and aging can remove two-thirds of the variation in tenderness in fourteen days. b) Will the division of financial benefit

accruing to an alliance take into account that a commercial producer will turn his total cattle inventory less than once a year, a feeder two-three times per year and a packer once every few days - two weeks with proper aging?

2. The pricing system must accurately reward improvement due to management and genetics. When yield grade 3 is called par and yield grade 4's are discounted \$10-\$14/cwt., I begin to wonder why the premium for yield grade 2's is only \$4 and for 1's is only \$6. I want to ask, "Is that really fair? Does that really send a pricing signal as to what is best?"
3. There must be complete reporting of results from the feeder, the packer, the retailer, the consumer or as far as the participants in the alliance have the capability of reporting. Each participant needs to know that his effort either has or has not brought forth benefit.
4. There can never be any doubt about the honesty, integrity or intent of the participants.
5. There needs to be a strong feeling that the initiators of the alliance don't feel a proprietary justification for taking a bigger share because it was "their idea". The rest of us will have some good ideas too.
6. We, as commercial cattle producers, must expect to do our part and then some to assure that quality is built in on the front end.

If each participant in an alliance can feel like the other participants are treating him or her fairly in the above listed expectations, then I think alliances will be the way of the future for many in our industry.