

A New Day in the Sun

Highlights of the 2009 Cattle Industry Convention and Trade Show.

More than 5,000 cattlemen gathered in Phoenix, Ariz., Jan. 26-31 for the 2009 Cattle Industry Annual Convention and NCBA Trade Show. Themed “A New Day in the Sun,” the conference featured the joint and individual meetings of five industry organizations — the National Cattlemen’s Beef Association (NCBA), the Cattlemen’s Beef Promotion and Research Board (CBB), the American National CattleWomen Inc. (ANCW), Cattle-Fax and the National Cattlemen’s Foundation (NCF).

Producer discussions during the convention resulted in a number of policy directives and

recommendations for 2009. In the area of cattle health and well-being, members engaged in a productive conversation with the U.S. Department of Agriculture (USDA) Animal and Plant Health Inspection Service (APHIS) regarding an updated and workable approach to animal disease programs, particularly bovine tuberculosis and brucellosis. They also discussed the severe exacerbation of disposal issues producers are already experiencing due to the enhanced feed ban, months before it even goes into effect. Finally, members reaffirmed the industry’s commitment to humane care and handling of cattle.



The American Hereford Association (AHA) and Certified Hereford Beef (CHB) LLC booth was a busy location in the trade show. Kaycee Hoffman, Bar None Hat Co., Thedford, Neb., offered attendees hat shaping and cleaning while AHA and CHB LLC staff visited with them about the value of Herefords and Hereford-influenced cattle and what’s new in CHB LLC.

Federal lands committee members resolved to encourage local, state and federal agencies to consider livestock grazing as the first solution for fuel load reduction in order to reduce wildfire potential and improve livestock and wildlife habitat.

Agricultural policy members resolved to oppose the Employee Free Choice Act and any other effort that would take away an employee’s right to privacy. Specifically, the resolution expresses opposition to: allowing a card check system instead of secret ballot voting to organize a union, forcing collective bargaining upon businesses and their employees and requiring forced arbitration to determine wages and benefits without a ratification vote by employees.

Also under agriculture policy, members voted to amend current policy with respect to the beef checkoff program to allow promotion of U.S. beef and ensure the program remains fair, cost-efficient and coordinated in order to achieve long-range goals.

With regard to international markets policy, members resolved to increase the age restriction for trade with Japan from 20 months to 30 months. The current age restriction into Japan is limiting American producers to about 25% of our potential sales there, which means U.S. beef producers are still missing out on \$1 billion in exports annually.

All policies adopted were subject to approval by more than 30,000 NCBA members nationwide. Convention results became official after the mail-in ballot process concluded in March.

Members bid farewell to Terry Stokes and celebrated his distinguished career as NCBA chief executive officer. Stokes recently stepped down after 13 years of service, handing over the reins to Forrest Roberts.

Roberts shared with convention attendees some of his priorities for the coming year, including his commitment to growing domestic beef demand, expanding access to foreign markets and protecting the U.S. beef industry from actions that could impede a favorable business climate.

Gary Voogt of Michigan was officially elected to succeed Andy Groseta as NCBA president for the coming year. Voogt closed

the convention with his outlook for 2009. "These are challenging times, but now is not the time to change course," he said.

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Hereford breeders serve in leadership roles

Several Hereford producers served in leadership roles during the 2009 Cattle Industry Convention and Trade Show. **Brian Healey**, Davis, Okla.; **Mike Stahly**, Cavour, S.D.; and **John Schafer**, Buffalo Lake, Minn., are members of the Cattlemen's Beef Board. Healey is also chairman of the foodservice committee. **HW**

2009 CattleFax outlook: Tough, volatile and hard to come by

With a slowing economy and consumers keeping a closer eye on their spending, some of the dynamics in the beef industry are shifting in 2009. Cattlemen attending the annual CattleFax Outlook Seminar in Phoenix, Ariz., heard that cattlemen face softer beef demand to start 2009, but that could change if the financial markets begin to stabilize. CattleFax is a Denver-based, market analysis and information firm.

As in previous years where market volatility was prevalent, risk management will be an important strategy this year. "Know basis," says Randy Blach, CattleFax executive vice president. "It needs to become second nature. We've got to learn to understand risk."

Consumers are making more meals at home and eating out less at nice restaurants. These trends have lowered the value of the higher-priced middle meats like the rib and loin. At the same time, the chuck and round are claiming a larger share of carcass value (21% vs. 19%) compared to a year ago.

Overall cattle supplies are expected to decline in 2009, following a 1.5% dip in 2008. Beef cow numbers have declined 600,000 head to 31.9 million in response to drought in some areas and marginal profitability elsewhere. Beef cow slaughter is projected to be at a liquidation pace in 2009. As a result, the calf crop for 2009 and 2010 is projected to shrink by 2%.

A decline in cattle inventory means a smaller beef supply, and that could bump beef imports to 2.7 billion lb. for 2009, also encouraged by a stronger dollar that makes the U.S. market more attractive than it was a year ago. Supplies of competing meats also are projected to be lower in 2009, marking the first

time in decades that all the major protein supplies have declined. This decline is happening partly as a result of higher feeding costs in the livestock industry.

Even with softening domestic demand for beef, worldwide demand for protein is increasing, says Brett Stuart, a CattleFax analyst specializing in exports. While the credit crunch will limit exports to some top markets, U.S. beef exports should post some growth, led by gains in the South Korean market as Mexico continues to be the No. 1 export destination for U.S. beef. For the year CattleFax projects that beef exports will reach 2.3 billion lb. That figure taken with net imports represents an improvement in the beef trade gap as U.S. exports continue to rebuild from the 2003 BSE (bovine spongiform encephalopathy) incident.

Increased production costs for corn, estimated to be as much as 30% to 40% more than 2008, will affect planting decisions.

The current crop is forecast at 12.5 billion bushels, and increased production is needed to meet ethanol demands, although that market is softening. U.S. and world stock levels remain historically low, and low stock levels tend to support prices.

"You better have a disciplined approach to how you manage risk or you will not like the results," Blach says.

During the last two years, the average price of a bushel of corn has increased \$2.70. CattleFax projects that the overall U.S. price for a bushel of corn in 2009 will be lower than 2008, \$4.25 vs. \$5.30.

"Economic conditions and credit availability, especially in foreign markets, are going to affect us a lot this year," Blach says. "We'll get through this, and those who do a better job of managing their risk will get through a little better than the rest of us." **HW**

2009 price projections

Calf prices – 550-lb. steer prices will average near \$110 hundredweight (cwt.)

Watch this: Producers will need to monitor the basis environment the market is trading in at selling time.

Feeder cattle prices – average near \$100 cwt.

Watch this: Producers should monitor the basis levels of the feeder cattle and live cattle futures market. The record large premiums in the 2008 live cattle futures likely will not repeat in 2009.

Fed cattle prices – average in the low \$90s cwt.

Watch this: After posting tough losses in 2008, some profitability could come back to this sector. The key to the market will be the margin above cattle feeders.