



## ***NATIONAL MEAT ASSOCIATION***

NMA - West  
1970 Broadway, Suite 825  
Oakland, CA 94612  
Ph. (510) 763-1533  
Fax (510) 763-6186

NMA - East  
1400 - 16th St. N.W., Suite 400  
Washington D.C. 20036  
Ph. (202) 667-2108

Email: [staff@nmaonline.org](mailto:staff@nmaonline.org) ★ <http://www.nmaonline.org/>

**Edited by Kiran Kernellu**  
**September 7, 2004**

**“America must be the best place in the world to do business.” - President George W. Bush**

### **WTO SANCTIONS U.S. OVER DUMPING**

Last week, the World Trade Organization (WTO) authorized the European Union and seven other top U.S. trading partners to inflict over \$150 million in sanctions against the U.S. for failing to repeal anti-dumping rules judged illegal, according to press reports. The complainants can fine the U.S. up to 72 percent of the money collected from foreign exporters under the Continued Dumping and Subsidy Offset Act of 2000, also known as the Byrd Amendment. The Act allows the U.S. to distribute to U.S. companies the duties imposed on foreign firms judged to be unfairly dumping cheap goods on the U.S. market. The EU and other complainants - Japan, Brazil, Canada, Chile, India, South Korea and Mexico - estimated that the money totaled about \$240 million last year.

“It is clear that the Byrd Amendment is a WTO-incompatible response to dumping ... and must therefore go,” said EU Trade Commissioner Pascal Lamy.

The EU and other complainants indicated they would not impose sanctions yet, according to a *Meatingplace.com* report. A joint-statement from all eight said they could “exercise their retaliatory rights, at any time deemed appropriate.” However, Japan said that if the legislation is not repealed soon, it would ask that the WTO approve the retaliation as early as this fall.

“Japan strongly hopes the United States will repeal the Byrd Amendment at an early date so that we can avoid invoking our right to take countermeasures,” Japan’s economy, trade and industry minister, Shoichi Nakagawa, reportedly said in Tokyo.

U.S. trade spokesman Christopher Padilla said the Bush administration would work with Congress to comply with the WTO “in a way that supports American jobs and American workers.”

### **OIG REPORT ON BSE SURVEILLANCE PROGRAM**

The Office of Inspector General (OIG) recently released its audit of the APHIS and FSIS BSE surveillance program (<http://www.usda.gov/oig/rptsauditsfsis.htm>). The report evaluates whether the BSE surveillance program in effect in December 2003 was adequately implemented, and whether the enhanced surveillance program will accomplish the goal of determining what, if any, BSE level is present in our our native herd.

The OIG was unable to find documents to support the development of the program through December 2003, and the enhanced plan and implementation were in beginning stages during the OIG evaluation. OIG expects this report to be the first in a series. The OIG findings and recommendations on the current BSE surveillance plan focused on which animals will be tested and whether the number and categories of animals tested will be substantial enough to support any claim of BSE prevalence in this country for U.S. trading partners.

OIG found that identifying, obtaining samples, and testing cattle in the high-risk category is still a major challenge. It also found that better control is needed over collection of samples and recording of data to ensure the database used for APHIS’ reports is accurate. It also found that APHIS needed to disclose the assumptions used when designing the plan and clarify the limitations in the plan so that “industry, the public, and U.S. trading partners” can understand what the plan is intended to accomplish. As reported last week in *Herd on the Hill*, APHIS and FSIS agree with the OIG recommendations and have already begun working towards their implementation. NMA members can request an Olsson, Frank & Weeda memo on the audit from Kiran Kernellu at 510-763-1533 or [kiran@nmaonline.org](mailto:kiran@nmaonline.org).

## BSE UPDATE

As of September 7, 2004, no positive or inconclusive BSE test results have been reported. Since June 1, a total of 52,609 tests have been completed. Visit updates at:

[http://www.aphis.usda.gov/lpa/issues/bse\\_testing/test\\_results.html](http://www.aphis.usda.gov/lpa/issues/bse_testing/test_results.html).

## NEW FAT ON THE PLATE

Food companies are searching for a new fat as the evidence mounts against trans fatty acids. Trans fatty acids in partially hydrogenated oils are damaging to the heart. Moreover, by January 2006 FDA will require food companies to list the amount of trans fatty acids, or trans fat, on their nutrition labels.

Food companies are spending millions on researching, evaluating and testing various fat alternatives, said Alison J. Kretser, director of scientific and nutrition policy for the Grocery Manufacturers of America (GMA) in a *Washington Post* report, but experts say it still could be five to 10 years before trans fats can be effectively replaced. "The amount of trans fat will be labeled on the product by January 2006. Whether all the products are reformulated, that's unlikely," Kretser added.

Alternative oils have their own health problems, are too expensive, or sometimes can't be substituted without changing the taste, texture or shelf life of a product. Hydrogenation of liquid oil, like vegetable or soybean oil, which creates trans fatty acids, gives desirable physical characteristics, as commercial food operations want easily spread products with a longer shelf life.

For instance, the cheaper tropical oils are heavily saturated, another threat to the heart, and are not in abundant supply and reportedly can destroy wildlife habitats. Frito-Lay and Pepperidge Farm have switched to non-hydrogenated oils, such as corn and sunflower oils, which benefit the heart, but are costlier.

Another alternative still on the drawing board is genetically engineered soybean plants that would create oils with fatty acid profiles that are more favorable for health effects and cooking. While many experts are hopeful about it, even with the right plant it would be years before enough fields were planted to produce the billions of pounds of oil the food industry needs.

## LAST *E. coli* WORKSHOP – SEPT. 11

The **Sept. 11 Amarillo, TX** workshop will be held at The Ambassador, (806) 358-6161, from 9:00 a.m. to 2:00 p.m. Pre-registration is encouraged. Call (866) 553-3052; e-mail [Renee.Ellis@fsis.usda.gov](mailto:Renee.Ellis@fsis.usda.gov), or visit [http://www.fsis.usda.gov/News\\_&\\_Events/Meetings\\_&\\_Events/index.asp](http://www.fsis.usda.gov/News_&_Events/Meetings_&_Events/index.asp) to sign up.

## CALLING ALL MEMBERS!

MEATXPO '05 is right around the corner! It will be held at the Rio in Las Vegas, February 20-23, 2005.

In continuing with our annual tradition, we will have a consultants' booth available. The consultants' booth is an area designated for NMA consultants and members to discuss hot topics, operational procedures, food safety, HACCP and other topics of interest. This is a great opportunity to work one-on-one with a consultant. The consultants are excellent resources, many of them having previously worked for FSIS. We encourage everyone to take advantage of their availability and expertise while in Vegas.

We'd like to know what topics and questions you would like the consultants to address either as a (1) personal one-on-one discussion item or (2) as a specific group presentation. Please complete the Consultants' Booth Topic Request Form

[http://www.nmaonline.org/Consultants\\_Booth\\_Questionnaire\\_to\\_Members.pdf](http://www.nmaonline.org/Consultants_Booth_Questionnaire_to_Members.pdf) located on our Events page and fax or e-mail the completed form to Julie Ramsey. Request a form by fax or mail by contacting Kiran Kernellu at [staff@nmaonline.org](mailto:staff@nmaonline.org) or 510-763-1533.

## LINKS

NMA reports news items that are of special interest to its readers, and provides information that they may want to be able to access. Below are links to the *Federal Register*, AMS, APHIS, and FSIS, respectively:

[http://www.access.gpo.gov/su\\_docs/aces/aces140.html](http://www.access.gpo.gov/su_docs/aces/aces140.html);

<http://www.ams.usda.gov/>;

<http://www.aphis.usda.gov/>; and

<http://www.fsis.usda.gov/>.

***It's time to start planning for NMA's 59<sup>th</sup> Annual Convention and MEATXPO '05 – February 20-23, 2005! A preliminary schedule is available at:***

***[http://www.nmaonline.org/2005 Tent Schedule Info.pdf](http://www.nmaonline.org/2005_Tent_Schedule_Info.pdf)***

***Visit [www.meatxpo.org/](http://www.meatxpo.org/) for more information on our biennial trade show!***

***We hope to see YOU in Vegas!***

## 2004-05 SCHOLARSHIP RECIPIENTS

Congratulations to the eight recipients of scholarships from the NMA Scholarship Foundation! Scholarship Foundation President Ron Gustafson announced the winners of undergraduate scholarship grants for the 2004-05 academic school year:

The DeBenedetti Scholarship was awarded to Scott Grumbles, of California State University, Fresno; The Edie Schmidt Scholarship to Michelle Gorhum of Texas Tech University; The Al Piccetti Award to Jaime Paeschke of Oregon State University; and the NMA Scholarship Grants went to Stacy Loutzenhiser, Colorado State University; Beth Sequeira, California Polytechnic University, San Luis Obispo; Ann Gensmer, South Dakota State University; Josh Powell, Texas A&M University; and Andrew Everts of South Dakota State University.

The awards will be presented at National Meat Association's Annual Meeting, which will be held during the association's 59<sup>th</sup> Annual Convention and MEATXPO '05 in Las Vegas, NV February 20-23, 2005.

## FOOD SAFETY WITH AFTER SCHOOL SNACKS

USDA is focusing a food safety effort on after school snacks. The Agency has devised a quiz for parents and kids to test their knowledge of food safety and expand on it. Test out your food safety acumen:

True or False?

1. Put backpacks on the floor, not the counter.
2. Washing your hands with warm water and soap washes bacteria down the drain.
3. You need to wash fruits and vegetables under cold running water before eating.
4. Cooked foods should not be put on the same plate that held raw meat or poultry (unless the plate has been thoroughly washed.).
5. Lunch meat or deli meat does not need to be refrigerated until the package is opened.
6. Don't leave leftovers on the counter for more than 2 hours.
7. Always wash your hands after touching raw meat or poultry.
8. Eating homemade cookie dough is not safe because it may contain raw eggs.

(Answers: 1, 2, 3, 4 – True; 5 – False; 6,7,8 - True)

## ORGANIC CERTIFICATION COST-SHARE PROGRAM

AMS recently published a notice inviting eligible States to enter into a Cooperative Agreement with the Agency for the Allocation of Organic Certification Cost-Share Funds. AMS has allocated \$1.0 million for this organic certification cost-share program in FY 2004. Funds will be available to 15 designated States to assist organic crop and livestock producers certified by the USDA accredited certifying agents to the National Organic Program. Eligible States interested in obtaining cost-share funds for their organic producers must submit an Application for Federal Assistance, and will have to enter into a cooperative agreement with AMS for the allocation of the funds. Completed applications for federal assistance and signed cooperative agreements must be received by October 4, 2004 to be eligible. Visit the *Federal Register* notice for details: <http://a257.g.akamaitech.net/7/257/2422/06jun20041800/edocket.access.gpo.gov/2004/04-18848.htm>.

## UPCOMING NMA SEMINARS

**September 16-18, 2004 - Developing and Implementing HACCP for Meat & Poultry Plants (Basic HACCP Certification Training) – San Francisco, CA**

**October 25-27, 2004 – Process Validation Ready-to-Eat (RTE) Products – San Antonio, TX**

**February 20-23, 2005 – 59<sup>th</sup> Annual Convention and MEATXPO '05 – Las Vegas, NV**

**February 23-24 2005 – AMSA/NMA Meat Science Conference – Las Vegas, NV**

**Contact NMA at (510) 763-1533 for more information and registration materials or visit the Events page of NMA's website at: <http://www.nmaonline.org/html/events.htm>. Seminar locations are subject to change.**

**AMERICANS INCREASINGLY DINING OUT**

The Economic Research Service has data indicating that Americans will increase their spending by about 18 percent per person at full-service restaurants and about 6 percent per person at fast-food establishments between 2000 and 2020. The agency used a statistical model including changing demographics of the U.S. population, such as a projected rise in incomes, a decrease in the proportion of “traditional” (defined as a married couple with children) households, and an increase in the average age.

ERS found that those with a higher income tend to spend more money on dining out. Also, the “traditional” household generally spends less money per person on dining out than either a single-person household or a household with multiple adults but no children. It also found that the aging population is likely to reduce per capita spending by 2 percent at fast food places, but won’t have much effect on full-service restaurants demand.

**USDA BUYS BEEF**

USDA announced the following purchases last week for distribution to the National School Lunch Program. USDA continues to invite offers for the program. Further information may be obtained from the Contracting Officer at (202) 720-2650.

Product/Company/Production Point	Destinations	# of Loads	Price Range
<i>Awards made for LS-10, invitation 909 to be shipped between October 1 and 15, 2004:</i>			
<b>Beef-Coarse Ground, Reprocess</b>			
Cherry Meat Packers, Chicago, IL	GA, NY, PA	20	\$1.7444-\$1.7612
H&H Meat Products Co., Inc., Mercedes, TX	TX	25	\$1.7245-\$1.7270
Palo Duro Meat Processing, Amarillo, TX	OH, WA	25	\$1.7666-\$1.7999
Qualipaq Meats, Inc., Swoyersville, PA	OH, PA	15	\$1.7440-\$1.7490
Valley Pride Pack, Rantoul, IL	OH, KY	18	\$1.7201-\$1.7302
Westland Meat Co., Chino, CA	CA, OH, WA	27	\$1.6898-\$1.7724

*Awards made for LS-10, invitation 703 to be shipped in two periods between October 4 and 30, 2004:*

<b>Beef-Frozen Fine Ground</b>			
Cherry Meat Packers, Chicago, IL	NY, FL, KY, MI, MT, CA, NM, MO	15	\$1.9313-\$1.9500

**SLAUGHTER HEAD WEEK ENDING: 9/4/04**

	Current Week	Previous Week	% Change	Last Year	% Change
<b>Cattle</b>	640,000	623,000	2.7	648,000	-1.2
<b>Vealers</b>	17,000	17,000	0.0	17,000	0.0
<b>Hogs</b>	2,037,000	1,996,000	2.1	1,747,000	16.6
<b>Sheep</b>	54,000	49,000	10.2	50,000	8.0

**CATTLE SLAUGHTER BY CLASS**

Week	Cows	Bulls	Heifers	Steers
8/21/04	14.7	2.0	31.0	52.4
8/23/03	16.3	1.8	30.4	51.4

**HOG SLAUGHTER BY CLASS**

Week	Barrow-Gilts	Sows	Stags-Boars
8/21/04	96.6	3.2	0.2
8/23/03	96.5	3.2	0.2

**The JACOBSEN Price Guide** **9/3/04**

Daily prices available online at: [www.by-products.com](http://www.by-products.com)

	<b>TALLOW</b>	<b>GREASE</b>	<b>MEAT &amp; BONE MEAL</b>
	Bleachable Fancy	Yellow	Ruminant
Pacific Northwest	14.5	13.0	190.0
Los Angeles/San Francisco	14.5	13.0	N/A
San Joaquin Valley	N/A	14.25	N/A
California	N/A	N/A	175.0-190.0

**Call us at 708-361-8823 to register today**

**L.A. EDIBLE** 9/7  
 (Pacific Coast Commodities) 19.5

**HIDES PRICES (Jacobsen’s) - 9/3 - per pc - per lb**  
 Butt Branded Steers (68lbs & -) \$61.5-65 .75-.805  
 Branded Cows North \$45 .6875  
 Branded Heifers (57lbs & -) \$54 .81

**THE AMSA/NMA MEAT SCIENCE CONFERENCE TAKES PLACE FEB. 23-24, 2005 IN LAS VEGAS.**  
 (Separate registration is required.)



## **NATIONAL MEAT ASSOCIATION**

NMA - West

1970 Broadway, Suite 825

Oakland, CA 94612

Ph. (510) 763-1533

Fax (510) 763-6186

Email: [staff@nmaonline.org](mailto:staff@nmaonline.org) ★ <http://www.nmaonline.org/>

NMA - East

1400 - 16th St. N.W., Suite 400

Washington D.C. 20036

Ph. (202) 667-2108

**Edited by Kiran Kernellu**

**September 7, 2004**

### **CANADA DENIES PRIVATE BSE TESTING**

Contrary to a media report last week, the Canadian Food Inspection Agency has said it would not approve an application for private BSE testing for an Alberta packer, according to press reports.

CFIA spokesman Marc Richards said that the agency does not allow private testing for BSE. Richards added that Canadian beef exports require government export certificates that claim the product is disease free, which is strictly a "government-to-government" function and cannot be done "business-to-business."

### **SOME EMBRACE IRRADIATED BEEF**

Schools and day-care centers in Minnesota, Nebraska and Texas will be serving irradiated ground beef to children this year. In Nebraska, 50 schools and 15 day-care centers have ordered the meat, according to *Meatingplace.com*. This year two percent of Nebraska's roughly 1 million-pound annual order of ground beef will be irradiated. The irradiated beef costs about 15 cents more per pound than regular ground beef.

There are those, however, that don't embrace this food safety intervention. In California, AB 1988 (Hancock) would place a defacto ban on the use of irradiated foods in the National School Lunch Program in the state by requiring school boards to take affirmative action prior to serving irradiated foods. The bill is awaiting Governor Arnold Schwarzenegger's signature, and the California Cattlemen's Association is calling for the Governor's veto.

### **COWS 20 MONTHS OR YOUNGER EXEMPTED FROM 100% TESTING CALL?**

Last Friday *Kyodo News* reported Japanese sources close to the Food Safety Commission subcommittee as saying that the Commission plans to recommend the Japanese government remove beef cattle aged 20 months or younger from BSE testing policy.

Ending a policy in place since October 2001, the subcommittee will put forward this recommendation in the form of an interim report at a meeting of the panel members today, the sources reportedly said. If the entire Food Safety Commission endorses the recommendation, the government will start deliberations on the plan. *Reuters* reported a Commission official as saying that "some modifications still need to be made, but [panel members] largely agree with the report."

Japanese officials were cited in a Saturday *United Press International* report as saying Japan's Agriculture, Forestry and Fisheries Ministry is set to relax its blanket requirement. As the panel concluded it is technically difficult to detect mad cow disease in calves, the Japanese government reportedly plans to exempt beef cows 20 months or younger from mandatory mad cow tests, according to the *Mainichi Daily News*. Since the Commission found the youngest cow infected with BSE in Japan was 21 months old (in tests on all beef cows), it concluded that it was difficult to detect the disease in cows younger than 20 months old. Officials said the Cabinet Office's Food Safety Commission is expected to officially approve the report this week.

The Agriculture Ministry and the Labor and Welfare Ministry will use the report to review the testing policy.

**Read the newsletter the day it's printed! Send your e-mail address and company or organization affiliation to [staff@nmaonline.org](mailto:staff@nmaonline.org) and we'll send it by e-mail.**

## **VOLUNTARY LIVESTOCK REPORTING**

As discussed during NMA's Summer Conference, AMS is looking for packers and processors to provide information on a voluntary basis to be included in the mandatory livestock reports. A packer or processor participating on a voluntary basis would not be subject to the penalty provisions of the Act, but will be asked to sign an agreement to ensure that voluntary data is consistent with data collected on a mandatory basis.

NMA members can request a copy of the agreement, requirements and accompanying letter from Kiran Kernellu at 510-763-1533 or [kiran@nmaonline.org](mailto:kiran@nmaonline.org). Contact John Van Dyke at 202-720-6231 or [john.vandyke@usda.gov](mailto:john.vandyke@usda.gov) with any questions or for details on the program.

## **PENNSYLVANIA ID LISTENING SESSION**

USDA will hold an animal identification listening session in La Plume, Pennsylvania, on Friday, September 10, 2004 from 6:00 to 8:30 p.m. at Keystone College, One College Green, Evans Hall (inside Hibbard Campus Center). Call (570) 945-8162, or visit <http://www.keystone.edu/Directory/Directions.htm> for directions to the site. More information and transcripts of previous sessions are available at: [http://www.aphis.usda.gov/lpa/issues/nais/nais\\_listeningsessions.html](http://www.aphis.usda.gov/lpa/issues/nais/nais_listeningsessions.html). This will be the last session.

## **REIMBURSABLE OVERTIME RATES & VET DIAGNOSTIC SERVICE USER FEES**

APHIS published a notice in the *Federal Register* regarding reimbursable overtime charged for overtime work and user fees for certain veterinary diagnostic services. Get details on the reimbursable overtime charges and user fees for fiscal year 2005 (October 1, 2004, through September 30, 2005) at: <http://a257.g.akamaitech.net/7/257/2422/06jun20041800/edocket.access.gpo.gov/2004/04-19809.htm>.

## **REVISION OF LAMB REPORTING DEFINITIONS FOR MPR REGULATIONS**

The Agricultural Marketing Service has issued a final rule effective November 1, 2004 to amend the Livestock Mandatory Reporting regulations to amend the definition of "carlot-based" by limiting carlot-based sales of boxed lamb cuts to transactions between a buyer and a seller consisting of 1,000 pounds or more of one or more individual boxed lamb items. The rule also reduces the volume level of annual lamb imports establishing a person as an "importer" by dropping the level to 2,500 metric tons of lamb meat products per year. Visit the *FR* notice at: <http://a257.g.akamaitech.net/7/257/2422/06jun20041800/edocket.access.gpo.gov/2004/04-19985.htm>.

## **DIETARY GUIDELINES ADVISORY COMMITTEE FINAL REPORT**

USDA and the Department of Health and Human Services recently announced the availability of the Dietary Guidelines Advisory Committee's final report on the Dietary Guidelines for Americans, 2005, available at <http://www.health.gov/dietaryguidelines>. The agencies are also soliciting written comments on the report, and announcing a public meeting to solicit oral comments on it. Written comments are due by September 27, 2004. The public meeting will be held on September 21, 2004, beginning at 9:00 a.m. EDT, at the Hubert H. Humphrey Building, 200 Independence Avenue, SW, Small Auditorium, Washington, DC, 20201. Registration is required to attend and to provide oral comments at the meeting. Visit the *Federal Register* notice at: <http://a257.g.akamaitech.net/7/257/2422/06jun20041800/edocket.access.gpo.gov/2004/04-19563.htm>.

## Grass, the Sun's Energy

The sun may be 93 million miles away, but it is probably our best source of energy. We may run out of petroleum in the next 2 or 3 hundred years and coal may be with us only another 4 to 5 hundred years, but it is estimated that the sun will be firing off its rays for quite a few more millennia. How do we harness this vast source of energy? Mother Nature has already provided us a way - grass. That's right, grass.

For the bovine animal, grass really is nature's perfect food. And, that brings us to the real subject, grass-fed beef. There are a number of groups, mostly enthusiastic cattle ranchers, who are exploring the efficacy of marketing grass fed beef. But, if the sun is free, except when it's cloudy, the water to nurture the grass and the cattle is not. We all must deal with and solve this question of dwindling water supplies and grass feeding cattle ranchers are no exception. Assuming a solution, and that's a big assumption, how do these new grass fed beef marketers get the consumer's attention? Can they do it without running afoul of those who conventionally raise, grain feed and feedlot nurture cattle in the mainstream beef industry and without forcing themselves into bankruptcy in the process? So, it's a marketing question.

These grass feeding cattle ranchers would argue that nature has already provided the energy for us humans if we only eat enough of their beef. They say the sun's energy is captured in the grass and when consumed by the cattle is converted into an excellent food source for us two-legged mammals. Circular logic you say? Well, the natural, and now organic beef people used similar logic when they first began marketing their beef product as being raised without hormones and antibiotics, much to the dismay of the very vocal mainstream cattle barons. I say grass fed beef is another niche for beef. And, I also say that a high tide of beef floats all beef boats. The more of all types of beef sold - the more beef is sold. And isn't that good for the whole beef industry?

Let's explore this grass fed beef marketing issue further and see if we can either recommend a methodology or help understand a current one. The question that must be answered is, do consumers want beef that is not grain fed with its resultant intramuscular flavorful fat? Have we as consumers had our collective palettes conditioned to desire only grain fed, marbled beef? The grass fed people are betting a whole lot of their hard earned money that consumers will recognize the health promoting properties of grass fed beef like its high omega 3's, L. Arginine, and low levels of cholesterol-building fat. That's the marketing story. Grass fed beef is healthier for you than conventionally raised beef. Oh, won't that raise the hackles of the mainstream beef industry gurus?

Well, it's a competitive world out there friends, and to misquote former President Harry Truman, get out of the kitchen if you can't stand the heat. I don't think the grass fed ranchers, at least not the ones I have met, who want to market their beef to consumers will be easily scared by the heat. This is niche marketing at its ultimate. Beef, maligned for years as an artery clogging food (just ask Bill Clinton now) can now be consumed with no feelings of guilt or fear... at least not if its grass fed beef, say the grass fed beef people. So how do you market your grass fed beef without adopting a PETA-like, negative attack mongering public presence, but still tell consumers that you have the better beef?

Truth always works best in these situations. Clearly, yet succinctly, point out all the health-promoting attributes of your grass fed beef. Let consumers draw whatever conclusions they may about all beef - conventional, natural, organic, grass fed or any combination. It's your responsibility, if you can prove conclusively that grass fed beef is in fact healthier, to tell those who would buy it all about its health promoting properties.

But, that doesn't go far enough. I have said for years, that the final arbiter in consumer food preferences is taste. If this grass fed beef is not flavorful and tasty (which does not necessarily have to be the same as the way that grain fed beef tastes), it won't be on the market long. And, it surely won't last long if it causes consumers, as Mel Coleman used to say, to have a contest with their plate when they cut it. The marketing story these grass fed people must adopt is health, taste and tenderness. Sounds just like the mainstream beef industry message, doesn't it?

\*\*\*

# Monthly Meat Lookout

Week 1 - Marketing Trends/Meat Lookout  
Week 2 - Labor Relations/Risk Management  
Week 3 - Calendar/Announcements  
Week 4 - Technical Update/Ahead of the Herd

National Meat Association

September 7, 2004

## September Starts Out a Struggle

The last three months have been bloody for fed beef processors. I'm not talking about blood on their kill floors but red ink on their P & L statements. This summer's operating margins have been the worst since 1985. They were negative by an average \$12 per head each of the last 14 weeks, according to data from *HedgersEdge.com*. The last two weeks have been particularly poor, with losses around \$30 per head. That's in complete contrast to this time last year when margins were positive by \$45-50 per head.

September has also started with a struggle by packers to balance the buy and the sell. They did an excellent job the past two weeks to force the price of their raw material down. Live cattle prices fell \$6-7 per cwt., to the dismay of producers as these prices forced them to lose money on most of the cattle they sold. They'll lose even more money this month if the market stays in the low \$80s as the breakevens of cattle being marketed move sharply higher as the month progresses. It will be fascinating to see how this plays out in the weekly battle of nerves between packers and producers, as both have a lot of money at stake. However, boxed beef prices fell \$9-10 during the same period. So packers aren't any better off today.

Few people 60-90 days ago could have forecast that the market would now be in so much trouble, with both packers and producers losing money. The reality is that the U.S.'s sole BSE case inflicted deeper wounds on the market than people realize. Ironically, the damage didn't occur where expected, at the domestic demand level. It occurred because of export bans and the resultant reduction in production. Kills and beef production are running 10% below year ago levels. While beef demand held up remarkably well in the first seven months of the year, the combination of small kills and high retail beef prices relative to competing meats are now impacting both the supply and demand side of the market.

On the supply side, the reduced kills and subsequent reduced marketings the past three months have created a growing backlog of market-ready cattle. The September 1 Cattle on Feed total is likely to come in more than 4% above year ago, with August marketings down 15% on a same day basis against last year. This has left a front-end supply (cattle on feed 120 days or more) 40% higher than last year. This will limit the live cattle market's recovery through the rest of the year, barring a dramatic improvement in beef demand. Packers can expect to buy cattle this month in the high \$70s to low \$80s per cwt. This week's market could see prices below \$80 for the first time since mid-February. There's unlikely to be much of a rally until next month and prices might not see \$90 again this year.

The growing backlog, which is the reverse of this time last year, can be seen in a number of ways. Carcass weights have risen at a record rate from their spring lows. Steer carcasses for the week ended August 21 were 16 pounds heavier than a year ago. The number of Yield Grade 4s increases every week. And the Choice-Select price spread is record small for this time of year. The spread, based on the heavy cutout, was only \$3.27 per cwt. last Friday. Cattle have a lot of finish on them and there's a lot of Choice beef on the market.

The supply side wouldn't have got into this state if beef sales had been larger. There were signs the strength of the first few months might slacken in mid-June. From that point on, the market began to pay the price for record wholesale beef and live cattle prices last fall and through the winter. Retailers saw their margins narrow appreciably then and raised their everyday prices early this year once they saw that BSE had not hurt consumer attitudes to beef. They've kept those prices high and also featured beef less often, mainly because there hasn't been the tonnage available at a low enough price. It's been a classic Catch-22. Less featuring because of less production, and vice versa, means that beef has lost market share to pork and chicken. One of the most salutary facts of the past month has been packers' inability to get higher money for beef despite sharply reduced production. Again, that's symptomatic of weaker demand.

Even fewer people forecast the record amount of pork produced this summer and pork's phenomenal overall performance. The live hog kill the first five days of last week was the largest ever for those five days. Two million head per week kills are unheard of this time of year. But we've had two in three weeks. And the third was only 4,000 head shy of that. Just as remarkable is the way pork has cleared the market, both to domestic and international users. I expect kills and pork production to get even larger as September progresses. That means more pressure on the beef complex, not less. We may see the beef cutout recover some ground later this month. The comparatively low wholesale prices might encourage retailers to feature more beef in early October. But September will still be a struggle.



**The Monthly Meat Lookout is provided by Steve Kay, Editor & Publisher of *Cattle Buyers Weekly* ([www.cattlebuyersweekly.com](http://www.cattlebuyersweekly.com)). *CBW* is a marketing and business newsletter for the North American meat industry. For a free copy of *CBW*, call Steve at (707) 765-1725, fax him at (707) 765-6069 or e-mail him at [stevecbw@aol.com](mailto:stevecbw@aol.com).**