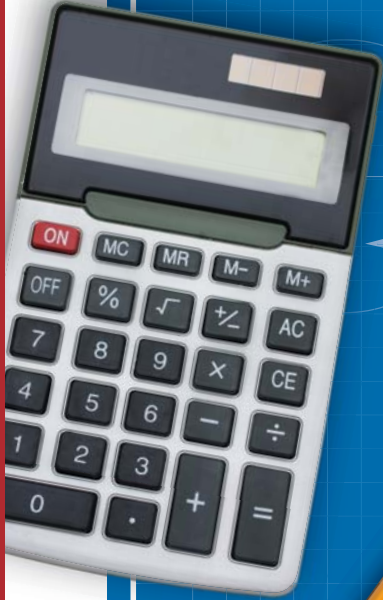


THE NEW LONG RANGE PLAN...

... GOOD FOR CATTLE FEEDING COUNTRY



The newly-adopted industry Long Range Plan sets an aggressive course for cattlemen.

BY LARRY STALCUP

Stronger export and domestic demand, growth in the cowherd, enhanced freedom to produce and feed cattle, improved trust within the industry and a stronger image among consumers are among core goals of a new three-year beef industry Long Range Plan (LRP).

The NCBA LRP Task Force, which includes Mike Engler, immediate TCFA past chairman, set out to develop the plan in late 2010 and presented its proposed draft at the 2011 Cattle Industry Convention and Trade Show. The roadmap to increased beef production and consumption received rousing approval from all segments of the beef industry.

Even with a slowly-improving economy, which seems to be threatened every other day by one foreign crisis or another, beef demand is holding steady. It's even growing on the export side. But the industry can't let it slip, said Charles Miller, task force co-chair and rancher from Kentucky. He says the LRP is hopefully a road map for enhancing beef demand, sales and overall beef consumption, while at the same time encouraging producers to grow the cow herd.

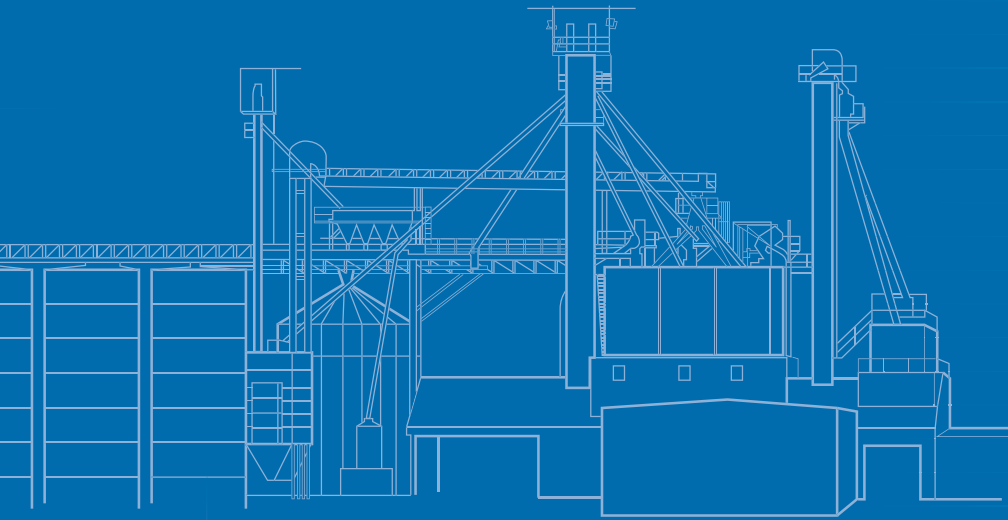
Wholesale Demand Index

The planning committee used the Wholesale Beef Demand Index as a benchmark. An index that hits 105 or higher is a pivotal measure for maintaining strong cattle markets.

"The demand index measures the disappearance of beef through retailers, food service, as well as exports," said Miller. "It's a pretty good gauge of how and where beef is going and at the rate it's disappearing."

Tod Kalous, market analyst at CattleFax, helps compute the wholesale index, which is based on the carcass cutout value for Choice and Select beef, as well as supply. "The supply variable is based on the per-capita net use of beef," he said. "In today's situation (early 2011), the cutout price at about \$164/cwt. or higher puts the index at about 105. Cutout was \$155 in early 2010 when the index was 104 or lower."

Cattlemen tend to focus on what the supply is doing and what price they're seeing, said Kalous. "The index ties them together."



CORE STRATEGIES AND GOALS:

- *Improve domestic consumer preference for beef*
- *Capitalize on global growth opportunities*
- *Strengthen the image of beef and the beef industry*
- *Protect and enhance our freedom to operate*
- *Position the U.S. cow herd for growth*
- *Improve industry trust, openness and relationships*

Considering that the index topped 120 from 2003 to 2005 and was above 109 through 2008, the 105 level isn't too impressive. However, given that the index plunged to a nauseating 97 in 2009—when the worst of the recession cut deep into household food budgets—105 is a worthy aspiration.

“In early February we were at 104,” said Miller. “But with the increase in fuel prices (due to Middle East unrest), it may be hard to keep it there. The LRP is a guide we can all use to solidify demand.”

Industry Vision

The LRP has this vision—*An industry united around a common goal of being the world's most trusted and preferred source of beef and beef products. It works off this adopted mission—To provide the safest, highest-quality, most consumer-friendly beef and beef products in an environmentally and economically sustainable manner.*

Engler, CEO of Cactus Feeders, says the LRP has six core strategies and goals, and all will impact cattle feeders, some possibly more than others. The goals are:

GOAL: *Improve domestic consumer preference for beef*

The goal here, according to the plan, is to increase the consumer beef index preference measure from 28% to 31%. “We have good domestic demand, but it needs to be stronger. We need to make it better,” said Engler.

NCBA measures this index through bi-annual surveys of 1,000 consumers, said Rick Husted, NCBA vice president of planning and market research. “The survey was one of the requirements from the last Long Range Plan to track consumer satisfaction with beef,” he said. “We survey 2,000 people a year through the checkoff-funded project and ask a series of questions about consumer attitudes toward beef and competing proteins to make sure we are getting an accurate read on the industry. The overall question within the survey is to determine if the positives of beef outweigh the negatives and provide some diagnostic data to base our planning on.

“We ask a lot of questions about consumer behavior and attitudes related to beef, as well as competing protein.

Questions on beef taste, safety, animal welfare, nutrition or price help determine the overall attitude. If the positives outweigh the negatives (or vice versa), then we can determine if it is based on price, nutrition or other things.”

To increase the percentage of consumers at the highest level of satisfaction from 28% to 31%, Husted says, would represent a 10% increase in the number of consumers who say the positives of beef strongly outweigh the negatives. “That’s a level we believe will be a challenge to reach, but one we wanted to shoot for in the plan,” Husted said.

“Since the LRP allows for annual updates, if we were to hit the 31% this year, we could re-engage with the task force with a recommendation to possibly take that to the next level,” he said.

Key initiatives of this LRP goal are to:

- Identify and track domestic consumer needs and preferences;
- Collaborate with industry stakeholders to develop and implement demand generation initiatives based on consumer needs and preferences;
- Develop and execute creative communication initiatives to improve consumer understanding of the beef production system and increase consumer confidence in the safety of beef;
- Educate, enable and engage key influencers and opinion leaders in communicating the positive health and nutrition benefits of beef;
- Create stronger relationships and more consistent communication with meal-time decision makers; and
- Identify and capitalize on growth opportunities with targeted market segments.

“We have to realize that there can be sticker shock,” noted Engler. There will be a price where consumers will cut back on beef. But beef has an advantage over other proteins. “We can sell different cuts at different price points. If some consumers can’t afford the middle meats, there are a lot of other cuts available.”

GOAL: *Capitalize on global growth opportunities*

Exports have seen tremendous growth, setting a new record in dollar value in 2010 and nearing 2003 levels of 2.5 billion lbs., according to CattleFax. The task force strongly feels the industry can capitalize on this increased foreign demand for U.S. beef and has a goal to increase the value of exports by 25% per head, says Miller.

The plan strives to:

- Increase access to export markets;
- Leverage the brand equity of the U.S. beef industry (e.g. cattle ranching, beef production, product development, etc.) to promote U.S. beef in foreign markets; and
- Educate beef cattle producers on the significance of the beef export market.

“Exports have been excellent, but we have the potential to increase those markets much more,” said Engler, noting that improvements in U.S. trade agreements with South Korea, Japan and other foreign buyers should open more markets for beef cuts not as popular domestically. (For more on exports, see “A View From The Middle Of The Shifting Trade Paradigm” in this issue.)

GOAL: *Strengthen the image of beef and the beef industry*

Consumers are being inundated by attacks on the beef industry, everything from Hollywood celebrities touting veganism to the distortions from the well-financed Humane Society of the United States to propaganda like *Food, Inc.*

“A main concern is strengthening the image of what we do as an industry,” said Miller. “There is so much misinformation about how we produce beef in every segment of the industry. So improving domestic consumer confidence and their preference for beef is of utmost importance. We (task force) knew we had to try to be more transparent as an industry and create some initiatives that strengthened our image as an industry going forward.”


The goal of the image building is to establish a benchmark measure of public perceptions of beef and beef production. The LRP will engage all industry segments to:

- Develop and consistently communicate a positive beef production story;
- Capitalize on the history, heritage and brand equity of family-based production agriculture and the farming/ranching lifestyle;
- Implement and communicate continuous improvement efforts to enhance consumer trust in our product and production practices;
- Promote our industry’s commitment, ongoing investment and progress in ensuring beef safety;
- Strengthen efforts to proactively anticipate and rapidly respond to attacks on beef and the industry; and
- Develop and implement programs to enhance beef’s image among American youth.

GOAL: *Protect and enhance our freedom to operate*

With a goal of developing an index to measure and track freedom to operate, this LRP core goal has an added importance to feedyards, said Engler. “Freedom to operate is extremely important,” he said, “and CAFOs are obvious targets (of environmental groups and others).

“TCFA and NCBA, along with other production and feeder groups, have to work harder in Washington, D.C. in our public relations efforts to educate members of Congress and different regulatory agencies and consumer groups. Feedyard operators have to pay more attention than ever to animal welfare, food safety, water usage, the environment and basically how they justify their place in producing beef.”



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The LRP’s freedom to operate goal will work to:

- Define and communicate sustainable beef production;
- Identify and track the cost of government regulation on all segments of the beef industry;
- Educate policy makers and regulators on structure, operation and value of the beef industry;
- Strengthen partnerships and alliances with organizations outside the beef industry that share similar values and interests;
- Coordinate lobbying among like-minded beef industry advocates;
- Proactively address and counter efforts of activist organizations that seek to limit our use of technology and/or interfere with our freedom to operate and care for our land and cattle; and
- Continue to proactively develop and employ best practices for animal welfare.

“Our cattle feeding operations have nothing to hide,” said Engler. “NCBA’s Beef Quality audit and Beef Quality Assurance program, TCFA’s Beef Safety and Quality Assurance ProgramSM and our best management practices enable us to tell our story with no qualms whatsoever.”

GOAL: *Position the U.S. cow herd for growth*

With continued high prices for calves coupled with high input costs, selling heifer calves is often more attractive to ranches than holding them back as replacements. But overall, that practice will create even more problems for feeder cattle supplies if cow supplies continue to decline.

That’s why this LRP goal is important, said Miller, adding that the objective is to increase bred heifer retention to 18%, while stabilizing U.S. beef production at a minimum of 26 billion lbs.

“This doesn’t mean we expect to increase bred heifer retention by 18%, but to increase it from about 16.7%

to 18%,” said Miller. “What we’re talking about is a 1.3% increase. We want to try to keep the minimum of 26 billion lbs. of supply we have now. But the realization is that if we do not begin to retain heifers and cows, our supply could reach a critical level. Given the fact that our exports are really going strong, we could really lose market share there. If that happens, we won’t get it all back.”

Barry Carpenter, CEO of the National Meat Association and LRP task force member, agrees with the need for herd rebuilding. “I believe stabilizing and turning around the cow herd is a major goal in the LRP,” said Carpenter, whose organization deals heavily with food safety issues for packers, food processors and others. “We can’t sustain the future of the industry on the backs of culled cows. As our herd continues to shrink, everything else becomes more problematic.”

Under this LRP goal, the industry will work to secure resources to support public policy efforts to strengthen rural America and encourage growth in the U.S. cow herd; develop and invest in programs that attract talent and capital into the beef industry; promote the intrinsic value of the farming and ranching lifestyle; and invest in educating current and prospective cow-calf producers to capitalize on opportunities and improve their profitability/sustainability.

“Increasing bred heifer retention to 18% is a modest goal, but at a minimum we need to get the cow herd stabilized,” said Engler. “Of course, if heifers are being bred, they’re not coming to the feedyard, so it’s a fine balancing act.”

GOAL: *Improve industry trust, openness and relationships*

With the friction that erupted recently over the beef checkoff and other situations, trust among industry groups became strained. It took a coming-together of NCBA, the Cattlemen’s Beef Board and the Federation of State Beef Councils to address the situation through this core goal.

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This LRP goal aims to:

- Establish an industry-wide, cross-sector panel or a task force to identify issues and develop recommended solutions to intra-industry trust issues;
- Establish tools, meetings and programs to facilitate dialogue and increase transparency among all sectors of the industry; and
- Develop an industry-wide leadership development program to improve industry relationships and ensure a pipeline of informed, prepared and competent industry leaders.

Carpenter said trust and transparency are vital to the industry. “If we don’t have that, we can’t have that leap of faith to rebuild the cowherd and reach our overall common goal,” he said. “As an industry, we need to focus on the goals we agree on and not what we disagree on. We need trust within the various segments of the industry.”

What’s Ahead?

“When we first came together last October, we were determined to support the industry infrastructure that’s in place,” said Engler. Added Miller, “We had to try to be more transparent and create some initiatives that strengthened our image as an industry going forward.”

Critical success factors of the LRP depend on “the development of a resourcing plan to achieve desired outcomes of the plan,” said Miller. “We need to increase Checkoff and non-Checkoff resources to help make the plan work.”

Another success factor will involve adoption of a practical and effective industry-wide animal disease traceability program. “We expect to see strong cooperation among state beef and feeder associations to achieve the traceability needed in this program,” said Miller.

“Traceability is a high priority,” added Engler. “TCFA has a policy to support mandatory ID, but most other cattle associations may not be on the same page.”

Ultimately, the success of the LRP will depend on input from all sides of an issue. “It will be imperative for all segments of the industry to play a part in the plan,” concluded Engler. 🐾

EDITOR’S NOTE—Larry Stalcup is a beef industry freelance writer in Amarillo, Texas.

A PLAN FOR ALL

The beef industry’s new three-year Long Range Plan was crafted by a team that included representatives of every segment in the beef food chain.

“The 23-person task force was equally funded by NCBA, the Cattlemen’s Beef Board and the Federation of State Beef Councils,” said Charles Miller, a Kentucky rancher who co-chaired the LRP task force with Robert Rebholtz, CEO of Agri-Beef in Boise, Idaho. “These entities selected the makeup of the task force to include the whole cross-section of the industry. I don’t think it could have been a better mix of people.”

Task force member Mike Engler, CEO of Cactus Feeders and immediate past TCFA chairman, said the 23 members compares to 14 on the most recent LRP, with Rebholtz being the only previous member. “It’s a broader-based task force,” said Engler. “There’s not a huge concentration in any one segment. Along with cattle feeders and cow-calf operators, there are representatives from Kroger, Wendy’s and Sysco, people closer to the consumer.”

The three-year plan will undergo periodic reviews, said Engler, and will be altered if needed. “We went with a three-year plan instead of five year because of the changing economy throughout the world. There is so much volatility in the markets and worldwide economic circumstances that it’s hard to plan five years into the future.

“We’ll look at it yearly, make any needed corrections and keep it fresh,” he added.

Barry Carpenter, National Meat Association CEO, said, “I’m a firm believer that in anything you’re doing, you need to have a plan and focus on where you’re trying to go. Having a plan is critical. The challenge is trying to do something as an industry, rather than as a company or individual. There are a lot more variables involved.

“We identified a set of goals and strategies and initiatives, realizing that individually, you can’t carry out all of it.”

Other members of the LRP task force include: Ron Bryant, Intervet/Schering-Plough; Jack Crowley, cow-calf operator; Robert Fountain, cow-calf operator; David Kent, Kroger; Mark Mackey, Livestock Marketing Association; Joe Schechinger, Wendy’s QSCC; Don Stewart, Stewart-Miller, Inc; Homer Buell, Shovel Dot Ranch; Mark Eganhouse, Wendy’s QSCC; and Ted Greidanus, Calftex Corp.

Also, Leo McDonnell, U.S. Cattlemen’s Association; Billy Perrin, Livestock Marketing Association; Don Schiefelbein, Schiefelbein Farms; Mark Van Buskirk, Kroger; Paul Hentich, Sysco, Corp.; Charlie Mostek, Tyson; Homero Recio, USMEF; Todd Schroder, Alberts Feedlot; and Bob Young, American Farm Bureau Federation.

