

Brand Urges GIPSA Caution

by **Steve Suther**

Stakeholders in the U.S. livestock industry gathered Friday, Aug. 27, in Fort Collins, Colo., to debate market access at a U.S. Department of Agriculture (USDA)/Department of Justice (DOJ) workshop on competition. Afterward, as many questions as answers remained.

Was anything settled? Do all problems boil down to people leaving rural America because of corporate concentration? Does the Obama Administration have a mandate to “fix that problem” through government intervention?

A crowd of more than 1,500 seemed divided about whether new rules from the USDA Grain Inspection, Packers & Stockyards Administration (GIPSA) should be put in place — rules which aim to “enhance fairness,” but may affect value-based marketing of cattle.

Certified Angus Beef LLC (CAB) President John Stika testified because the nonprofit subsidiary of the American Angus Association has an interest in seeing that markets reward producers for quality as defined by consumers. Contracts paid on carcass merit are called “alternative marketing agreements” (AMAs) because they are outside of the cash market for commodity

cattle. Such contracts were criticized by some as unfair, but they simply pay premiums and discounts for actual beef value rather than estimates from live appearances.

The market has been moving in that direction since the *Certified Angus Beef*® (CAB®) brand was born in 1978, and an estimated half of all finished cattle now sell on AMAs. In support of that evolution, Stika suggested the Administration continue oversight to “see that any persons who have been excluded from value-based marketing opportunities may soon take advantage of that ability to be paid for cattle according to consumer desires.”

However, he warned that the good intentions in seeking greater fairness can backfire. “We urge that great care be given to ensure that no one who has worked to add value to their herd in an effort to meet consumer demands finds fewer marketing opportunities — even if that development is unintended,” Stika said.

Pull-through demand from consumers has functioned successfully because of increasingly available value-based marketing opportunities, he said, noting Cattle-Fax

research that quantifies current consumer support of premium brands at \$500 million per year. Angus producers “planned ahead for the value-based future we have today by investing in genetic evaluation and establishing this brand more than 30 years ago,” Stika said.

Since then, value-based opportunities have only expanded, and CAB licensees will sell more than three-quarters of a billion pounds of branded product this year worldwide, returning at least \$25 million to cattlemen through AMAs such as grids.

“We recognize a stated intent in the proposed [GIPSA] rules to level the playing field,” Stika said. “We urge that any low spots be raised to enhance access to consumer-focused marketing, rather than knock down the high spots of opportunity currently available to any enterprising beef producer.”

Granting that the new rules would not dictate a reduction in value-based marketing, Stika said that still could be the end result.

“Unintended consequences of rule changes could actually harm the interest of fairness in the beef market,” he said. “If a proliferation

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CAB offers testimony at USDA/DOJ hearing

Certified Angus Beef LLC (CAB) President John Stika presented testimony Friday, Aug. 27, at the U.S. Department of Agriculture (USDA)/Department of Justice (DOJ) workshop on competition in Fort Collins. Following is the text of that testimony:

“Members of the Panel, fellow concerned members of the beef industry:

“The *Certified Angus Beef*® brand is a not-for-profit subsidiary of the American Angus Association, which has a long tradition of helping producers add value to their cattle. Producer-members of the Association planned ahead for the value-based future we have today, by investing in genetic evaluation and establishing this brand more than 30 years ago. Since then, value-based opportunities have only expanded, and our licensees will sell more than three-quarters of a billion pounds of branded product this year worldwide, returning at least \$25 million to cattlemen through alternative marketing agreements (AMAs) such as grids.

“Pull-through demand from consumers has functioned successfully because of increasingly available value-based marketing opportunities. Cattle-Fax research says the current system allows producers to receive \$500 million per year in value-based premiums paid into the system by consumers, the only source of new dollars in the cattle industry. It is in our mutual best interest to see that any persons who have been excluded from value-based marketing opportunities may soon take advantage of that ability to be paid for cattle according to consumer desires. We urge that great care be given to ensure that no one who has worked to add value to their herd in an effort to meet consumer demands finds fewer marketing opportunities — even if that development is unintended.

“We recognize a stated intent in the proposed rules to level the playing field. We urge that any low spots be raised to enhance access to consumer-focused marketing, rather than knock down the high

spots of opportunity currently available to any enterprising beef producer.

“We fully understand the proposed GIPSA rules don’t spell out a required end to value-based marketing. However, we are concerned with the potential for overly broad interpretations that treat poultry and beef production alike when they are very different systems. USDA’s stated need for clarification to enhance fairness for poultry growers may result in less clarity when applied to beef producers, where a cooperative approach has taken root over several decades. Efforts to comply with the new provisions could logically result in fewer value-separation opportunities for high-quality cattle, compared to average, commodity cattle that risk a decline in consumer demand for beef. Unintended consequences of rule changes could actually harm the interest of fairness in the beef market; for example, if a proliferation of newly required paperwork makes it less profitable for packers to offer AMAs, then producers will not be paid premiums based on true value. Anything that diminishes today’s value edge for quality could diminish what Angus and other quality-focused producers have accomplished, and reduce the value-added edge their cattle have earned in the marketplace. The idea of improving fairness in the marketing of livestock is something we all should support. How it should be achieved is a matter of opinion, but it does little good to enhance fairness on one hand while potentially restricting it on the other.

“We all want clarity in our rules, but our consumer-driven industry can’t afford the kind that ‘throws the baby out with the bath water.’ We cannot have the kind of clarity that negates its intent by opening the doors to a long series of lawsuits to further clarify. Therefore, we urge caution in attempting to clarify policy by using selected opinions without greater consensus on both the direct effects and potential side effects resulting from efforts to comply with change.”

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Cautioning that "it does little good to enhance fairness on one hand while potentially restricting it on the other," Stika called for "greater consensus on both the direct effects and potential side effects resulting from efforts to comply with any change."



AgWired offers comprehensive overview of GIPSA issue

Chuck Zimmerman of AgWired.com offers a comprehensive overview of the current GIPSA controversy, including audio coverage of the Aug. 27 USDA/DOJ workshop and the National Cattlemen's Beef Association/National Pork Producers' Association press briefing the day prior. Visit <http://agwired.com/category/gipsa/> to learn more about the issue and hear discussion and testimony firsthand.

For more viewpoints on the proposed rule change, visit newsrooms of the following organizations:

American Farm Bureau Association (www.fb.org)

American Meat Institute (www.meatami.com)

National Cattlemen's Beef Association (www.beefusa.org)

National Farmers Union (<http://nfu.org>)

Organization for Competitive Markets (www.competitivemarkets.com)

R-CALF USA (www.r-calfusa.com)

U.S. Cattlemen's Association (www.uscattlemen.org)

U.S. Premium Beef (www.uspremiumbeef.com)

— by Shauna Rose Hermel