

Cow Country Reporter



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News from your CEO

In This Issue

News from your CEO

Has vertical cooperation gone horizontal?

Restructured Louisiana Beef Council Holds First Meeting

Will beef demand keep up with cowherd expansion?



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Fall officially arrives during September (21st) and with its arrival we will see increased cattle receipts at the local stock yards coupled with the winding down of fall harvest. Also, we have seen and will continue to see lower prices for slaughter cows and calves which is a more normal cycle of the cattle markets. Unlike last year, where the prices continued to move higher until December, we will see buyers becoming more selective for our calves. Discounts will be noted on unweaned fleshy calves, crossbreds with a high percentage of Brahman influence (3/4 plus), slick hided and off colored calves. The bright spot in this fall's market could be good demand for calves going to wheat pasture and rye grass. The big wheat growing areas of Oklahoma and Kansas have adequate moisture and the plan is to stock many areas. Demand remains good

for replacements. CPL is excited to be part of the new Louisiana Beef Industry Council (LBIC) which held its first meeting August 21. Ronald Black, our representative and member of our executive board, was elected unanimously Chairman. Our industry is in a period of change (supply and demand, consumer acceptance, available rental pasture land, sell or hold replacements females, sell now or ryegrass calves, to name a few) and now is the time to come together to discuss our issues and maybe find a direction/solution to these issues. Call and let's set up a meeting in your area. Enjoy the season and if you sold your calf crop before August, good for you. If you didn't check with your marketing rep (sale barn manager, order buyer, video rep) for direction and always remember, to be in the cattle business you need to know your breakeven price. Do you know yours?

Dave Foster, CEO

HAS VERTICAL COOPERATION GONE HORIZONTAL?

By: Wes Ishmael in Cattle Economics

When folks began considering vertical cooperation in the beef industry more than two decades ago, it was as much about learning what had value to suppliers and customers as it was about creating new categories or products for the consumer.

The industry's first National Beef Quality Audit (NBQA) uncovered about \$280 of lost opportunity per head of fed cattle due to carcass defects and inferior performance. This was in 1991, when fed steers averaged about \$74 per cwt versus the expected \$159 to \$165 (USDA World Agricultural Supply and Demand Estimates report) this year. The subsequent Strategic Alliance Field Study demonstrated that losses identified in the NBQA could be reduced significantly with increased inter-sector cooperation.

The veritable explosion of formal strategic alliances that followed — like those in BEEF's value-based marketing listing — represent attempts by various sectors to work more closely together in order to understand more about

(continued on page 4)

RESTRUCTURED LOUISIANA BEEF COUNCIL HOLDS FIRST MEETING

The restructured Louisiana Beef Industry Council (LBIC) met on Friday, August 21, 2015 in Baton Rouge at the offices of the Louisiana Department of Agriculture and Forestry. Act 428 from the 2015 Regular Legislative Session that resulted from legislation sponsored by Representative Jim Fannin, (R) Jonesboro, LA changed the makeup on the Beef Council.

The new Council is comprised of three members appointed by the Louisiana Farm Bureau Federation, three members appointed by the Louisiana Cattlemen's Association, two members appointed by the Louisiana Livestock Auction Markets Association, and one member appointed by the Cattle Producers of Louisiana organization. The Commissioner of Agriculture serves as an ex officio member of the Council in an advisory capacity.

Appointments made by the Farm Bureau include Marty Wooldridge, a Caddo parish cattleman, Amelia Levin Kent, an East Feliciana parish cattle producer, and Walter Smith, a cattle producer from Washington parish. The Louisiana Cattlemen's Association appointed Shelia Pitre, MD, a Lafourche parish cattle producer, Randy Toups, a Lafourche parish cattle producer and Joey Blanchard, a Lafourche parish cattle producer.

Appointed by the Louisiana Livestock Auction Markets Association were Ed Lopinto of Amite Livestock Sales, Inc. and Mack Shelton of Delhi Livestock Auction, Inc. Cattle Producers of Louisiana appointed R. M. Black, an East Baton Rouge parish cattleman. The Council elected the following officers, Chairman, R. M. Black; Vice Chairman, Walter Smith; and Secretary-Treasurer, Mack Shelton.

Present at the meeting today to advise and assist the new Council were officials from the Cattlemen's Beef Promotion and Research Board. Representing the national board were Jimmy Maxey, CBB Chairman; Polly Ruhland, CBB CEO; and Katherine Ayers, CBB CFO.

The Louisiana Beef Industry Council collects and administers the national beef checkoff at the state level. The national checkoff was established in the late 1980's and requires that cattle producers pay one dollar for each animal that they sell. This dollar goes to a fund established for the purpose of beef promotion. Half of the money collected goes to the national Cattlemen's Beef Promotion and Research Board to pay for projects at the national level and the remaining portion of the money remains in the state and is administered by the Louisiana Beef Industry Council for projects within the state.

Louisiana previously had a state checkoff that had been approved by the state's cattle producers in a referendum first held in the 1980's. This state checkoff required the mandatory but refundable collection of fifty cents per head upon the sale of practically all Louisiana cattle. The state checkoff was discontinued in 2013 as a result of a ruling by the Louisiana Supreme Court in a case involving the Louisiana rice checkoff. The rice checkoff was structured very similar to the beef checkoff. The Court held that allowing a producer referendum was an improper delegation of legislative authority and therefore unconstitutional. In addition to funding beef promotion, the former state checkoff allowed for the funding of cattle research.

The Louisiana Beef Industry Council is currently engaged in establishing new procedures for the collection of the checkoff money, as well as, procedures for funding projects from the state portion of the money. Until new collection procedures are in place, checkoff remittances should be made to the Cattlemen's Beef Promotion and Research Board, Metropolitan Bank, PO Box 771711, Dept. 2222, Memphis, TN 38177.

WILL BEEF DEMAND KEEP UP WITH COWHERD EXPANSION?

By: Wes Ishmael in BEEF Editors' Blog

Product demand—that complex intersection between available supplies of a given product and its price—is never as straightforward as most of us would like. But a broader understanding of true beef demand could go a long way in helping maintain the price of beef as supplies of beef increase.

“For a variety of reasons, we do not believe beef demand will grow sufficiently in the next few years to fully offset the expected rate of growing supplies,” say Ted Schroeder and Glynn Tonsor, agricultural economists at Kansas State University, in their recently published Beef Demand Prioritization. “In other words, we expect lower fed cattle and beef prices than recently observed. However, that does not suggest strategies designed to strengthen beef demand are not worthy investments. In fact, striving to grow demand as supplies increase is immensely important to industry profitability.”

The Beef Industry Long Range Plan Task Force said as much when it highlighted priorities that are part of the 2016-2020 Beef Industry Long Range Plan.

The task force agreed the single most important strategic objective the industry should pursue is increasing beef demand. They established a specific objective to increase the wholesale beef demand index by 2% annually over the next five years.

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In a fact sheet, Tonsor and Schroeder describe key areas that merit industry focus for prioritizing beef demand efforts. Those areas are:

Support expanded information regarding demand concepts

“Any assessment of available information on beef demand must start by clarifying what beef demand is, and what it is not,” Tonsor and Schroeder say. “Building overall understanding of demand concepts is necessary for informed, collective decision making and investment prioritization effort. To effectively prioritize demand growth strategies requires a well-grounded understanding of what demand is as well as how and why it changes.”

Assess international demand prospects and identify target countries and regions

“Attracting new consumers to the market demanding U.S. beef is one of the most effective and rapid ways to build overall demand,” Tonsor and Schroeder explain. “What is notably less well understood is exactly which countries or regions present the best opportunities... We strongly recommend concerted efforts be made in first identifying the most fertile markets for international beef export demand growth.”

Assess implications of changes in composition of U.S. households

Along with recognized long-term trends, such as population growth, median age and the growth of households with more than one non-family member, Schroeder and Tonsor share related insights from the 2015 Power of Meat report published by the Food Marketing Institute including:

Millennials place much higher importance on preparation knowledge, time and ease while shoppers over 65 years of age place much more importance on price and appearance.

Lower income households are more focused on price while higher income households focus more on nutrition and appearance.

The role of preparation knowledge has increased substantially in decisions to buy fresh meat. This likely reflects a broader change in the food cooking and preparation habits and skills of today’s U.S. residents that is likely impacted by underlying household composition changes.

The choice of market channel increasingly matters as supercenter meat shoppers place less emphasis on appearance, nutrition, and preparation time and knowledge and extra emphasis on total package price compared with supermarket channel meat shoppers.

“Moreover, what is not thoroughly understood are subsequent implications on what strategies make most sense to position the beef industry to realize beef demand growth, given these ongoing population and household composition adjustments,” Schroeder and Tonsor say. “Certainly, positioning the industry and tailoring products to fit highly diverse lifestyles and preferences of modern consumers does not have simple single-dimensional solutions.”

Improve perceived food safety and product quality profile of U.S. beef

According to previous research conducted by Schroeder, Tonsor, and Jim Mintert at Purdue University, food safety and product quality rank highest in terms of demand drivers relative to realized demand and the ability of the industry to influence demand.

“Many consumers have lingering doubts or uncertainty regarding beef product food safety,” Tonsor and Schroeder say. “...the general consuming public does not have the time or expertise to sort facts from confusing, wrong, or undocumented claims. Such consumer perceptions and preferences are driving major food processors, food retailers, food service, and policy makers to impose major changes in how food, including beef, is produced, processed, and marketed. Helping consumers sort out fact from fiction through very visible information campaigns, being part of the leadership in board rooms as major food companies develop supplier expectations and requirements, and being a leader working with producers to bridge the gap between producer and consumer interests are valuable initiatives.”

Assess determinants of recent demand strength

“Understanding if and how determinants of recent demand strength differ from insights offered from assessments of demand patterns in the past could be very instructive in identifying industry direction for beef demand investments going forward,” Schroeder and Tonsor say. “Not only are consumers and consumer perceptions and preferences evolving, so many changes are taking place in beef production, processing, retailing, and food service that what we have learned in the past about beef demand needs continual reassessment to best adjust demand enhancement strategies going forward.”

HAS VERTICAL COOPERATION COME HORIZONTAL?

what has value, what creates discounts and how to cleave inefficiencies from the system.

When successful, this cooperation yields a more reliable product to consumers, more dollars for alliance partners to share and information to achieve more consistency the next time around.

A glance in history's rearview mirror suggests the success of vertical cooperation has so far been more uneven than a corner post set in mud.

Some promising formal alliances are hamstrung by a lack of understanding or commitment from one partner or the other. Some barely limp from the starting gate, burdened by unrealistic expectations. Sometimes, it's simply timing and the vagaries of history that waylay an otherwise game-changing opportunity. When successful, though, the win-win opportunities demonstrated by some alliances are amazing.

In the broadest of cooperative definitions, consider Certified Angus Beef (CAB). It carved out an entirely new category of market value to the point that some now pay as much attention to the price spread between Premium Choice and Choice as they do to the gap dividing Choice and Select.

For my money, U.S. Premium Beef (USPB) is the most successful mainstream, specific industry alliance. Founded in 1996 and owned by producers, USPB harnessed the power of CAB and further bridged the gap between consumers and producers in terms of information, genetics, management and retrieving extra value.

Last year, all USPB cattle marketed at National Beef's Kansas plants earned more than \$48 per head in premiums over the cash market. This is at a time when prices are at historic highs.

More recently, consider the partnership between Wulf Cattle at Morris, Minn., and neighboring Riverview Dairy LLP. Begun as a trial in 2010, their Breeding to Feeding program aims to help dairy producers add value to their bull calves using Limousin and Lim-Flex semen as a terminal cross. Dairy producers market the calves back for feeding and marketing on a negotiated grid.

Neither of these programs promises producers a profit. No system can. Both assure producers more options and additional opportunity.

Both of these examples also underscore the power of horizontal cooperation. While it's true that cattle aggregators such as feedlots and packers often serve as alliance hubs, it's too easy to forget that the horizontal cooperation borne by producers banding together serves as the essential driver.

In the examples offered here, enough producers perceived enough added opportunity to join forces to create enough volume of a specific product to satisfy consumer demands in such a way that they had the chance to make more money.

Such cooperation also provides consumers with more options and reliability. Though still lower than in 1990, domestic demand stabilized and began edging upward, as further beef differentiation and beef branding enabled by such cooperation took hold.

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