

Setting the Tone

Early program sets the political, economic stage at Range Beef Cow Symposium XXIII.

by
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Barry Dunn, dean of the College of Agriculture and Biological Sciences of South Dakota State University (SDSU), welcomed more than 500 participants to the 23rd Range Beef Cow Symposium (RBCS) in Rapid City, S.D., Dec. 3-5.

Four universities — the University of Wyoming, South Dakota State University, Colorado State University and the University of Nebraska — put this event on every other year, spanning almost 50 years now. Dunn said he recalls wanting to come to this conference when he was young. Now he is thankful for the opportunity to be involved in hosting the event.

“This is a knowledge-based economy, and the opportunity to participate in these kinds of conferences are to your advantage. I want to congratulate you on taking advantage to put yourself ahead in this challenging business,” he told attendees.

The reputation of this conference is widespread, and its proceedings are cited often, he noted. The impact of this conference in use is immeasurable. Session topics this year included policy and trade affecting the beef industry, pregnant cow nutrition, reproductive efficiency, technology tools, estate planning, genomics, conservation and more.

Before turning the podium over to the morning’s speakers charged with setting the stage by laying out the political and economic climate in which cattlemen operate today, Dunn commended the tremendous compassion shown to those who were affected by Winter Storm Atlas. The blizzard, he said, has changed South Dakota forever. Livestock losses are estimated at \$500 million.

Dunn thanked all who had donated to the Rancher Relief Fund (www.ranchersrelief.org). About \$2 million has been donated, and applications for aid are being received, he said. Funds will help hundreds of families to keep the propane on, buy Christmas presents and get back on their feet.

— by Kasey Brown



PHOTOS BY TROY SMITH

“This is a knowledge-based economy, and the opportunity to participate in these kinds of conferences are to your advantage,” said Barry Dunn, dean of SDSU’s College of Agriculture and Biological Sciences.

Policy issues affect the beef industry

Not many people are happy with lawmakers in Washington, but the fact of the matter is that there are several issues that affect the beef industry, Roger Bernard, policy analyst for Informa Economics, told symposium attendees. Unfortunately, many of those issues are in limbo as lawmakers have kicked them down the road.

The 113th Congress has, historically, enacted the least amount of laws. The Farm Bill has taken three years to get to its current stage. It is closer to the finish line, he said, because both chambers have passed their versions of the bill, and the House-Senate conference process is occurring. Headline issues include crops, dairy and nutrition programs, but there are still implications for the beef industry.

The Livestock Disaster program is reauthorized in both House and Senate versions of the Farm Bill and would provide coverage retroactively to 2012, Bernard noted. The Livestock Indemnity Program would be tweaked. The House version provides payments at 75% of market value, and the Senate version provides payments at 65% of the market value of livestock. Additionally, under the Senate bill, \$50 million per year from fiscal year 2014 to 2018 would be awarded for research.

Mandatory country-of-origin labeling (COOL) was enacted

May 23, and the World Trade Organization (WTO) is still examining whether it meets the United States’ WTO obligations, Bernard said. The same officials who made the initial determination have been requested to do the examination. This expedites the process, and a conclusion is expected in February 2014.

Bernard said Canada has a list of products for which they will seek retaliation if the United States does not change COOL. This list could reach \$1 billion annually if the WTO rules against the United States. He said Mexico also has a list, but it has not been published.

Biofuels policy also affects the beef cattle industry and has been a source of contention. While more rain in 2013 has eased some of the feed costs due to more production, biofuel mandates called for adjustment. He explained that the corn ethanol mandate for 2013 is 13.8 billion gallons, for 2014 is 14.4 billion gallons, and for 2015 is 15 billion gallons. The biodiesel mandate for 2012 was 1 billion gallons, for 2013 is 1.28 billion gallons, and 2014 is 1.7 billion gallons.



Policy analyst Roger Bernard addressed three major factors affecting the beef industry — the Farm Bill, COOL and biofuels.

For 2013, the Environmental Protection Agency (EPA) altered the volume requirements for cellulosic ethanol because it has not become a major component of the U.S. biofuels production. He added that the EPA extended the compliance period for 2013 for four months beyond the normal timeline. The EPA also said in its 2013 final plans for the Renewable Fuels Standard

(RFS) that mandates for 2014 would likely be reduced. Any legislation on the RFS, biofuels or other matters on renewable fuels will depend upon legislators’ reaction to the EPA’s proposals for 2014.

— by Kasey Brown

The current economic picture

Jim Robb, director of the Livestock Marketing Information Center (LMIC), provided a candid snapshot of the global economic environment as he addressed producers and industry leaders attending the symposium.

Robb noted that world economic growth has changed dramatically and is now primarily being driven by the “developing” world as opposed to the “developed” world.

Here in the United States, Robb called it a “slow growth rate” for the economy.

“The average U.S. consumer today is poorer than they were in 2008 in spendable dollars,” he said. “That’s a concern for the beef industry.”

Regarding current beef demand, Robb noted that domestic per capita consumption is currently declining. Despite that, because of record-high beef prices, the demand picture has actually improved in the last several years.

In his view, he said, domestic consumer demand for beef should be OK. Meanwhile, foreign beef demand is relatively strong, but may struggle in the future.

Robb said he anticipates interest rates will head higher, but, he said, it will be a gradual increase, primarily affecting long-term rates (10- and 30-year rates), while short-term rates should stay stable.

“This is not the 1980s all over again,” he emphasized. “This is a different time.”

On the topic of corn, Robb noted that corn prices are down, but, he added, “They are not going to \$2 per bushel.”

He also said, “The ethanol boom is over. It’s a mature industry and is no longer going to cause a shock in the industry that causes your feedstuff costs to skyrocket.”

That said, Robb stressed that price volatility will continue. Past events such as 9/11, BSE and the 2008 credit crisis should teach us that world events will cause market shocks to continue.



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For 2014, Robb said, the U.S. cattle inventory will be less than the 92.3 million head on inventory a year ago, but it will still be above 92 million head.

“We ain’t gonna run out of cattle,” he said. “We still produce the most beef in the world with fewer head.”

However, he said, the next several years will be telling and could be dramatically different in cattle numbers. He cited urbanization, shifts to crop production and fewer available grassland resources as some of the factors that will affect rebuilding the U.S. cow inventory. He added that the export market will be important to continue demand pull.

In his view it will likely be 2017 or later before we see a significant increase in U.S. beef product output, he concluded.

— by *Kindra Gordon*

Current trade issues

“New money in the industry is coming from the trade side. Seventeen percent of the money that is paid for our cattle comes from some other currency,” said Gregg Doud, president of Commodity Markets Council, as he addressed cattlemen at the Range Beef Cow Symposium.

The biggest economic changes of the past decade are the increased buying power of consumers all over the world, said Doud, encouraging ranchers not to get hung up on declining per capita domestic beef consumption. Customers now are global, especially with the emergence of trans-Pacific partnerships (TPPs).

TPPs act as a wagon wheel, Doud explained. The TPP network serves as the hub and spoke mechanisms for everyone involved, so everyone enjoys tariff-free trade. With a TPP, tariffs have to eventually go to zero, and the negotiations determine how long it takes to get there. He said trade agreements generally take about three to five years to really take effect. South Korea is a prime example.

With South Korea, the United States

and Australia compete head-to-head. With the negotiation in effect, 2014 (the second year of the TPP in effect) will have a 32% tariff on U.S. beef as opposed to the 40% tariff on beef from everyone else. This means that U.S. beef will be tariffed 8% less than Australian beef. That is significant enough that Meat & Livestock Australia (MLA) has closed its South Korean office.

There are other large areas of growth, but Greater China shows the most promise, he said. There are 1.5 billion pounds (lb.) more beef going to China/Hong Kong this year vs. last year. To put that into perspective, Wal-Mart’s domestic beef sales are just more than 2 billion lb. The United States imports about 2.2 billion lb.

During the past two years, beef prices in China have increased 83%. The retail price of beef in China is now \$4.80 per lb. It is currently \$4.95 per lb. in the United States, he noted. U.S. short ribs and chuck rolls — the staple in South Korea and Japan — used to be out of the price range for middle-class Chinese consumers. That

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is no longer the case, and Doud said that is one of the biggest things to happen to ranchers all around the world.

He illustrated that Chinese incomes are roughly one-sixth of U.S. incomes, so our average price of \$4.80 per lb. translates to \$28 per lb. in China, yet demand is growing. The added value that the export markets add to a beef carcass may be in its infancy and could grow exponentially.

Growth in Asia has been impressive, but the European Union's (EU) non-tariff trade barriers to block imports are still frustrating, he said. The United States is actually selling in excess of a quarter billion dollars worth of beef to the EU, because the EU became a net beef importer rather than exporter in 2003. There are still hormone-free barriers, though.



Exports are the new frontier for the beef industry, said Gregg Doud, president of Commodity Markets Council.

U.S. beef faces sanitary and phytosanitary issues (food safety and animal and plant health measures) around the world, said Doud. With regard to these challenges, he noted two points:

(1) We are usually our worst enemy. Once a politician says something, it is incredibly hard to take back. Other countries pay attention.

(2) Scaring people makes for good fundraising within the activist community.

Doud said he deals with beta-agonists and genetically modified organisms (GMOs) currently, but emphasized that ranchers must be able to articulate the reasons for growth technology. He warned about future issues with animal welfare and antibiotics.

In the past 10 years, export markets have been rebuilt from scratch. Current international markets are diversified, and they provide new sources of revenue in addition to providing a solid foundation for current price levels.

— by Kasey Brown

XXIII. Visit the Newsroom at www.rangebeefcow.com/2013 to view their PowerPoints, read their proceedings or listen to their presentations.

The RBCS is a biennial educational symposium offering practical production management information. It is sponsored

by the Cooperative Extension Service and animal science departments of the University of Wyoming, South Dakota State University, Colorado State University and the University of Nebraska.

Comprehensive coverage of the symposium is available online at

www.rangebeefcow.com. Compiled by the *Angus Journal* editorial team, the site is made possible through sponsorship of *LiveAuctions.tv* and the cooperation of the host committee and speakers.

**More details available online**

Dunn, Bernard, Robb and Doud spoke Tuesday morning at RBCS