

Cattle Marketing and Trade

Experts discuss market access, cattle marketing and global impact.

by **Miranda Reiman**, Certified Angus Beef LLC & **Troy Smith**, field editor

It's no surprise the United States is known across the globe as the "gold standard" for high-quality beef. After all, an estimated 80%-82% of all grain-fed beef is U.S.-produced, said Larry Corah, with the *Certified Angus Beef®* (CAB®) brand, during the Cattlemen's College® export session Feb. 4.

Jay Theiler of AgriBeef and Paul Clayton, U.S. Meat Export Federation (USMEF), rounded out the panel on beef trade during the 2015 Cattle Industry Convention & NCBA Trade Show in San Antonio, Texas.

"Our main advantage is premium-quality beef," Theiler said. "We are recognized as the gold standard around the world. It's pretty fun to go out and sell our products because of the demand."

For AgriBeef, an integrated beef production company, export strategy has as much to do with the future as it does today's marketplace.

Currently, 96% of the world's population lives outside the United States.

"That's where the money is, or is going to be," Theiler said, noting 80% of global middle-class growth is projected to come from Asia.

Trade is also "good risk diversification," he said. For economic growth last year the United States ranked 166th out of 196 countries.

That's why AgriBeef markets three beef brands in 30 countries worldwide. The CAB brand has built worldwide marketings to 80 countries with a similar strategy.

"The upside potential in the global marketplace for a brand like ours is immense," Corah said.

CAB attributed 13.5% of sales to its international division last year. Of that 120 million pounds (lb.), 60% were end meats, or items from the chuck and round, compared to the strong domestic demand for such middle meats as strip loins and tenderloins. "The international market is critically important," Larry Corah said. The top CAB international markets are Canada, Mexico, Hong Kong, Japan and Korea, but in the last decade the brand expanded its



PHOTOS BY MIRANDA REIMAN

► Jay Theiler (left) of AgriBeef and Paul Clayton (right), U.S. Meat Export Federation (USMEF), rounded out the panel on beef trade during the 2015 Cattle Industry Convention & NCBA Trade Show in San Antonio, Texas.

presence in popular tourist areas in the Caribbean and in South America.

The southern continent is home to some "big beef-producing countries, but a lack of quality product in those marketplaces is the way, the opportunity for CAB to differentiate ourselves," Corah said.

Exports added \$352 per head to the value of each animal in 2014, and some of that

comes from more than doubling the value of items like tongues, livers and hearts.

"They are not normal for consumption here in the United States, but they're sure popular overseas," Theiler says.

That's part of the drop-credit equation (including hide, rendered product, pet food and variety meats), which has added \$36 per head during the last two years, Clayton said.

Free-trade agreements and lifting other barriers increases value across the board, but uninterrupted delivery is key to fulfilling demand. A current point of concern for the panelists: labor strikes on U.S. West Coast docks.

"We're unable to move products," Clayton said. "That's a domestic issue, but it sure affects international when you can't get the products out. The vast majority of our markets are in Asia or places that would have to use the U.S. western docks."

Theiler said it has brought cattle prices down and he worries about what it's doing to long-term demand.

"We are shipping 20% of what we normally ship overseas. That means that the premiums aren't there, so those items that normally go overseas are bringing less money," he said. "We are fortunate we are the leader, but they are looking for other



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suppliers of high-quality beef. Will we get this all back?"

Observers are hopeful, because exports have grown to be an integral part of the beef business.

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— by *Miranda Reiman*

Cattle marketing & international trade

The National Cattlemen's Beef Association (NCBA) Cattle Marketing & International Trade Committee met Feb. 6 during the 2015 Cattle Industry Convention in San Antonio, Texas. Committee chairman and Iowa cattleman Ed Greiman called the agenda "largely educational" and introduced, in turn, several guest speakers.

Among the guests invited to address committee members was Tim Andriesen, representing the CME Group Inc. Andriesen explained how open outcry trading has been permanently suspended for most futures trade. The decision followed a long period of decline, to where less than 1% of contracts were traded on the Chicago Mercantile Exchange (CME) floor and the overwhelming majority of trade was performed electronically. Andriesen also noted the addition of a fed-heifer contract, with trading set to begin in August 2015.



PHOTO BY TROY SMITH

► NCBA Vice President of Public Affairs Colin Woodall reported that mandatory price reporting — the law requiring large packers and importers to report transactions — will expire Sept. 30, 2015.

Rob Johnson, Western Futures brokerage and order-buying company, reported how the CME feeder-cattle index is based on direct reports of weekly feeder-cattle trade. However, large numbers of cash transactions are negotiated daily but not included in the calculation of the index. Johnson asked that NCBA consider studying the advantages



PHOTO BY TROY SMITH

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of voluntary reporting of cash feeder-cattle transactions to USDA in order to strengthen the feeder-cattle index.

NCBA Vice President of Public Affairs Colin Woodall reported that mandatory price reporting — the law requiring large packers and importers to report transactions — will expire as of Sept. 30, 2015. Woodall said NCBA will push for reauthorization for another five years.

Also present to address committee members was Darci Vetter, chief agricultural negotiator for the U.S. Trade Representative. Vetter explained advantages associated with the Trans-Pacific Partnership (TPP) trade agreement, calling it an ambitious endeavor involving 12 nations.

"It's important to the U.S. to gain improved access and more harmonious trade rules in a part of the world representing 40% of the global economy," said Vetter, noting the potential for this agreement to grow U.S. exports by \$123.5 billion. "The U.S. could gain the advantage of lower tariffs and increased access to markets for agricultural products, including beef."

Vetter also reported full access for U.S. beef to the Hong Kong market and the slow but continuing recovery of the Japanese market.

— by *Troy Smith*

Livestock marketing council

The NCBA Livestock Marketing Council met Feb. 5. Composed of livestock-marketing professionals, including marketing firm operators, brokers and order buyers, the Council focuses on issues directly impacting the marketing segment of the beef industry. Among items on the San Antonio meeting's agenda were proposed changes to government regulations pertaining to livestock moved in interstate commerce.

NCBA staff veterinarian Kathy Simmons explained how USDA's Animal & Plant Health Inspection Service (APHIS) announced in January of this year proposed changes to regulations adopted in 2013 to facilitate animal disease traceability. According to Simmons, changes to rules for official identification of livestock moving through auction markets, buying stations and stockyards could affect business procedures at these facilities.

Among the proposed changes are modifications to language that make the APHIS rules apply specifically to "livestock-marketing facilities" and differentiate them from farms, ranches, feedlots, dairies and slaughter facilities. The regulations require all livestock-marketing facilities to allow APHIS to conduct operations necessary to detect, control and eradicate animal disease. Livestock-marketing facilities maintain records of the receipt, distribution and application of all official animal identification devices and USDA-approved back tags.

If adopted, rule changes would allow cattle and bison to be moved from a farm, feedlot or ranch of origin without "official" identification if the animals have been at the operation of origin for at least four months. Such animals must be going directly to no more than one approved livestock-marketing facility.

Simmons said proposed rule changes also remove the requirement that an accredited veterinarian be physically present at all times on auction-market sale days, and allow for a veterinarian to be on-call.

Noting that the APHIS proposal was subject to public comment until March 3, Simmons said NCBA has no current policy on the matter. Livestock Marketing Council members took no immediate action to recommend adoption of NCBA policy. According to Council Chairman John Rose, a Montana rancher and order buyer, Council members will meet with representatives of the Livestock Marketing Association (LMA), a trade association for auction markets. Together the groups will tease out details from the proposed regulatory changes and take a position most advantageous to livestock-marketing firms and the beef industry.

— by *Troy Smith*



Editor's Note: This article includes Angus Journal coverage of the 2015 Cattle Industry Convention & NCBA Trade Show. Comprehensive coverage of the event is available in the newsroom at www.4cattlemen.com.