

Cattlemen

Rush to Reno

Highlights of the 2008 Cattle Industry Convention and Trade Show.

by **Troy Smith**

The most talked about topic during the 2008 Cattle Industry Convention and Trade Show was the high price of feed grains, due to the ethanol industry's demand for corn. The resulting effect on all segments of livestock production appeared to be top of mind for a majority of National Cattlemen's Beef Association (NCBA) members meeting in Reno, Nev., Feb. 6-9.

The ongoing story of ethanol, corn and cattle was addressed during the convention's educational sessions and discussed during NCBA committee meetings, and it also spilled over into convention halltalk. Perhaps the most appropriate advice offered to cattle producers of every ilk was, "Get used to it!"

During a Cattlemen's College® session devoted to ethanol's effect, Kansas State University (K-State) Agricultural Economist James Mintert said legislation expanding the government's renewable fuels standards assures continued growth of ethanol production. However, according to Mintert, the call for increased use of biofuels to reduce dependence on foreign oil is more about feel-good rhetoric than reality.

"The driver for the ethanol industry is not economics," Mintert said. "Demand is driven by government policy and that has huge implications for the livestock

According to James Mintert, K-State agricultural economist, high grain prices are the result of government policy rather than economic factors.



PHOTOS COURTESY ANGUS PRODUCTIONS INC.

industry over the next few years."

Mintert predicted the volume of corn used to produce energy will soon rival that used for feed. Projections for 2008 suggest 30% of corn stalks will go into ethanol production. While a huge 2008 corn crop is expected, Mintert said any glitches along the way to making that crop will result in dramatic price spikes. He advised users of feed grains to expect market volatility and higher average prices. If the cloud has a silver lining, it is the increased availability of ethanol byproduct feeds.

During another Cattlemen's College session, Randy Blach, Cattle-Fax executive vice president, said ethanol and the demand for corn are bringing more former pasture and hay-producing acreage into corn production. Additionally, more grazing lands are being turned to alternative uses, including recreation and urban development. Add in the rolling drought that has afflicted large portions of cow country and the costs of grazed and harvested forage that have risen along with grain prices. Until some of these things change, said the market analyst, the traditional cattle cycle won't work.

"I think it's safe to say the cattle cycle we've grown up with is on life support," Blach said.

Predicting high grain prices is here for a long time, Blach said.

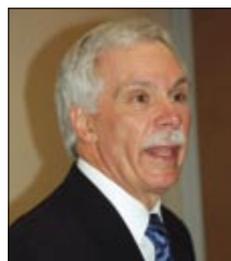


Randy Blach, Cattle-Fax executive vice president, advised producers to stay focused on producing high-quality, grain-fed beef to compete for market share globally and domestically.

Cattle feeders will have to deal with higher costs of gain. Consequently, the feeder cattle market will favor heavier cattle rather than light calves that have to be on feed for longer periods.

Schafer addresses cattlemen

In his first public address outside of Washington, new U.S. Department of Agriculture (USDA) Secretary Ed Schafer acknowledged cattle producer frustration with the



USDA Secretary Ed Schafer said he would be involved in beef export negotiations, pushing for full acceptance of U.S. beef by Japan and other foreign markets.

government's energy policy and its effect on grain prices. The secretary expressed optimism for development of cellulosic processes for making biofuels.

"For today and tomorrow, the growing demand for ethanol is likely going to mean that corn prices are going to be higher than what you want

them to be," admitted Schafer. "As we move to nonfeed sources to generate our energy, it will stop distorting the prices of your feed."

Schafer also said he is optimistic for compromise on a new federal farm program. He praised both houses of Congress for proposals that would continue programs for conservation. However, he emphasized that President Bush will veto any measures that would

require funding through increased taxes. The secretary also recounted progress in reopening export markets for U.S. beef and pledged personal involvement in the push to fully regain access to targeted markets, including South Korea and Japan.

Policy discussions

Following NCBA policy deliberations, members stood by existing policy asking that Congress allow the tariff on imported ethanol and the fuel blender's tax credit be allowed to sunset. These "subsidies" to the ethanol industry are due to expire in 2009 and 2010, respectively. Also restated was support for a voluntary, market-driven approach to individual animal identification and a call for cooperation between industry segments and government agencies to reduce the prevalence of the pathogenic bacteria *E.coli* O157:H7.

Advanced from the agricultural policy committee was a new resolution calling for revisions to the beef checkoff referendum process. Discussion during the convention revealed broad support among those present for raising the checkoff assessment to \$2 per head. The resolution seeks to provide an opportunity, at regular intervals, for beef producers to petition for a referendum on continuance of the checkoff program. Also sought is a process by which producers can petition for a referendum on increasing the checkoff's per head assessment. Furthermore, the resolution calls for broadening the definition of "established national nonprofit industry organizations" that may serve as contractors to implement programs approved by the Cattlemen's Beef Board and funded by the checkoff.

"All we're asking Congress to do is empower cattle producers with a referendum process so they can control the destiny of their checkoff," said Montana rancher Bill Donald, who now chairs the NCBA Policy Division. According to Donald, this and all other resolutions advanced during the convention are subject to approval

by all NCBA members through a mail-in ballot.

There also was discussion about revising the checkoff to allow funding specifically for promotion of beef that is born and raised in the U.S. While it is U.S. beef that is promoted to foreign markets, domestic programs promote all beef sold within the U.S. Importers currently pay checkoff assessments, contributing about 11% of total revenues. This issue will be studied

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The annual convention is where NCBA members forge policy that directs the association's lobbying efforts. In Reno, members advanced a resolution seeking beef checkoff revisions and reaffirmed policy related to ethanol subsidies and individual animal identification.

What lies ahead?

A popular feature at the Cattle Industry Convention and Trade Show is the annual Cattle-Fax Outlook Seminar. Once again, analysts from the Colorado-based firm shared their observations on factors influencing the direction of the industry. Head analyst Randy Blach offered a summary and comments regarding long-term trends. He foresees a period of high input costs, reduced total cattle inventory and some downward pressure on cattle prices.

Blach said continued consolidation within all segments of cattle production can be expected. According to the traditional cattle cycle, diminished numbers and high calf prices should have triggered expansion of the national cow herd more than two years ago. However, widespread drought and rising feed costs have continued to curb expansion. Ethanol- and export-driven demand for corn will increase competition for crop acreage, keeping all grain prices high, along with the costs of hay and pasture.

He said more costly feedlot gains will serve as an incentive to grow calves to heavier weights prior to placement in the feedlot. That trend could be particularly unfavorable for cow-calf producers who sell calves at weaning. He predicts some downward pressure on all feeder cattle prices. Excess feeding capacity will leave some feedlot pens empty and force cutbacks in packer operations.

Blach expects some decline in U.S. per capita beef consumption, which, for the last 15 years, has been at a fairly level 65 lb. A decline will likely be more attributable to limited supply than softening demand. However, Blach said growing global demand for beef and limited supply worldwide are positive factors. And devaluation of the U.S. dollar, relative to foreign currencies, has a positive side too.

"A weak dollar creates more opportunities to export beef — if we have foreign market access," Blach explained.

The industry faces circumstances that make the ability to export beef more important, stated the analyst. He cited examples of how exports increase total value of beef carcasses due to the increased value foreign markets put on certain beef products. Liver and other organ meats are a good example, along with beef tongues, which can be sold abroad for \$10 per lb. compared to 40 cents per lb. domestically.

Blach also cited opportunities for producers to enhance the value of their cattle for domestic markets. He urged producers to consider ways to differentiate themselves from the competition through participation in "certified" programs.

"There are a lot of programs out there that hold promise for increased value," Blach said. "But you have to do your homework to make sure you're selling into one that actually pays. We always have to re-evaluate our business, and some of the dynamics this year make it imperative that cattlemen position their business to minimize risk as much as possible and take advantage of the profit opportunities that are out there. Volatility will be more extreme than in years past." **HW**

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further with recommendations for action due to the agricultural policy committee by June 1.

New officers elected

NCBA members also elected officers to serve during the coming year. Succeeding North Carolina cattleman John Queen as president is rancher Andy Groseta, Cottonwood, Ariz. Named president-elect was Gary Voogt,

Marne, Mich., and chosen as vice president was Steve Foglesong, Astoria, Ill. Also meeting during the convention was the Cattlemen's Beef Board, which administers the beef checkoff. Chosen as that group's new president was Dave Bateman, Oregon, Ill.

Previewed in Reno were new beef advertisements featuring a new celebrity spokesperson. Gone from broadcast advertising is the familiar voice of actor Sam Elliot. In keeping with the new campaign's focus on

a young target audience, radio and television ads will feature Texas-born actor Matthew McConaughey stating the tagline, "Beef. It's what's for dinner." To listen to the new ads, visit www.beefboard.org/checRadioAds.aspx. **HW**

Editor's Note: For more highlights of the Cattle Industry Convention and Trade Show, and Cattlemen's College, visit www.4cattlemen.com.

AHA prominent at Cattle Industry Convention and Trade Show



A favorite spot for Hereford enthusiasts to meet was the AHA/CHB LLC booth in the trade show.

Hereford breeders as well as American Hereford Association (AHA) and Certified Hereford Beef (CHB) LLC staff members were active at this year's Cattle Industry Convention and Trade Show in Reno, Nev. The AHA and CHB LLC booth was a location for breeders to meet as well as a place for commercial cattlemen to learn why more efficient means more Hereford.

Hereford breeder Bob Harrell, Baker, Ore., was one of the featured presenters during Cattlemen's College® and John Schafer, Buffalo Lake, Minn., was named to the Cattlemen's Beef Board operating committee.

— **David Mehlhaff**, AHA director of communications

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