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Recommended Citation

Tempo, Vol. 27, no. 1 (1981), p. 15-16

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A NEW TECHNOLOGY

Iowa Beef and the satellite network

by MAURICE L. MCGILL/Partner
Phoenix

Cattle buyer Wendell Hanson phones information from field.

An undercover agent listening in on an orbiting satellite frequency might first be puzzled by the following:

"Tel-Sat one, this is Tel-Sat base. How are ya, Bob? We need 15 choice-primers for Dakota City. Here's the numbers. Choice-prime 3-4, 1,000-1,025 lbs., rated \$69.75-70. Choice 2-4, 900-1,050 lbs., \$67.50-69.50. Thanks, Bob. Catch ya later."

Such a transmission hasn't happened yet, but it will. Incongruous as

it seems, the beef packing industry—with its images of crowded, noisy cattle yards and platoons of aproned meatcutters—is joining the space age. Tentatively, but surely, a communications project is underway that may revolutionize an industry that has already seen considerable change in the past 20 years.

What is not so surprising is that Iowa Beef Processors, Inc., a firm responsible for many of those changes, is leading the revolution.

A NEW TECHNOLOGY

The history of IBP reveals an impressive series of innovations. Founded only 20 years ago by two independent thinkers, Currier Holman and A.D. Anderson, IBP has turned the beef packing business inside out.

Convinced that the traditional methods of procuring, transporting, and slaughtering livestock were inefficient and outmoded, the company decided to build highly mechanized plants out in the country closer to the cattle supply. The establishing of these local plants—the company now has 11 plants in seven states—meant that the company could buy cattle directly from the farmer, reducing the high transportation and marketing cost. It also enabled IBP to select the best cattle available.

Recognizing the need for instant communication, the fledgling firm established a microwave system in five states that linked the purchasing and marketing staff, the packing plants, and the cattle buyers in the field. Instant communication, for those unfamiliar with the packing business, is not only efficient, it is a necessity. The market prices published in the newspaper are usually closing prices. During the day, prices fluctuate rapidly up and down, influenced mainly by supply and demand. Buying or selling at the wrong time can mean a difference of thousands of dollars.

"We're talking about a price situation that changes by the minute, not by the hour or day," says John Coleman, IBP director of management information systems. "We slaughtered 5 million cattle last year, so you can imagine how much difference a few cents per head can make."

The radio system is simple but effective, and operates like a wireless telephone. The field buyer dials a code number on the radio set in his vehicle which gains him access to the

microwave line. The signal is relayed through 71 microwave towers across Nebraska, Iowa, Minnesota, South Dakota, and Kansas. Twice each day, the chief buyer at the company's Dakota City, Neb. headquarters makes a general conference call to all field buyers, relaying market information and requests for livestock.

The system has surpassed the company's expectations in its 14 years of operation, but time and the harsh midwestern weather have taken a toll on outdated equipment. Parts are difficult or impossible to acquire. Also, the system is not secure, either from simple scanning devices, which enable someone to listen in, or from line failure.

"The United States has developed the most efficient food and fiber system in the world. It is efficient for one reason—because investment in agriculture and its marketing systems has been economically attractive."

THOMAS SAYLOR
associate administrator
USDA Foreign Agricultural Service

The company faced several alternatives, all of them expensive. The most obvious solution was to rebuild the entire microwave system at a cost of many millions of dollars. Another was the replacement of microwave equipment with standard, dedicated telephone lines—again at a huge cost.

But once again Iowa Beef Processors has made a decision that sets

the company apart from others in the industry. It chose to leapfrog into space-age communications by establishing a link-up with an orbiting communications satellite. According to Don Savage, manager of communications, satellite control offers the brightest future for the best price.

"Initially, we plan to test the system on a limited basis," he explains.

"Obviously a complete conversion of the entire five-state system would be prohibitive. So we'll tie in only our southern region packing operations until we work out potential problems, and, more importantly, acquire experience in this area." The plan is to combine limited satellite operations with dedicated telephone lines in the other areas, but the combination is still less costly than rebuilding the microwave system.

Although the satellite control has many potential uses—including telephone and data network tie-ins, corporate and field sales communication, and even exotic possibilities like tele-conference calls—the pioneer system will be limited initially to the IBP plants in Kansas, the southern system cattle buyers, and Dakota City headquarters.

An immediate advantage of the new system—expected to begin operation in July, 1981—will be the elimination of almost half of the microwave towers. The operation will require several earth stations which transmit the satellite signal; no new towers will be needed. Satellite communication is also secure and extremely reliable unless, as Savage puts it, "the bird falls out of the sky."

Iowa Beef Processors again has set a foot in unexplored territory. "This company is not afraid to look at anything that might help our operations," says John Coleman. "We constantly encourage our people to find new ways of doing things."