

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."

mCOOL

NCBA Vice President of Government Affairs Colin Woodall addressed multiple committee meetings, reviewing the status of USDA's mandatory country-of-origin labeling rule and NCBA's decision to join with organizations seeking to block its implementation.

The mCOOL rule, finalized in May, revised existing labeling provisions to require muscle cuts of meat to carry information regarding where animals from which the cuts were taken were born, raised and slaughtered. The new rule also removes the previous allowance for commingling of muscle cuts from different countries of origin. According to Woodall, USDA issued the rule after the World Trade Organization (WTO) determined COOL was discriminatory and violated U.S. trade obligations.

"This is a mandatory marketing program, mandated by the government," stated Woodall. "We warned [Congress] in 2008 of the potential consequences. Now we have five years of data to prove it. We can show that it increases costs for the industry and



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consumers don't really care — not when it comes to buying beef. They say they want to know where beef comes from, but when they vote with their pocketbook, it's a different story."

Woodall

said NCBA is taking a legislative approach, seeking repeal of mCOOL, but also a legal approach by joining with organizations that have filed for an injunction halting implementation of the current rule. Those include the American Association of Meat Processors, American Meat Institute, National Pork Producers Council, North American Meat Association, Southwest Meat Association, Canadian Cattlemen's Association, Canadian Pork Council and Mexico's National Confederation of Livestock Organizations.

The plaintiffs have stated that USDA's Agricultural Marketing Service has itself said the mCOOL program is neither a food safety nor a traceability program. Their injunction

Demand study reveals why they buy

Consumer demand is what drives prices and profitability for every segment of the beef industry. Explaining what drives demand is not so simple. According to Purdue University economist James Mintert, consumers are influenced by a complex assortment of factors.



► Purdue University economist James Mintert described the checkoff-funded 2013 Beef Demand Study.

Along with fellow economist Glynn Tonsor of Kansas State University (K-State), Mintert addressed cattlemen assembled for the Cattle Industry Summer Conference in Denver, Colo. They talked about the 2013 Beef Demand Study, which they and K-State's Ted Schroeder completed earlier this summer. Funded with beef checkoff dollars, the research objective was to identify the best opportunities for the industry to influence consumer demand positively.

"We looked at demand from 2000 to the present," said Mintert. "We surveyed consumers about the importance of key demand factors. We also surveyed industry experts, asking what is most important, and we asked if the industry could influence those most important factors. Then, we considered what might happen over the next few years."

The list of factors influencing consumer demand for beef was distilled into seven broad groups: food safety, nutrition, health, social aspects, sustainability, product quality (taste and tenderness)

and price. When those were ranked according to their importance to consumers and in expert assessments, price, food safety and product quality were at the top and considered of nearly equal importance.

"Those three determinants of demand were considered to be of highest importance. It's feasible for the industry to influence food safety and product quality. Price also has a notable impact, but that is difficult to influence," offered Tonsor.

In the next lower tier of relative importance were nutrition and health. Tonsor said they definitely matter, and there is some opportunity to influence these demand drivers. In the lowest tier were sustainability and social aspects.

"They were least important, but you can't ignore them. However, they are hardest to influence," Tonsor added.

As a result of the study, the following were listed as recommended priorities when considering programs for investment of beef checkoff dollars:

1. Invest in food safety enhancements and assurances.
2. Emphasize product quality, offering consistency for flavor and tenderness.
3. Price figures prominently in consumer purchases. The industry should embrace opportunities to enhance efficiency through technologies, and thus exert as much influence as possible on price.
4. Continue industry attention to promoting healthful and nutritional aspects of beef. The advantages of protein and minerals, including iron and zinc, may most appeal to younger consumers.
5. Investments in programs that address social and sustainability issues may have a lower demand-enhancement payoff than investments in other key areas. However, responding to these issues may be a 'cost of doing business.'

"Investments in programs that affect more than one area would be well worth consideration," said Tonsor. "But remember this story is dynamic. Things could be different in three years or five years, so industry response has to change and be current. Whatever strategy is used, it needs to be multi-faceted."



► Price, food safety and product quality were considered to be the three factors of highest importance to consumers, said Glynn Tonsor, reporting results of the 2013 Beef Demand Study.

request claims the rule violates the plaintiffs' First Amendment speech rights, exceeds the authority granted to USDA in the 2008 Farm Bill and is arbitrary and capricious, offering little benefit to consumers, while fundamentally altering the meat and poultry industry.

"We are taking action to show the proponents of COOL are wrong, and it won't make U.S. producers more money," said Woodall. "We could not sit back on the sidelines."

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Legislative front

NCBA President Scott George, of Cody, Wyo., said the organization would push for passage of a five-year farm bill when Congress convenes in September. He cited last year's widespread wildfires and crippling drought as evidence of the need for permanent disaster assistance programs.

NCBA policy also supports legislative or regulatory reforms to strengthen international border security and create a nonseasonal, temporary immigrant worker program. Policy opposes expansion of the Clean Water Act such that farmers and

ranchers would be subject to excessive regulation. Members support revitalization of the research title to ensure funding for agricultural research beneficial to combating emerging livestock disease, exploring new production practices and improving environmental stewardship.

"Another issue we hope Congress addresses in September is the Grazing Improvement Act, which will streamline the regulatory process for federal land permittees," said George, noting that because of the current process and backlogged environmental analyses on Bureau of Land Management (BLM) and U.S. Forest Service (USFS) grazing allotments, federal lands ranchers need assurance they can continue operating while the agencies catch up.

Funding

NCBA's Policy Division voted to proceed with the proposed Voluntary Investment Plan as a means of increasing revenue. According to members of a working group that proposed the plan, funds collected could be applied toward enhancing the beef industry's image, for rapid response to crisis management and to address targeted policy issues.

"Funds could be used to address any issue, whether policy- or promotion-related, including issues that can't be addressed by beef-checkoff-funded programs," explained Montana rancher and past NCBA president

Bill Donald. "Funds could only be invested in initiatives which are consistent with the Beef Industry Long-Range Plan and NCBA's Strategic Plan."



►NCBA President Scott George cited last year's widespread wildfires and crippling drought as evidence of the need for permanent disaster assistance programs in a new farm bill.

Nebraska cattleman and NCBA Policy Division Vice Chairman Craig Uden said packers and cattle producers wishing to contribute to the fund would pay 25¢ per head. To be eligible they must be "full service" members of NCBA and their state affiliate. Investors will be asked to make a three-year commitment.

Responsibility for investment of funds would start with a 15-member advisory

group consisting of four packer representatives; four cattle feeders; one member each from the cow-calf, seedstock and stocker segments; the Federation of State Beef Council chairman; the Policy Division chairman; one NCBA officer; and one NCBA member at large. Board representation is designed to reflect relative levels of contribution by the various industry segments.

The advisory group will be responsible for developing a recommended plan of action and submit the plan to the NCBA Executive Committee for ratification. Approved programs will be administered by NCBA staff on a cost-recovery basis.

Asked if the advisory group makeup might allow packers and large feeders more control over NCBA, both Donald and Uden said contributions toward this fund will not count toward representation on the NCBA board of directors. The fund advisory group's recommended plans for investment are subject to approval by the NCBA Executive Committee, which is accountable to the entire

board of directors and, ultimately, the NCBA membership.

"In no way is this (the Voluntary

Investment Plan) related to the national beef checkoff or any state checkoff. It is a separate funding program, which could be used for activities that, according to the law, can't be supported with checkoff dollars," stated Uden.

Voluntary investment funds could not be used to duplicate existing checkoff or policy work. According to Uden, such a fund would be valuable in situations like that of a few years ago, when the Grain Inspection Packers and Stockyards Administration (GIPSA) proposed a rule that threatened to limit cattle producers' marketing alternatives. Another example would be the infamous "pink slime" controversy.

"There seem to be new challenges every day, and some require rapid response,"

added Uden. "The fund would allow us to be quick and nimble in response to any issue, as long as our action aligns with the NCBA long-range plan for being the world's most trusted and preferred source of beef."



►"There seem to be new challenges every day, and some require rapid response," added Craig Uden, explaining how the voluntary investment fund would put the organization in a better position to respond.

Approval of a change to NCBA bylaws means resolutions adopted or renewed at the Summer Conference will become standing policy following membership approval by mail-in ballot in September. Previously, action taken at each year's Summer Conference

served as "interim policy, until the Annual Convention, in February, and a subsequent member ballot. The change allows members to finalize policy before the calendar year ends, so the *NCBA Policy Book* can be introduced by Jan. 1, to coincide with the beginning of the Congressional year.

Future action taken at annual convention will be "interim policy" until the following Summer Conference and member ballot. The change to the bylaws also eliminated the membership meeting previously held at the close of the annual convention, because of decreasing attendance and frequent lack of a quorum. Each member still has a vote, by mail-in ballot, and there is a provision allowing for a membership meeting when called by the Executive Committee.

Joint committees

Also meeting during the Cattle Industry Summer Conference were joint committees of the Cattlemen's Beef Board (CBB) and Federation of State Beef Councils, which



►Bill Donald helped explain a proposed Voluntary Investment Plan. Funds raised could be applied toward enhancing the beef industry's image, for rapid response to crisis management and to address targeted policy issues.

forge strategies for investment of beef-checkoff dollars toward research, education and promotion. A year ago, the committee structure was revised, condensing 13 committees into just four. CBB CEO Polly Ruhland said feedback regarding the new structure has been generally positive.

Ruhland said that, in the wake of controversy and accusations of outright corruption, the checkoff has undergone multiple audits and assessments and has been shown to be in complete compliance with the law. While producers will not always agree on every decision, she advised CBB members to not let disappointments override the focus, unity and teamwork

needed to accomplish the goals of the checkoff.

“Think about why you are here,” urged Ruhland. Quoting educator, author and businessman Stephen Covey, she reminded them, “The main thing is to keep the main thing the main thing.”

Committee members heard from checkoff contractors and provided feedback regarding proposed and ongoing programs. Committees prepared work plans that were submitted to the CBB Operating Committee to consider for funding its meeting scheduled for Sept. 24-25. CBB members approved a budget for fiscal year 2014 of approximately \$40.7 million. The budget is based on

projected checkoff revenue of \$39 million, plus an estimated \$1.7 million returned from 2013 programs that were completed at less than budgeted expense and carryover funds from 2013.

Cattle producers involved in directing the beef checkoff and those participating in development of NCBA policy will next meet at the Annual Cattle Industry Convention, scheduled for Feb. 4-7, 2014, in Nashville, Tenn.



Editor's Note: *Troy Smith is a freelancer and cattleman from Sargent, Neb.*