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Some historical perspective is useful here. Recall the beef industry's market share began slipping in the early 1980s. Misperceptions about beef's health attributes were gaining traction within the medical community and subsequently spilled over into the general public. Adding insult to injury, it became apparent during the '90s that beef was also losing its primary market advantage – palatability (especially concerning given it's the foremost purchasing motivation among consumers and provides opportunity to derive price premiums relative to the competition). Convergence of these factors coupled with aspects of product inconsistency, lack of preparation convenience and disproportionate rise in costs placed the industry in a tenuous situation.

The competition took advantage of the opening. Pork and poultry were successfully advancing their respective perceptions among consumers while also becoming increasingly efficient. Beef was being smothered in terms of the all-important price/value relationship. Growth stalled: between 1980 and 1998 (low-point in beef demand) new spending on beef products was meager - $6/person. Meanwhile, new spending on pork and poultry grew by $112/person (stated another way, beef gathered only five cents out of every new spending dollar - the competition teamed up for 95 cents).

Erosion of market share had to end. But that would necessitate change. Beef was working within a haphazard system that encouraged commoditized production. Cattle (and their carcasses) were often forced to fit systems they weren't suited for. Cooler sorts proved unreliable in meeting customer specifications. Shortfalls and inefficiencies had to be minimized. Bolstering competitiveness would require the industry to become more customer-centric and move away from its product-driven approach.

Rebuilding demand mandated commitment to continuous improvement; production systems needed to close the loop. The system had to establish systematic, process-driven incentives to ensure reliable, steady supply of cattle in the future to meet customer demands. Towards that end the National Beef Quality Audits (NBQA) began initial work in 1991 to identify critical quality shortfalls and baselining system performance. That was only the start – there's still work to do. In fact, NBQA 2005 identified those components to be an ongoing concern; the audit's top three industry goals for 2010: 1) clarification of market signals that encourage production of cattle, carcasses and cuts that conform to industry targets; 2) foster communication among groups and segments of beef supply chain; 3) increase age and source verification to build supply lines of cattle to fit domestic and export markets.

Those objectives establish the premise of industry coordination based on objective and verifiable market signals. That's brought favorable change to the beef industry's supply chain by facilitating production systems that are increasingly responsive to end-user specifications. Moreover, such coordinated systems promote better process control, flow scheduling and overall production efficiency. Hence, both sides of the price/value equation are being enhanced. That's good for everyone – a rising tide. The empirical evidence is undeniable. Beef's production sector has witnessed increased revenue over the past twelve years – more dollars available for beef producers throughout the system (see graph below).

But supporters of the newly proposed GIPSA rule want to turn back the clock and subjugate gains made in recent years. Such a setback is riddled with unintended consequences. Quality management and process control go out the window. Business improvement becomes stagnated and beef reverts to a utility product. That setting automatically boosts the competitors – they get further ahead by conducting business in their current state of advanced coordination while beef is burdened by fundamental complexities.

Moreover, stepping back to the status quo leaves small producers out to dry. Industry progression has given rise to a plethora of marking options for producers - from which both large and small can profit based on their capabilities. But imposing a cash-only, one-price-fits-all marketing system limits opportunity. The economics change as value-driven incentives disappear from the system. Big trumps small: market leverage and competitive advantage goes to large producers (which fuels consolidation even further). Weekly markets devolve to a game of speculation and adversarial exploitation. And therein lies the problem: the rule is self-defeating penalizing the very entity it's intended to help.

Free enterprise rewards ambition, ideas, innovation, and resourcefulness. The beef industry is a case study of the successful and transformative power of market-driven incentives and open communication. The real test is consumer dollars; the collective vote tally revealed beef was getting left behind. But the industry renewed itself and became increasingly competitive. As such, history provides an explicit lesson of what, and what NOT, to do. The beef business is battle tested. Why retreat now and give back what was so difficult to win in the first place?