

Summer Gathering

Highlights of 2013 Cattle Industry Summer Conference

Story & photos by Troy Smith

A change to the National Cattlemen's Beef Association (NCBA) bylaws, adopted at the recent 2013 Cattle Industry Summer Conference, will lend greater significance to future summertime policy-forging sessions. Dominating discussion in committee and board meetings, however, were matters such as use of beta-agonist feed additives, mandatory country-of-origin labeling (mCOOL), the need for a full five-year federal farm bill and a proposed program for boosting NCBA revenue. Some 650 representatives of the beef cattle industry addressed these issues and more, during meetings Aug. 7-10 in Denver, Colo.

Just prior to the conference, Tyson Foods primed the pump for discussion by announcing that, as of Sept. 6, the company would no longer purchase cattle fed rations containing the supplement zilpaterol. Manufactured by Merck Animal Health under the brand name Zilmax®, the beta-agonist feed additive is used to increase lean muscle and feed efficiency.

In a letter giving cattle suppliers 30-day notice of the pending refusal of Zilmax-fed

cattle, Tyson said the reason was not related to food safety, but was an animal well-being issue. The company cited concern that lameness among some animals delivered to Tyson slaughter plants might be associated with the product. Merck maintains that benefits and safety of Zilmax, when used according

to directions, is backed by 30 years of research, development and testing.

In a statement issued during the Denver conference, NCBA CEO Forrest Roberts said, "Cattlemen and women believe in the right of farmers and ranchers to responsibly use FDA-approved technologies. We also believe in Tyson's right to make individual company decisions that they feel are in the best interest of their business. We do not have all the details regarding the animal-welfare concerns cited by Tyson in the letter to their cattle suppliers. However, we take every report of



► "Cattlemen and women believe in the right of farmers and ranchers to responsibly use FDA-approved technologies," said CEO Forrest Roberts, addressing the beta-agonist issue. "We also believe in Tyson's right to make individual company decisions that they feel are in the best interest of their business."

animal-welfare issues very seriously.

"We have expended significant resources to address questions about the use of beta-agonists relative to animal-welfare concerns. We convened experts across the beef supply chain who have conducted extensive research on beta-agonists and engaged cattle-feeding and animal health experts who have many years of experience using these products. We will continue these efforts until we have solid answers to these questions. In the meantime, we believe these products can be used responsibly when managed properly."

On Aug. 16, Merck Animal Health announced it is temporarily pulling Zilmax from the market in the United States and Canada until a scientific audit can be conducted to verify the safety and performance of the product. (See "Industry Puts Welfare First," on page 242.)

CattleFax Market Update

Overall, the general economy is doing better. It's not great, but it is better. Unemployment is down. Per capita income is up. The stock market is up. That's all good for beef demand, according to Alan Smith, an economist and market analyst for CattleFax. Speaking during the Cattle Industry Summer Conference in Denver, Colo., Smith said the state of the economy definitely affects beef demand.

"Consumer tastes and preferences matter, too, but it helps that consumers are feeling better about the economy," stated Smith. "It shows in the rising restaurant performance index, and restaurant trade is a big driver of beef demand."

Wholesale demand is a bit weak, but Smith said it normally lags retail demand, which has moved higher. That means, however, that retailers are giving up some margin.

Early in the year, beef was priced high relative to poultry and pork. By June, said Smith, beef prices had dropped a little, and competing protein product prices had risen, so demand for beef increased.

"We'll have to watch that price relationship to competitive meats, though. It is a factor," added Smith.

Looking ahead, the analyst anticipates a lessening of domestic demand in 2014. As reasons, he cited expectations for increased poultry and pork supplies and lower prices for those competitors. Smith also foresees relatively flat personal income growth for American consumers in 2014.



► Alan Smith, an economist and market analyst for CattleFax, explained how the economy affects beef demand.

"A really great story is what has happened to export demand. Beef exports were expected to be flat in 2013, but they increased — especially exports to Japan and China," reported Smith, noting that 20% of the value of every beef animal is owed to the export market.

Smith also said tough decisions are ahead for beef packing and feeding segments of the industry. He noted excess packing capacity in 2013 of 13% for fed cattle and 20% for non-fed cattle. In 2014, the excess capacity is expected to be 17% and 33%, respectively.

"The industry likely will make decisions to correct that by shutting down plants," said Smith. "The feeding segment also has too much bunk space. That part of the industry will have to adjust, too."