2008 Cattle Industry Summer Conference

Challenges and changes are on the horizon for beef producers and organizations.

Story & photos by ***Troy Smith***

The NCBA Agricultural Policy Committee engaged in lengthy debate over the effect of government intervention in the renewable fuels marketplace. Ultimately advanced and approved by NCBA's board of directors was a resolution opposing government intervention, and supporting a market-driven system of renewable energy.

Government's renewable fuels policy, the beef industry's image and reduced beef checkoff revenue were leading topics of discussion during the 2008 Cattle Industry Summer Conference July 16-19. More than 850 cattle producers gathered in Denver, Colo., to participate in meetings conducted by organizations including the National Cattlemen's Beef Association (NCBA), the Cattlemen's Beef Promotion and Research Board (CBB) and the American National CattleWomen (ANCW).

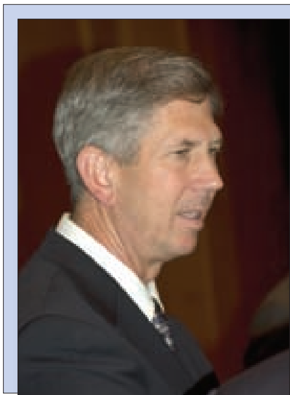
For NCBA, the Summer Conference provides an opportunity for members to forge resolutions addressing challenges facing the beef industry. Their decisions stand as interim policy until the association's next annual convention, scheduled for January 2009 in Phoenix, Ariz.

Renewable fuels

Renewable fuels and, more specifically, ethanol production's effect on the price of corn and other livestock feed resources dominated the Policy Forum and multiple NCBA committee debates. During the Forum, Food Before Fuel Coalition spokesman Cal Dooley said one-third of the U.S. corn crop is going into the production of ethanol, spurred by the government's mandate for blending ethanol with gasoline. A former U.S. congressman from California, Dooley was speaking as president and chief executive officer (CEO) of GMA, the association of food, beverage and consumer products companies.*

Dooley said corn prices have climbed by 190% since 2005, providing increased incentive to plant more corn, shifting acreage away from other crops. He pointed to resulting price increases for soybeans (180%) and wheat (174%). Acreage has also shifted away from grass and forage crop production, causing increased prices for pasture and hay. Dooley also cited a dramatic change from historical rates of inflation for food prices, currently rising at twice the overall inflation rate.

"Of course, it's not just ethanol at fault. Other factors include the weak dollar, extreme weather events and global demand for grain," Dooley stated. "However, Washington's analysis of ethanol's impact on food prices is flawed. It doesn't consider price increases of grains other than corn."



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Dooley said the World Bank attributes 75% of food price inflation to renewable fuel mandates, a subsidized U.S. ethanol industry and tariffs on imported ethanol.

"A level of public investment in biofuels is good, but it shouldn't last forever. At some point, corn-based ethanol should stand on its own," Dooley stated. "If the ethanol industry can't stand on its own when oil is $135 (or more) per barrel, something is wrong."

Forum speaker Daniel Basse, president of AgResource Co., allowed that it becomes an emotional and divisive issue when "corn farmers see the gain and cattlemen feel the pain." Poultry and pork producers are pinched even more. According to Basse, the ethanol industry is the only demand component that has not suffered. He said corn would have to reach $8.25 or more before ethanol refineries would no longer be profitable.

Considering the exploding demand for energy worldwide, Basse says ethanol won't go away. However, 95 million acres of corn will be required next year to answer the growing demand for both fuel and food,

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compared to this year's 87 million acres.

"Where will we get eight million acres? Release of CRP won't save us," Basse said. "And cellulosic ethanol production is four to five years away, at least. It's not all that promising anyway."

Even if it were, using cellulose to produce ethanol would likely create competition for feedstocks utilized by cow-calf and stocker producers, including cornstalks, straw and other low-quality roughages.

"If we could see corn yield increases of three to five bushels per acre, we wouldn't have this problem. We can't get that kind of improvement yet," he said. "And we won't as long [as] intolerance for GMOs (genetically modified corn varieties) remains."

Basse said the U.S. desperately needs a comprehensive energy policy, which has been lacking for 30 to 40 years. Without development of more viable alternatives to oil, he expects incentives for ethanol production to continue. Ethanol will survive, he predicted, as long as oil prices are high.

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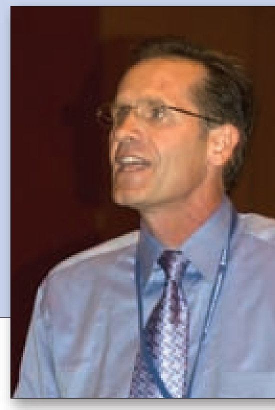

The NCBA Agricultural Policy Committee engaged in lengthy debate over the effect of government intervention in the renewable fuels marketplace. Iowa cattleman Dave Petty voiced concern about NCBA policy that Midwestern members, who are corn growers as well as cattle producers, would perceive as detrimental to their farming operations.

Nor should NCBA take a stand perceived to be anti-renewable fuels, Petty warned.

Nebraska cattleman Jay Wolf argued that opposition to artificial market supports is a basic tenet of the association. Wolf said tax credits to ethanol blenders, tariffs on imported ethanol and overly ambitious renewable fuels standards distort the market.

Ultimately advanced and approved by NCBA's board of directors was a resolution opposing government intervention, and supporting a market-driven system of renewable energy.

Board members approved policy favoring environmentally responsible development

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Reasons for optimism

Opportunity lies in beef exports, according to Jim Wiesemeyer, a journalist and vice president of policy and trade issues for Informa Economics Inc. The Washington watcher and agricultural policy analyst addressed the opening session of the 2008 Cattle Industry Summer Conference, noting how U.S. beef exports were up 32% over last year and gaining momentum.

During the last two years, Wiesemeyer said, 124 nations have posted gross domestic product (GDP) growth of 4% or more. Those growing economies — China, Russia, Brazil, India and others — represent opportunity for increased sales of U.S. beef.

"Anything protein is a growth market," Wiesemeyer said. "Exports are going to be your margins in the future."

Echoing that opinion was Barry Flinchbaugh, Kansas State University (K-State) agricultural economist and author. He called U.S. beef a "food of choice," and predicted continued growth in demand for beef, as foreign economies grow.

Both speakers praised the National Cattlemen's Beef Association's (NCBA's) work in influencing the outcome of the new Farm Bill, citing removal of language prohibiting packer ownership of cattle and a more coordinated approach to conservation programs as positive features. Examples of the latter include reauthorization of the Grassland Reserve Program (GRP) and additional funding for the Environmental Quality Incentive Program (EQIP).

"The focus on programs for working lands — not just retired lands — is very positive for the cattle industry," Flinchbaugh said.

Asked where inflation is headed, the speakers agreed that inflation of about 3% should be expected for this decade. Core inflation represents a manageable rate of just over 1%, while energy and food account for the remainder. Oil, Flinchbaugh said, is the real problem, but he believes the price will come down.

"Thirty to 40% of the increase in price is due to devaluation of the dollar, but the dollar will bottom out," he predicted.

However, Wiesemeyer added, the price of oil probably won't come down to a level that many would hope, because of increasing global demand.

"In China, every day 1,000 new cars hit the road. They're just starting their love affair with the automobile," he added. "The world is outgrowing its supply of oil."

►Addressing the opening session of the 2008 Cattle Industry Summer Conference were Jim Wiesemeyer (left), a journalist and vice president of policy and trade issues for Informa Economics Inc., and Barry Flinchbaugh, K-State agricultural economist and author.

Regarding ethanol, Wiesemeyer says both political parties favor renewable fuels standards. He does not expect any relaxation of mandates, at least in the short term.

"I wouldn't rule out an eventual change, but relaxation of the ethanol import tariff might be more likely," he stated, saying the combination is wrong. "We have mandated use and a tariff on imported supply. What's market-oriented about that?"

For the long run, Flinchbaugh is bullish about the nation's energy policy and a free market economy. However, he said we must wean ourselves from oil. Agriculture can contribute to the process through development of other energy sources, including wind and methane. It can be done in the marketplace, he insisted, without subsidies, mandates or tariffs.

"The basic economic fundamentals still apply," Flinchbaugh added. "We've got problems, but historically speaking, they're relatively minor."

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of domestic fossil fuel-based energy sources, such as oil shale and tar sands, while maintaining multiple land uses, including grazing. Policy also supports hydropower as a renewable energy source. Also adopted was support for development of unbiased data regarding greenhouse gas emission by cattle, along with a strategy for communicating related information accurately.

►Co-chairing the Task Force charged with evaluating the potential need for restructuring NCBA are former presidents Jan Lyons of Kansas and John Queen of North Carolina.

Animal care

Born of the Animal Health and Well-Being Committee was the decision to incorporate animal care procedures and feedyard self-assessment into national and state Beef Quality Assurance (BQA) programs. The effort will create and distribute training materials related to cattle care and handling protocols, as well as a system for evaluating feedyard facilities and processes.

"We, as an industry, are being watched and scrutinized by activist groups," said Nebraska veterinarian and program proponent Scott Reynolds. "This is a proactive step to demonstrate that we are concerned with animal welfare and we are doing our job correctly."

►CBB Chairman Dave Bateman said revenue from the beef checkoff is expected to be $6 million lower in fiscal year (FY) 2009 due to lower total cattle numbers and fewer turns of cattle.

Grassroots growth

While NCBA has experienced attrition in recent years, membership has rebounded this year. By the summer conference, a 12% increase (3,700 members) brought the tally to 28,781 members. Those present in Denver had the opportunity to participate in a Governance Task Force listening session, by suggesting ways to make the association more effective and responsive to member concerns.

Co-chairing the Task Force charged with evaluating the potential need for restructuring NCBA are former presidents Jan Lyons of Kansas and John Queen of North Carolina. Member concerns fielded during the listening session included:

- ►board of directors is too large and cumbersome;
- ►fairness of proxy and mail-in ballots when voting on policy;
- ►justification for maintaining Chicago, Ill., office in addition to Denver, Colo., and Washington, D.C., offices; and
- ►clear separation of dues-funded policy division and checkoff-funded promotion.

►"There just isn't enough money to do everything that we need to do," said Tom Ramey, CBB chief executive. With the checkoff dollar worth just half of its 1987 value, the focus must be on issues of highest priority.

Producers also considered recommendations for investment of the dollar-per-head beef checkoff administered by the CBB. Chairman Dave Bateman said revenue is expected to be $6 million lower in fiscal year (FY) 2009 due to lower total cattle numbers and fewer turns of cattle.

"We're victims of our own success. We're more efficient, producing more beef with fewer cattle," Bateman said, adding that erosion of the checkoff dollar's purchasing power increases the challenge. Bateman said CBB members now have to go beyond cutting the fat from their budget, and must cut into the muscle as well.

"There just isn't enough money to do everything that we need to do," added CBB chief executive Tom Ramey. With the checkoff dollar worth just half of its 1987 value, Ramey said the focus must be trained on only those issues of highest priority.

Still, progress is being made. Consumer confidence in beef is good and the overall demand trend is positive. While domestic demand is relatively flat, Ramey explained, beef exports are increasing. CBB will increase funding for foreign marketing programs.

Cattle-Fax market analyst Brett Stuart said the tonnage of beef shipped to foreign markets has increased, but so has the value. Stuart cited increased purchases by Russia, Mexico, Canada and other countries, with several markets paying $2 per pound or more for U.S. beef. Production in Australia, Brazil, New Zealand, Argentina and Europe is down. Globally, beef is in tight supply and demand is growing.

Stuart said beef imported to the U.S. consists almost entirely of trim, to meet domestic demand for ground beef, while more lower-quality U.S. beef is being exported at higher values.

"We're adding $15 per head in value, by exporting cuts we used to grind," Stuart stated.

***Editor's Note:** *According to a July 9 news release from GMA, Cal Dooley was to assume duties as president and CEO of the American Chemistry Council (ACC) Sept. 8.*