



CHAROLAIS

VIEWPOINT

J. Neil Orth, Executive Vice President

Whew! That was close.

So we remain, cautiously optimistic.

This is not the time for naiveté. For the past couple of years, the business of producing beef has been about as difficult as most of us have seen in a lifetime. But, as the new-year rolled around, this business began to “feel” better.

The National Western Stock Show held in January each year has anecdotally served as an economic barometer for spring sales in the seedstock business. After all, for more than a century, the “granddaddy” of all livestock shows has been a gathering place for registered and commercial beef producers. Year after year, commercial bull sales in the yards set the market for registered bulls in the spring.

While the motivating factor for attending the stock show is business, we all know the NWSS serves as an unconquerable spirit for livestock producers all across America. If the mood during January at the National Western is optimistic, that optimism most always plays out across the country in the spring.

Amid the noise of economic news on the national front, the signals our industry depends upon began to show a slow, steady improvement during the first quarter of 2010. The NWSS was good. Real good. The spring production sales have been good. Real good. The market for registered bulls has been particularly good. Can we all take a deep breath and feel the worst is over? Time will tell.

referencing Cattle-Fax, 550# steers show a \$16.45 increase compared to this same time last year. Fed steers posted a \$14.06 increase over a year ago. For those retaining ownership, add the increase in the cash price to the many value-added opportunities such as age- and source-verification, grid pricing, specific brand alliances, etc. and the profit potential makes the “bottom line” picture much more attractive.

According to Feedstuffs (March 15, 2010) agriculture could recover approximately one-third of the losses from 2009. The recovery, for at least two years will be the result of stronger livestock prices. Yet, projected food inflation remains a modest 3%, well below the sharp increases experienced in 2007 and 2008. In addition, global beef demand is projected to approach pre-BSE levels by 2012. That’s extremely good news for U.S. beef producers.

So, where to from here? Without an understanding, as an industry, of who we are and why we do what we do, our instincts to survive the worst and make the best of any situation are beyond comprehension. In fact, most often, our industry emerges in a better, stronger position with an even more competitive product at every segment throughout the food chain. Whether the catalyst is BSE, E. coli, the economy or a plethora of other potentially catastrophic issues, beef producers pragmatically

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It seems as if every generation has an opportunity to experience both contraction and recovery if they stay in the beef business long enough. This time, extremely cautious optimism is warranted. Economics have forced beef producers to become willing to embrace tools to produce a more efficient, higher valued product, regardless of end point. Beef is still preferred by the consumer, safe and affordable. Exports continue to increase while imports have slightly declined.

Based on current industry analysis, Cattle-Fax reports that beef supplies could be tight for at least 3 more years. The percentage of heifers on feed indicates the nation’s cowherd continues to contract. Possibly the best news is the fact, in almost every market category, we have seen a significant increase in market pricing. Again

prepare to weather any storm—all the while, doing all that they do, better.

We all know the next great industry battle has little to do with the quality of our product, but the perceptions of how we produce our product. Our advantage is in knowing those who wish to obliterate production agriculture have absolutely no understanding of the unintended consequences of their mission.

For now, we can be cautiously optimistic about our future. The role you play as a producer of one of the most affordable, safe and nutritious proteins on the planet can not be replicated without using all the generations of experience, sound science and technological advancements that brought us to here. **J**