The 2015 Florida 64th Three Day Annual Beef Cattle Short Course Meeting and Conference

Gainesville, Florida

May 13, 2015
1:30 p.m.-3:00 p.m.
What Kind of Beef Should the U.S. Be Producing and How Can the U.S. Beef Industry Go About Fixing the Current One-Size-Fits-All Beef Industry Production Business Model

By
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Who is Bill?

Grew up in La Jolla, CA on a ranch and feedlot with two brothers in the 1940’s and 50’s.

Went to Oregon State University on a football scholarship.

Moved to Nevada to run the family ranch and received B.S. and M.S. in Ag Economics at University of Nevada at Reno.

Moved to Denver - First Chief Economist for the National Cattlemen’s Beef Association in 1965, launched CattleFax as its first general manager.

Moved to Kansas and launched a macro economic & Ag consulting firm in 1972, “Bill Helming Consulting Services.”
Who is Bill?

Son Nathan

Daughter Tammy & Family

Bill & Wife Kathleen

Son Troy & Family
A Brief Review of
The U.S. and Global Economic
and Financial Market Outlook
and Key Trends
The Long Term 75 to 80 Year U.S. Boom and Bust Business Cycles

<table>
<thead>
<tr>
<th>Time Periods</th>
<th>Number of Years</th>
<th>Average Annual Rate of GDP Growth</th>
<th>Bust</th>
<th>Boom</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929-1939</td>
<td>10</td>
<td>1.32% (The Great Depression)</td>
<td>Major Bust (CPI Deflation)</td>
<td>No</td>
</tr>
<tr>
<td>1940-2007</td>
<td>68</td>
<td>3.82% (with 11 Recessions)</td>
<td>No</td>
<td>General Boom (CPI Inflation)</td>
</tr>
<tr>
<td>2008-2014</td>
<td>7</td>
<td>1.18%* The Great Recession</td>
<td>Partial Bust (Historically low CPI Inflation)</td>
<td>No</td>
</tr>
<tr>
<td>2015-2021**</td>
<td>7</td>
<td>1.15% (The next U.S. Depression)</td>
<td>Very Significant Bust CPI Deflation</td>
<td>No</td>
</tr>
</tbody>
</table>

*Special Note: The average annual rate of GDP growth for the U.S. in the seven years of 2008-2014 was 70% less than for the 68 years of 1940-2007.

**Forecasted by Bill Helming.
The **Japanese economy** has generally been in a recessionary and price and asset deflationary mode for the past 23 years or during the 1992-2014 time period. This will continue and get worse within the next seven years. Japan economically and demographically is struggling and is in decline.
The overall Western and Eastern European economy is now flat and/or in a recession that will get worse within the next seven years. Europe will experience price and asset deflation during this period. Europe economically and demographically is now struggling and unfortunately this reality will highly likely continue for most of the next seven years.
China continues to have the biggest and worst real estate debt bubble that the world has ever seen. This bubble is going to burst within the next five years. The Chinese economy continues to substantially slow down and is headed for a hard landing within the next five to seven years. This will be negative for the world and for the U.S. economy and will also be bearish on U.S. and global crude oil and on commodity prices generally as is the case now.
The four largest economies in the world are (1) the U.S., (2) Western and Eastern Europe on a combined basis, (3) Japan and (4) China. These four major global economies (on a combined basis) account for 75% of the world’s GDP. All four of these major economies will be trending south over most of the next seven years.
Price, cost and asset deflation is coming back to the U.S. economy for most of the next seven years and for the first time since the Great Depression in the 1930’s.
Key Indicators that Are Telegraphing That Price, Cost and Asset Deflation Is Coming Back to the U.S. Economy

- Much slower than normal U.S. and Global Economic GDP growth.
- The much stronger U.S. dollar.
- The major decline in crude oil, gold and other commodity prices.
- The record low interest rate yield on 10-year U.S. Federal Government Treasury Bonds.
The U.S. Trade Weighted Dollar Annual Index As of January 1st for the 21 Years of 1995-2015

The U.S. dollar index is up 20% in 2015, compared to 2008.
The Average Price of West Texas Intermediate Crude Oil In U.S. Dollars for the 40 Years of 1976-2015

Annual Price of Crude Oil in U.S. Dollars

1976 = $12.23

40 Year Average = $38.78

2008 = $99.06

2009 = $61.73

2013 = $97.98

2015 = $50.25

The interest yield is 42% lower in 2015, compared to 1930!
The Average Annual Percentage Consumer Price Index (CPI) for the 88 Years of 1927-2014

1947 = 14.4

88-Year Average = 3.1

Comparing the CPI for December of 2014 to December of 2013, 2014 was down 0.7%

1932 = -9.9

2014 = 0.6
Very Important Trends and Facts Regarding U.S. Beef Cow Inventory Numbers and Per Capita Consumption and Market Share Numbers and Trends for Beef, Chicken and for Competing Proteins
Key U.S. Consumer Red Meat and Chicken Purchasing Facts and Trends that U.S. Beef Cattle Producers Need to Be Aware of

- **Beef** retail consumer purchases account for **15%** of average consumer wages.

- **Pork** retail consumer purchases account for **9%** of average consumer wages.

- **Chicken** retail consumer purchases account for **5%** average consumer wages.

*Source: Urner Barry Calculations are based on Bureau of Labor Statistics.*
Key U.S. Consumer Red Meat and Chicken Purchasing Facts and Trends that U.S. Beef Cattle Producers Need to Be Aware of

- One hour of average U.S. wages in 2014 purchased 3.7 pounds of beef.
- One hour of average U.S. wages in 2010 purchased 4.7 pounds of beef.
- This amounts to a 22% reduction in beef purchased per hour of average wage earnings.
- Substantial consumer beef demand destruction has and continues to take place in 2013, 2014 and 2015.

**Source:** Andrew Gottschalk’s hedgersedge.com extensive database.
Key U.S. Consumer Red Meat and Chicken Purchasing Facts and Trends that U.S. Beef Cattle Producers Need to Be Aware of

- **Price per pound** remains the number one factor and top priority for U.S. meat and poultry shoppers.

- **Affordability** is a key and major driver and the reason why U.S. consumers and shoppers are purchasing more and more chicken and less and less beef year after year.

- **Over 40%** of U.S. shoppers are now shifting their protein buying behaviors in order to save money and they are showing more flexibility in what proteins they purchase because of the need to save money.

Key U.S. Consumer Red Meat and Chicken Purchasing Facts and Trends that U.S. Beef Cattle Producers Need to Be Aware of

- U.S. real average annual worker wages have declined by more than 9% over the past six years.
- Forty-seven percent (47%) of all Americans have no savings and live from paycheck to paycheck.
- Most new U.S. jobs involve part-time workers and many more U.S. workers than normal are significantly underemployed.
- Changing U.S. demographics are a real big deal. According to the U.S. Census Bureau, by 2045 or 30 years from now, 50% of the U.S. population will be Caucasian and the other 50% will be Hispanic, Asian and African Americans. This 50% will be purchasing even more and more chicken and ground beef in the years ahead.
U.S. consumers continue to show their love for restaurant burgers despite tough competition from other types of sandwiches and a continuing drop in U.S. restaurant traffic.

U.S. consumers purchased 9 billion burgers in 2014. This was a 3% increase over 2013 levels.

U.S. consumers have been steadily purchasing and consuming more and more ground beef at home and away from home since 1970.

Source: The NPD Group Annual Survey.
Key U.S. Consumer Red Meat and Chicken Purchasing Facts and Trends that U.S. Beef Cattle Producers Need to Be Aware of

- From 1970 through 2014 (45 years), of the total pounds of U.S. beef consumption which consisted of ground beef (hamburger) was 42% in 1970 and was at least 58% in 2014. This represents a 38% increase in ground beef consumption. These facts and this trend are price, cost and affordability driven.

- From 1970 through 2014 (45 years), of the total pounds of U.S. beef consumption that consisted of whole muscle beef cuts (middle meats) was 58% in 1970 and was at least 42% in 2014. This represents a 28% decrease in the consumption of whole muscle beef cuts. These facts and these trends are price, cost and lack of affordability driven.

Source: Based on USDA annual cattle slaughter mix and per capita consumption data for at home and away from home consumption.
Key U.S. Consumer Red Meat and Chicken Purchasing Facts and Trends that U.S. Beef Cattle Producers Need to Be Aware of

- From 1976 through 2014 (39 years), per capita beef consumption declined 43% or 40.2 pounds per person. This represents an average annual decline in per capita beef consumption of 1.03 pounds per person per year. The U.S. beef industry has lost 46% in total competing market share over the past 39 years!

- From 1976 through 2014 (39 years), per capita chicken consumption increased 101% or 42.5 pounds per person. This represents an average annual increase in per capita chicken consumption of 1.09 pounds per person per year at the obvious expense of the U.S. beef industry.

- These facts and trends are cost, price and consumer affordable driven.

Key U.S. Consumer Red Meat and Chicken Purchasing Facts and Trends that U.S. Beef Cattle Producers Need to Be Aware of

- The present and longstanding U.S. beef production model and USDA Beef Cattle Quality Grading system are designed to produce whole muscle beef cuts that more and more U.S. consumers cannot afford to purchase and are purchasing less and less of each year.

- The U.S. beef production model and system obviously considers ground beef production as a by-product.

- The vast majority of American consumers (by virtue of how and on what they are purchasing for their protein needs) obviously believe that more affordable ground beef is what they want and need.
Key U.S. Consumer Red Meat and Chicken Purchasing Facts and Trends that U.S. Beef Cattle Producers Need to Be Aware of

- The majority of American beef consumers do not look at or consider ground beef as a *by-product*. They look at good quality and safe ground beef as the beef product of choice and one that they can more easily afford.

- It is obvious (based on the data and the facts) that U.S. protein consumers are purchasing and consuming more and more chicken and more and more ground beef. This has been consistently true and the case for the past 39 years. These facts and trends are clearly cost, price and consumer affordability driven.
Key U.S. Consumer Red Meat and Chicken Purchasing Facts and Trends that U.S. Beef Cattle Producers Need to Be Aware of

- **IF** the present and longstanding U.S. beef production system, business model and the USDA Beef Quality Grading system remain the same and are not changed and fixed, then **35 to 50 years** from now beef in America will clearly become a specialty and luxury product much like *lamb* and *lobster* are today.

- The U.S. beef industry at large is simply *not* paying attention to what U.S. beef and competing protein consumers are spending their incomes on and why?

- The U.S. beef production *one-size-fits-all* business model is clearly broken. The beef industry must implement ways to very significantly produce more ground beef at much lower costs and prices. The really good news is that this can be done in America.
Annual U.S. Beef Cow Numbers As of January 1st for the 46 Years of 1970-2015

1970 = 36.7 million head

1975 = 45.7 million head

A decline of 16.0 million beef cows from 1975-2015. This represents a decline of 35% in 40 years.

2015 = 29.7 million head

Beef Cattle Inventory Numbers Are Starting to Increase Modestly

For January 1, 2015, compared to January 1, 2014

- Total beef and dairy cattle numbers up 1%
- Total beef cow numbers up 2%
- Total Calf crop up 1%

However, 10 years from January 1, 2015, total U.S. beef cow inventory numbers will very likely be down significantly from present levels
Some of the Reasons Why U.S. Beef Cow Numbers Will Be Lower 10 Years from Now

- The elevated average age of U.S. beef cow-calf operators.
- The total costs of U.S. beef cow-calf operations are at record high levels.
- Less grass available for cow-calf operations, such as more land being used for crop production and new home construction.
- It is more difficult for younger cow-calf operators to get started.
- Regional drought conditions.
- Large numbers of very small U.S. beef producers.
The U.S. Beef Cow-calf Industry Consists of Large Numbers of **Small Operators**

<table>
<thead>
<tr>
<th>Number of Beef Cows Per Operator</th>
<th>Percent of the Total U.S. Beef Cow Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Those that have less than 10 beef cows</td>
<td>33*</td>
</tr>
<tr>
<td>Those that have less than 20 beef cows</td>
<td>55*</td>
</tr>
<tr>
<td>Those that have less than 50 beef cows</td>
<td>80*</td>
</tr>
<tr>
<td>Those that have <strong>50 or more</strong> beef cows</td>
<td>20</td>
</tr>
<tr>
<td>The average number of U.S. beef cows per owner is <strong>40 head</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

*These are typically hobby and part-time beef cow-calf operations.*
The Major Significance of the Very Large Number of Small U.S. Cow-calf Operators

- Most of these cow-calf operators who have 50 beef cows or less are hobby and part-time operators.
- Many have very high costs of operation. Many are baby boomers, dying off, retiring, slowing down and want less financial risks.
- Many are selling their beef cows and taking advantage of the record high cattle prices.
- These and other realities will result in continued net U.S. beef cow herd liquidation in the years ahead.
The Annual U.S. Per Capita Consumption of Beef and All Chicken over the 45 Years of 1970-2014 (Based on Retail Weight)

Per Capita Chicken Consumption Increased 101% from 1976 through 2014 (39 years) and increased by 42.5 pounds per person

Per Capita Beef Consumption Declined 43% from 1976 through 2014 (39 years) and decreased by 40.2 pounds per person

Source: USDA Economic Research Service; U.S. Department of Commerce; U.S. Census Bureau
The Annual U.S. Per Capita Consumption of Pork over the 45 Years of 1970-2014 (Based on Retail Weight)

Per Capita Pork Consumption in the U.S. has been relatively stable since 1982. Per Capita Pork Consumption Increased 1% from 1976 through 2014 (39 years) and increased by one half of one pound per person.

1970 = 55.8
1976 = 45.5
2014 = 46.0

Source: USDA Economic Research Service; U.S. Department of Commerce; U.S. Census Bureau
The Annual U.S. Per Capita Consumption of Turkey over the 45 Years of 1970-2014 (Based on Carcass Weight)

Per Capita Turkey Consumption in the U.S. Increased by 76% from 1976 through 2014 (39 years) and Increased by 6.8 pounds per person

Relatively Stable Since 1990

Source: USDA Economic Research Service; U.S. Department of Commerce; U.S. Census Bureau
The Annual U.S. Per Capita Consumption of Combined Commercial Fish and Shell Fish over the 45 Years of 1970-2014

(Based on Retail Weight)

Per Capita Fish and Shell Fish Consumption in the U.S. has been relatively stable since 1988. Per Capita Fish and Shell Fish consumption Increased 9% from 1976 through 2014 (39 years) and increased by 1.2 pounds per person

Source: USDA Economic Research Service; U.S. Department of Commerce; U.S. Census Bureau
The Per Capita Consumption and Market Share Percentages for All Chicken, Turkey, Beef, Pork and For Combined Commercial Fish and Shell Fish for the Year **1976**

<table>
<thead>
<tr>
<th>The Major Protein Categories</th>
<th>The Annual Per Capita Consumption Numbers for 1976</th>
<th>The Market Share Percentage Numbers for 1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. All Chicken</td>
<td>42.1</td>
<td>20.7</td>
</tr>
<tr>
<td>2. Turkey</td>
<td>8.9</td>
<td>4.3</td>
</tr>
<tr>
<td>3. Beef</td>
<td>94.4</td>
<td>46.4</td>
</tr>
<tr>
<td>4. Pork</td>
<td>45.5</td>
<td>22.3</td>
</tr>
<tr>
<td>5. Commercial Fish and Shell Fish</td>
<td>12.9</td>
<td>6.3</td>
</tr>
<tr>
<td>Total</td>
<td>203.8</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: USDA Economic Research Service; U.S. Department of Commerce; U.S. Census Bureau
The Per Capita Consumption and Market Share Percentages for All Chicken, Turkey, Beef, Pork and For Combined Commercial Fish and Shell Fish for the Year 2014

<table>
<thead>
<tr>
<th>The Major Protein Categories</th>
<th>The Annual Per Capita Consumption Numbers for 2014</th>
<th>The Market Share Percentage Numbers for 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. All Chicken</td>
<td>83.7</td>
<td>39.4</td>
</tr>
<tr>
<td>2. Turkey</td>
<td>15.7</td>
<td>7.4</td>
</tr>
<tr>
<td>3. Beef</td>
<td>54.2</td>
<td>25.2</td>
</tr>
<tr>
<td>4. Pork</td>
<td>46.0</td>
<td>21.4</td>
</tr>
<tr>
<td>5. Commercial Fish and Shell Fish</td>
<td>14.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Total</td>
<td>214.6</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: USDA Economic Research Service; U.S. Department of Commerce; U.S. Census Bureau
The **Market Share Percentages for the Competing Proteins for 2014, Compared to 1976**

<table>
<thead>
<tr>
<th>The Major Protein Categories</th>
<th>The Percentage Gains and Losses in Market Shares for These Competing Proteins for 2014, Compared to 1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. All Chicken</td>
<td>+ 91</td>
</tr>
<tr>
<td>2. Turkey</td>
<td>+ 72</td>
</tr>
<tr>
<td>3. Beef</td>
<td>-46</td>
</tr>
<tr>
<td>4. Pork</td>
<td>-4</td>
</tr>
<tr>
<td>5. Commercial Fish and Shell Fish</td>
<td>+ 5</td>
</tr>
</tbody>
</table>

Source: USDA Economic Research Service; U.S. Department of Commerce; U.S. Census Bureau
The Per Capita Consumption Percentage Increases and Decreases for All Chicken, Turkey, Beef, Pork and for Combined Commercial Fish and Shell Fish in the Year 2014, Compared to 1976

<table>
<thead>
<tr>
<th>The Major Protein Categories</th>
<th>The Percentage Increases and Decreases Per Capita Consumption in 2014, Compared to 1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. All Chicken</td>
<td>+101</td>
</tr>
<tr>
<td>2. Turkey</td>
<td>+76</td>
</tr>
<tr>
<td>3. Beef</td>
<td>-43</td>
</tr>
<tr>
<td>4. Pork</td>
<td>+1</td>
</tr>
<tr>
<td>5. Commercial Fish and Shell Fish</td>
<td>+9</td>
</tr>
</tbody>
</table>

Source: USDA Economic Research Service; U.S. Department of Commerce; U.S. Census Bureau
Actual and Estimated Percentage of the Total Pounds of U.S. Beef Consumption that Consists of Ground Beef (Hamburger) Over Time (1970-2040)

Source: Based on USDA annual cattle slaughter mix and per capita consumption data for at home and away from home consumption.
*Estimated by Bill Helming.
Actual and Estimated Percentage of the Total Pounds of U.S. Beef Consumption that Consists of Non-Ground Beef (Whole Muscle Beef, Including *Middle Meats*) (1970-2040)

Source: Based on USDA annual cattle slaughter mix and per capita consumption data for at home and away from home consumption. *Estimated by Bill Helming.
Simply Follow the Money

- Consumers in the U.S. have many protein choices. The protein purchases that Americans are making are primarily driven by price and affordability or the lack thereof. This has been true since 1970 and for the past 45 years.
- This is why U.S. consumers have been buying and consuming more and more ground beef (hamburger) and why they have been buying and consuming more and more chicken for their protein needs since 1970.
- The probability of these key U.S. and Canadian consumer protein buying and consumption trends continuing for at least the next 30 years is 100%.
Where Does The Very Large Supply of Ground Beef (Hamburger) that is Consumed in the U.S. Presently Come From?

Grain and full fed steer and heifer marketings out of U.S. Feedlots: 60%
Cull beef and dairy cows and bulls: 25%
Imported beef trimmings: 15%

Source: Based on private beef industry data and the USDA, Economic Research Service.
Both U.S. and Canadian Beef Producers and Cattle Feeders Have Been and Remain Committed to Going Down Only One Super Interstate Highway or With a One-Size-Fits-All Business Model

The Broken *One Size Fits All* North American Business Model

- Full fed cattle only.
- One size fits all and a one trick pony.
- High input costs.
- Ground beef consumption and demand is going up.
- Middle meat (steaks) consumption and demand is going down.
- Total per capita beef consumption and domestic beef demand and market share are declining.
Conclusion and Some Important Observations

- Great opportunities exist for producing much more U.S. ground beef at significantly lower and more affordable prices and costs for U.S. consumers.

- The record high beef prices in 2013, 2014 and 2015 will end up resulting in major consumer demand destruction for the U.S. beef industry for many years into the future.

- For many solid reasons, the U.S. beef cow inventory will be significantly less \(10\) years from now.
The longstanding one size fits all U.S. beef production business model was primarily designed and put in place by the U.S. beef cattle feeding and by the beef packing segments of the overall U.S. beef industry beginning 50 years ago.

This U.S. beef production business model is based on (1) finishing cattle with grain (corn), (2) producing center of the plate and expensive whole muscle middle meat beef cuts and (3) encouraging larger and larger beef carcasses and increased weights, which substantially increases beef production costs.
Very Important U.S. Beef Industry Realities

- The **fix** to the present U.S. beef production business model is for the U.S. beef industry to produce much more ground beef at much lower costs.

- This can successfully be done by (1) the U.S. beef industry placing substantially fewer cattle on feed, (2) by producing much more high quality ground beef with more grass and forages and no grain and (3) cow-calf operators in the U.S. making a major commitment to produce beef cattle that have frame scores of 3 to 5 over time as soon as practical.
Very Important U.S. Beef Industry Realities

- For the U.S. beef cow-calf operators and for stocker cattle operators – bigger is not necessarily better.

- Much improved dry matter feed conversion and substantially lower production and maintenance costs is better.

- This means smaller framed beef animals with much lower frame scores, i.e. smaller is better.

- Lower production costs are much better.
The Frame Scores for About 90% of the U.S. Beef Cattle Herd Are Much Higher Today Than What They Were in 1965-1969 or Should Be Today In Order For the Beef Cattle Industry to be Significantly More Cost Competitive

Key Beef Production Categories | Typical Dry Matter Feed Conversion Data
---|---
1. Today at least 90% of the U.S. beef cattle herd frame scores fall within the range of 6.0 to 9.0. | 8.5 to 1.0
2. Today less than 10% of the U.S. beef cattle herd frame scores fall within the range of 3.0 to 5.0. | 5.0 to 1.0
3. Those beef cattle that have frame scores of 3.0 to 5.0 (like was typically the case in 1965-1969) usually have an improvement in dry matter feed conversion of 40% to 42%, compared to those beef cattle that have frame scores of 6.0 to 9.0.
4. In order to significantly reduce beef cow maintenance and beef cattle production costs through improved dry matter feed conversions, the size and weight of beef cattle needs to be reduced significantly from what typically is the case today. The U.S. beef cattle herd needs to have frame scores within the 3.0 to 5.0 range. The good news is that this can be done.

Source: Leading U.S. beef cow-calf producers who have the solid data to support these numbers are people like Jim Lents from Indiahoma, Oklahoma (phone number is (580) 704-3560), Kit Pharo of the Pharo Cattle Company in Cheyenne Wells, Colorado (phone number is (800) 311-0995) and Carol House (the House Hereford Foundation) in Arkansas city, Kansas (phone number is (620) 442-9159).
Where Will The Very Large Supply of Ground Beef (Hamburger) that is Consumed in the U.S. Come From in the Years Ahead?

- Grass and forage fed steers and heifers: 40%
- Cull beef and dairy cows and bulls: 25%
- Grain and full fed steer and heifer marketings out of U.S. Feedlots: 20%
- Imported beef trimmings: 15%

Source: Based on private beef industry data and the USDA, Economic Research Service.
America Has Clearly Become a Hamburger Society

- Based on meatingplace.com and a very recent survey by the NPD Group, there were 9 billion burgers consumed at U.S. restaurants and food service establishments in calendar year 2014, compared to 2013. Burger sales were up 3.0% in 2014, compared to 2013, while overall restaurant and food service establishment servings were down by 2.0% in 2014, compared to 2013.

- Today, 58% of all beef consumed in the U.S. is consumed away from home and 42% is consumed at home. Away from home and at home consumption of ground beef will continue to increase in the years ahead.
My Recommendation to the U.S. Beef Industry and the USDA Policymakers

What the U.S. beef industry very much needs is **two** beef production models. One already exists, i.e. the prime, choice and select beef carcass quality grades for young beef cattle that are both grass, forage and grain fed. The added and new beef carcass quality grade that is very much needed is a grass and forage fed beef carcass quality grade (with the use of no grain) that results in producing **high quality, safe and nutritious 88% to 90% chemical lean ground beef** in the U.S. at much lower and more affordable prices.
The U.S. beef industry and the USDA should embrace and establish a very important and the much needed addition to the USDA young cattle carcass quality grading standards that is based on beef and dairy cattle that are grass and forage produced only with no grain and whose carcasses produced 88% to 90% chemical lean ground beef. These cattle would typically have live slaughter weights of 1100 to 1200 pounds for steers and would typically be under 30 to 36 months of age.
My Recommendation to the U.S. Beef Industry and the USDA Policymakers

- Simply stated, the U.S. beef industry is today and for the past 45 years trying to put a square peg into a round hole. *It is not working.*

- The net result is continued declines in per capita beef consumption, major loss of market share and U.S. protein consumers purchasing and consuming more and more chicken.

- The U.S. beef industry and the USDA Beef Grading policymakers consider ground beef as a *by-product*.

- The vast majority of American beef and protein consumers consider ground beef as a mainstream product of choice, not a *by-product*. Consumers in America want more ground beef at lower prices.
The Actual Dollars Per CWT For 2009 and 2014 for the Six Key Items Shown in This Table

<table>
<thead>
<tr>
<th>The Six Items</th>
<th>2009</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Texas Panhandle Fed Cattle ($/cwt)</td>
<td>84</td>
<td>154</td>
</tr>
<tr>
<td>2. Oklahoma City 750-800 lb. Feeder Steers ($/cwt)</td>
<td>96</td>
<td>203</td>
</tr>
<tr>
<td>3. Oklahoma City 600-650 lb. Feeder Calves ($/cwt)</td>
<td>102</td>
<td>225</td>
</tr>
<tr>
<td>4. Iowa and Minnesota Barrows and Guilts ($/cwt)</td>
<td>46</td>
<td>82</td>
</tr>
<tr>
<td>5. 12-City Broilers (cents/lb.)</td>
<td>.78</td>
<td>1.05</td>
</tr>
<tr>
<td>6. USDA Retail Choice Consumer Beef Prices (cents/lb.)</td>
<td>3.89</td>
<td>5.60</td>
</tr>
</tbody>
</table>
The Actual Dollars Per CWT Increase and the Percentage Increases from 2009 Through 2014 for the Six Key Items Shown in This Table

The Six Year Comparison Between 2009 and 2014

<table>
<thead>
<tr>
<th>The Six Items</th>
<th>Dollars per CWT Increase</th>
<th>The Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Texas Panhandle Fed Cattle ($/cwt)</td>
<td>70</td>
<td>84</td>
</tr>
<tr>
<td>2. Oklahoma City 750-800 lb. Feeder Steers ($/cwt)</td>
<td>107</td>
<td>112</td>
</tr>
<tr>
<td>3. Oklahoma City 600-650 lb. Feeder Calves ($/cwt)</td>
<td>123</td>
<td>121</td>
</tr>
<tr>
<td>4. Iowa and Minnesota Barrows and Guilts ($/cwt)</td>
<td>36</td>
<td>79</td>
</tr>
<tr>
<td>5. 12-City Broilers (cents/lb.)</td>
<td>.27</td>
<td>35</td>
</tr>
<tr>
<td>6. USDA Retail Choice Consumer Beef Prices (cents/lb.)</td>
<td>1.71</td>
<td>44</td>
</tr>
</tbody>
</table>
**Comparative Beef, Chicken and Pork Prices Per Pound and the Percentage Increases for March of 2015, Compared to March of 2014**

<table>
<thead>
<tr>
<th>Competing Protein Items</th>
<th>Price Per Pound in March of 2015</th>
<th>Percentage Increase in Price Per Pound in March, 2015 VS. March, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Choice Sirloin Steak</td>
<td>8.37</td>
<td>19</td>
</tr>
<tr>
<td>2. Round Steak</td>
<td>6.21</td>
<td>17</td>
</tr>
<tr>
<td>3. Chuck Roast</td>
<td>5.87</td>
<td>13</td>
</tr>
<tr>
<td>4. Ground Beef</td>
<td>4.20</td>
<td>14</td>
</tr>
<tr>
<td>5. Boneless Chicken Breast</td>
<td>3.52</td>
<td>1</td>
</tr>
<tr>
<td>6. Whole Chicken</td>
<td>1.59</td>
<td>0</td>
</tr>
<tr>
<td>7. Boneless Hams</td>
<td>4.31</td>
<td>2</td>
</tr>
<tr>
<td>8. Pork Chops</td>
<td>3.81</td>
<td>1</td>
</tr>
</tbody>
</table>

*Source: U.S. Department of Agriculture Economic Research Service*
1. It is obvious that U.S. consumer beef demand has declined and weakened significantly over at least the past 12 months. This has clearly resulted from the record high consumer beef prices and the significant decline in consumer chicken, pork, milk and egg prices in 2015, compared to 2014. For example, it now requires a 5% reduction in beef supplies, compared to year ago levels, to achieve the same beef choice cutout price today, compared to year ago levels!

2. The cure for high consumer beef prices is high consumer beef prices.
Questions and Answers

God Bless You
and
Keep Smiling