

# INDUSTRY INSIGHTS

Seven highlights heard at the 2019 Cattle Industry Convention.

by Kindra Gordon

Nearly 9,000 beef producers and industry representatives gathered in New Orleans, Jan. 29-Feb. 2, for the Cattle Industry Convention and National Cattlemen's Beef Association (NCBA) Trade Show. The latest research on topics from herd health to forage management was presented in various educational sessions, market outlooks and policy updates were shared and innovative discussions outlined advancing beef markets and product development in the ever-changing consumer-driven marketplace. Presented here are the talking points shared with the cattle industry throughout the week.



Bill Cordingley called upon beef advocates to be transparent and open in today's cluttered media landscape.

PHOTOS COURTESY OF NCBA

## 1 Consumer confidence and demand

Bill Cordingley, head of wholesale banking for Rabobank North America, provided the keynote at the Cattlemen's College opening session. He shared consumers are continuously looking for authenticity and often feel conflicted in their food choices.

"Eating food is now more complex than ever," he said, explaining consumers will eat for good, for themselves, for their communities and for the environment. "Those active on social media are creating a new truth for the consumer. Consumers are looking for authenticity."

To address this trend, he said, "It comes down to trust. Consumers must feel the beef industry is on board with growing a better world together through continuous improvement." Therefore, he advised, "Favor transparency and openness in our dealings with the community. Tell what we do and how we do it. ... The beef industry must become better at telling their story. We need an army of advocates."

Looking globally, Cordingley expressed optimism for U.S. beef in the area of exports, noting there are few significant competitors to America's high-quality, corn-fed beef. There are currently 300 million consumers in China classified as wealthy, and many still-developing export markets

have rising middle- and upper-class consumers — all of which indicate more demand for a high-quality protein source.

Cordingley reported exports add about a \$300 value per head, and he anticipates exports currently at about 12 percent of the market share could grow to 15-20 percent of the global market.

## 2 Superior quality

Bill Thoni, vice president of cattle procurement for Cargill, noted the quality of U.S. cattle today is "outstanding." He reported, on average, about 80 percent of cattle coming to market are in the top two quality grades of Prime and Choice, with 7-10 percent of carcasses reaching Prime.

"The quality of our cattle today has never been this high," Thoni said. However, he expressed, "The caveat is we are fat as an industry. The amount of yield grade 4s was historically 10 percent and is now 20-25 percent. We are going to have to deal with this down the road. That's inefficient product."

Cargill Sustainability Director Heather Tansey also advised Beef Quality Assurance (BQA) certification to everyone in the industry. “It’s our opportunity to show our consumers we care about doing things right,” she said.

### 3 Traceability

A panel discussion on traceability highlighted the efforts of three current pilot projects in Kansas, Florida and Texas. Regarding a way to increase producers’ understanding of the importance of traceability, Ross Wilson, chief executive officer of the Texas Cattle Feeders Association, said, “Can I use the word mandatory?” His comment evoked scattered applause from attendees throughout the room.

“We’ve been talking about [traceability] for 20 years,” he added. “At some point in time the industry must make tough decisions or we will be here 10 years from now having the same discussion.”

Wilson acknowledged decisions must be made as to how a system will work and which technology (high or low frequency) will be used but concluded, “We are behind nearly every other beef-producing country in the world [on traceability]. It’s difficult, but it’s not rocket science.”

### 4 Potential for trade

In the closing general session, U.S. Secretary of Agriculture Sonny Perdue emphasized that a top priority for agriculture is “trade, trade, trade.” Likewise, regarding international trade, NCBA’s Kent Bacus shared one of NCBA’s top priorities is convincing Congress to ratify the new U.S. Mexico Canada Agreement (USMCA).

Bacus noted Korea is one of the best success stories for beef exports in the past year and eyes are on growing access and reducing tariffs in Japan and China. Regarding this existing potential, he reported the U.S. Meat Export Federation estimates China could be a \$4



Cargill staff members Nathan Pike, Bill Thoni and Heather Tansey highlighted the high-quality product U.S. beef producers provide year after year and noted the importance of sharing that trend with consumers.

billion market for U.S. beef in the next few years — if trade barriers are removed.

Also on the watch list is a beef trade agreement with the United Kingdom (U.K.), which is set to leave the European Union March 29. However, formal trade talks cannot begin until Brexit occurs. As the fifth largest economy in the world, the U.K. represents sizeable market potential for the U.S. The U.K. imported \$1.7 billion of beef in 2018, but 86 percent of that came from other European Union countries which offered non-hormone treated cattle (NHTC).

### 5 Grow yards

RaboResearch Food & Agribusiness Senior Analyst Don Close shared grow yards — or backgrounding facilities — are becoming increasingly important within the beef industry. Grow yards provide an avenue for family operations to expand and to bring in a new revenue stream.

Close noted these facilities are helping to improve the performance of lightweight and high-risk cattle for a seamless transition to commercial feedlots. Furthermore, grow yards allow for increased economies of scale due to shared resources with feedlots.

To achieve efficiencies and success, calf management in grow yards should be based on a close relationship between the grow yard and the commercial feedlot — even sharing a nutritionist

and veterinarian if possible. A solid relationship can also avoid duplication in processing while promoting health and performance at lower cost of gain.

“Commercial feeders increasingly have marketing agreements that require cattle to meet specific feeding and management regimens with targeted out dates and finished weights,” Close said.

Grow yard operators should also establish relationships with a handful of commercial feedlots to improve the odds of having multiple buyers. “I don’t think grow yards will displace conventional stocker operators, but it will increase competition for calves, which will be price supportive,” he noted.

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Sonny Perdue addressed the crowd with an emphasis on trade in the coming year.

For the best economies of scale, Close suggested grow yards strive to handle 3,000-5,000 head at a time. Typically, commercial feedlots want backgrounded cattle to gain up to 250 pounds within 150 days. However, feedlots may want cattle coming at different weights, allowing a grow yard to tailor cattle for specific needs.

Regarding labor, Close said high-risk calves require more hands-on work and animal health knowledge. A good rule of thumb is to figure 1.5 people per 1,000 head.

## 6 Financial self-sufficiency

Farm financial consultant Mary Jo Irmen shared a message of seeking self-sufficiency instead of relying on government bailouts. Irmen asked attendees, “Who is running your business? Your accountant, your banker or you?”

She noted farmers and ranchers often find themselves asset rich, but cash poor — with the bank controlling their paycheck. She also expressed frustration that banking has not changed for the past 100-plus years, which contributes to the



Cattlemen and women gathered at the popular Cattlemen’s College workshops to gain industry knowledge on a variety of topics pertinent to the beef industry.

cash flow struggle many farmers and ranchers experience. But, Irmen believes family farms and ranches can break this dire financial cycle by using whole life insurance.

Irmen has authored her own book, “Farming Without the Bank,” which suggests using the cash value of life insurance as a means of financing to benefit successive generations. She refers to it as the Infinite Banking Concept.

For example, say Grandpa starts a whole life insurance policy on himself at age 60 and budgets for \$20,000 of premium every year. If he passed away 20 years later at 80 years old, the death benefit on the policy would be more than \$650,000 — which his son, and farm business partner, would receive income tax free. This would allow Grandpa’s son to have access to cash for operating and other expenses. If his son takes out a similar life insurance policy, the next generation would also benefit financially. Learn more about Irmen’s concept at [FarmingWithoutTheBank.com](http://FarmingWithoutTheBank.com).

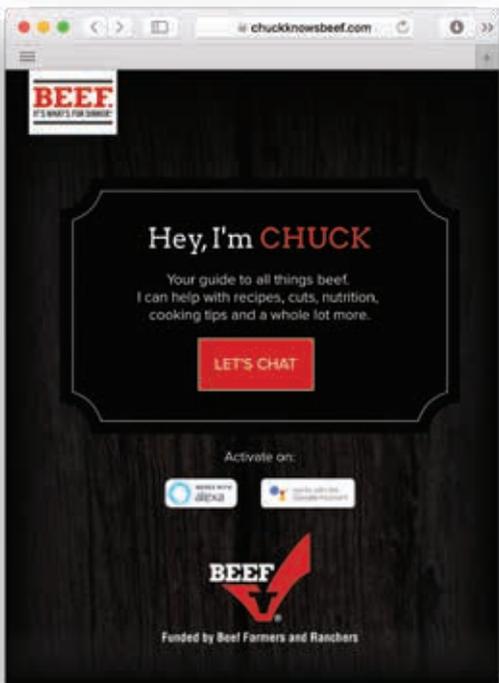
## 7 Retail

On the retail beef marketing front, efforts continue to market innovative products including “Beefshi” — a spin-off of sushi initially launched in 2018. This year, regionally inspired flavors have been created with input from state beef councils and Beef

Checkoff funds. These include the St. Paul roll, representing Missouri; the Dansk roll, representing Minnesota; the Taco Maki, representing Arizona; the BeefyWecky Maki, representing New York; the Muffarolleta, representing Louisiana; and the Beefy California roll. These items and recipes were showcased to retailers at the Annual Meat Conference in March.

The “Chuck Knows Beef” campaign is also growing. Powered by Google Artificial Intelligence, Chuck (available for download at [ChuckKnowsBeef.com](http://ChuckKnowsBeef.com)) provides information found on [BeefItsWhatsForDinner.com](http://BeefItsWhatsForDinner.com) through the ease of using a computer, mobile phone, Amazon Alexa or Google Home Assistant. Efforts to expand Chuck’s use by consumers include Pandora radio ads and YouTube videos, as well as encouraging more retailers to use Chuck as a resource at the meat case and butcher counter.

Additionally, Beef Checkoff funds are being used for a new effort called “The Drive,” which aims to connect and to communicate with producers via print, online and social channels. Producers can subscribe to print or email copies of the monthly newsletter at [DrivingDemandForBeef.com](http://DrivingDemandForBeef.com). **HW**



Chuck Knows Beef is one of the many interactive strategies the beef industry is implementing to generate awareness and excitement for using beef in the kitchen.