

Future of Farming / The Beef Industry's Perspective

The Beef Industry in Washington is a diverse and vibrant economic sector of Washington's agriculture. Cattle growers in this state represent all segments of the industry, from relatively small purebred operations to large commercial producers; they mirror the profile of so many of our other commodity communities. They have many issues in common with other segments of agriculture and some that are unique to this sector. Their herds represent the leading edge of genetic development of the various breeds and crossbreeds and tend to produce the "crop" on lands that are unsuitable to other types of production agriculture. According to 2002 NASS Survey Results in Washington State, there were a total of 12,215 people with cattle: 5,442 people had 1-9 head, 5,135 people had 10-99 head, 678 people had 100-199 head, 595 people had 200-499 head, 209 people had 500-999 head, and 156 people had 1,000 or more head.

The Beef Industry in Washington:

Cow/Calf Producer

Stocker Operator

Feedlot Operator

Salebarn Operator

Packing Plant

Transportation

Cow/Calf Producer: This is the common industry term for ranchers that manage and raise mother cows and calves, also know as pairs. The calves are usually born during the two calving seasons: Spring (January-May) and Fall (August-October), although there are calves born throughout the year. Each of these time frames has its own benefits and drawbacks.

The spring calving period provides ranchers with calves that are born in time with grass growth. These calves are raised to approximately 500-650 pounds and are weaned in the fall. Spring calving is the traditional calving period in Washington State. The vast majority of spring calves are sold in the fall (September-November). Spring calving herds often have a cheaper cost of feed.

Fall calving herds have a higher cost per pair to winter them since they are feeding calves and lactating cows through the coldest time of the year. The benefit is that they can market weaned calves in late March and April so buyers can take advantage of spring grass.

Stocker Operator: Stocker Operators buy weaned feeder calves from cow/calf producers. These calves are grazed on pastures and rangelands until they weigh approximately 800 pounds, at which time the calves are called yearlings. They are sold to a feedlot and fed a finishing ration prior to harvest. Stocker Operators are paid by the pound of gain the cattle have under their care. The Stocker Operator works very closely with the Feedlot Operator.

Feedlot Operator: The Feedlot Operator buys cattle from Stocker Operators or direct from Cow/Calf Producers. These cattle are then placed in a feedlot where they are fed a start-up ration and then transitioned into a higher energy finishing

ration that finishes cattle and allows the cattle to “marble”. When the feeder cattle are “finished” they are marketed as “fed or fat cattle,” either at the feedlot or “on the rail” in the packing plant.

Packing Plant/Processing Industry: The commercial packing plant harvests fed cattle and processes them into the variety of cuts that one can purchase at the grocery store. The processing industry is not unique to fed cattle; there are a number of commercial processing plants that specialize in processing “culls”. A cull is a cow or bull that is sold for slaughter purposes. Their final product is primarily, but not limited to, ground beef. There are also a number of small processing facilities that service small producers and harvest individual animals for personal use and consumption. These facilities are both stationary and mobile. The mobile facilities are truck or trailer mounted and provide on-ranch and on-farm service for producers.

Transportation: The transportation segment of the beef cattle industry comes in all sizes and forms: Commercial livestock haulers with tractor trailer combinations, pickup trucks with stock trailers, stock racks, stock trucks, ferries, trains, and, of course, cattle drives. Transportation is also necessary to get feed (hay, grain, potato and vegetable by-products, distillers’ grains) from the field and across the country.

Salebarn: The Salebarn Operator provides a marketplace where the majority of feeder calves (50%) and culls (90%) are sold. The remainder of cattle is sold by private treaty or by video sales. The Salebarn is an important marketplace for the beef cattle industry.

Challenges Facing Each Segment of the Industry:

Cow/Calf Producers / Stocker Operators

A major issue that cattle growers of all sizes throughout the state face is the ability to find (lease, buy, rent) grazing lands both private and public. The pressures that development places on agriculture lands are drastically driving up the cost of grazing lands. This drastic increase in the cost or value of grazing lands has forced some producers out of the cattle business. Cow/Calf Producers utilize both private and public lands to provide pasture or range for their cattle. The Growth Management Act (GMA) is also causing landowners severe economic hardships. This occurs every time GMA zoning increases the minimum lot size, which reduces the overall value of land assets in regard to banking and financial statements.

The state Legislature can help Cow/Calf Producers by continuing to support a Multiple Use Mandate on all state lands. Multiple Use Mandates allow for cattle grazing. The State Legislature should provide funding to state land management agencies such as the Fish and Wildlife Department, Department of Natural Resources, and Parks Department for range management purposes. These purposes may include funding for range biologists, range improvements, and fencing (both construction and maintenance). The Washington Cattlemen's Association (WCA) is concerned about the amount of land that state agencies have purchased for two reasons: First, the public purchase of private lands removes land from the tax rolls

of the county, often in rural counties that have no way to make up the difference. Second these purchases remove agricultural lands from production and/or grazing, thus endangering the concept of no-net loss of agricultural lands.

Cow/Calf Producers of varying sizes face a similar challenge: the ability to sell their beef direct to consumers such as at a farmers market or through newspaper ads. The latest Farm Bill includes language that allows for re-sale of state inspected meats. The state could help by establishing a state meat inspection program. Currently, producers must use a USDA Meat Inspector prior to being able to sell their beef to the public. There needs to be additional inspectors so producers from throughout the state have access to this service. The state could also help by supporting regional efforts to improve infrastructure, such as funding local non-profit meat cooperatives or a rotating low-interest loan program to help meat fabricators (butchers, meat cutters, etc.) bring their facilities up to USDA standards.

High feed costs are another challenge that Cow/Calf Producers face. High feed prices are due in part to short supplies because of a shift from hay production to grain production as well as increased worldwide demand. Feeder hay prices have increased by well over 100%. Corn is also selling at record levels, which is due in part to supply as well as a response to ethanol subsidies and government driven demand. The state and federal governments can both help by not supporting flawed energy policies that do not let the market dictate the results. Another solution to the high costs of feed would be the ability to graze Conservation Reserve Program lands (CRP). CRP lands could provide an excellent source of low cost cattle feed while reducing the noxious weed burden on those lands. The State Legislature could request that the USDA allow great county flexibility in determining grazing periods on CRP acres and that all of these decisions regarding grazing dates be made at the local level.

Farms and Ranches don't need buffers: they are the buffers. Increasing regulations mean increasing the economic burden, and often the margins in this industry are thin. Environmental regulations such as the Clean Water Act, Endangered Species Act, Critical Areas Ordinances, Total Maximum Daily Loads (TMDLs), and many others place a huge economic burden on landowners without necessarily helping the environment. The state should stop adopting policies that are punitive to landowners. If the goal is to enhance agriculture and make it competitive domestically and internationally, policy should be incentive-based and not restrict property rights.

Water and energy are issues with which the Cow/Calf segment is very concerned. A major priority is to see that the Legislature vigorously defends our stock watering rights. Stock water rights are key to the success and future of the cattle industry. Relinquishment is another problem that water rights holders face. The current 5 year "use it or lose it" approach is a misguided and poorly written policy that leads to wasteful applications of water. The Legislature can fix this problem by passing a relinquishment law similar to Oregon's. We need a relinquishment law that states as long as a water right holder puts a portion of his or her water right to a beneficial use, the entire water right has been perfected. This is not only a benefit to water right holders, but also to the environment, because it is crediting the

remainder of the water right as a beneficial use as well. This occurs to a ground water right by crediting the balance of a water right that stays in the aquifer as a beneficial use. The same would be said of a surface right: the unused portion remains as an in-stream flow. This type of relinquishment would lead to better application of water because rights holders would not fear losing their water rights. The state then should make it easy for water right holders to spread conserved water from irrigation enhancements to other non-irrigated acres. For agriculture to be successful in the future, the state should take action and begin developing water storage immediately. The WCA believes that water is a key limiting factor to the future expansion of the state's agricultural industry. The state also needs to be proactive and supportive of our extensive hydroelectric systems. The WCA would like to see the Legislature recognize hydroelectric power as sustainable and renewable. Hydroelectric power is a major benefit to the entire region, not just to agriculture.

Wildlife damages are another problem that the Cow/Calf Producer and Stocker Operator face. Deer and elk damage hay, pastures, rangelands, fences and structures. Predators (cougar, bear, coyote, and wolf) kill livestock. Bears damage trees, and birds both migratory and non-migratory consume feed. If wildlife is important to the state, it should take financial responsibility for the damages caused by its animals. There will be agency request legislation from the Fish and Wildlife Department that outlines an updated compensation package which the Legislature should fully support. If the compensation package is too expensive, landowners should have the right to legally defend their property from damage.

The high cost of labor is a challenge. The state could remove the automatic increases to minimum wage. Health insurance is a huge burden for ranchers in Washington. Many ranchers and farmers are "mom and pop operations" that do not qualify for large group plans or rates. Individual policies are hard to find and very expensive. If the insurance industry was more competitive, perhaps it would become more affordable for the agriculturalist as well as other small business owners.

The current Open Space Taxation program lends itself to the economic viability of ranchers and farms. Without this program, agriculture might not remain viable in Washington. All of agriculture would like to see the Estate Tax ("Death Tax") permanently eliminated at both the State and Federal levels. Washington has one of the highest rates in the nation for state industrial insurance. This puts the livestock industry at a competitive disadvantage with other cattle producing regions. The system should be re-worked to be more business friendly.

Washington has international borders. It is imperative that we maintain adequate animal health and food safety regulations. Our State Veterinarian, Dr. Leonard Eldridge, is currently working to strengthen our animal health regulations with broad-spread industry support. He has established exemplary programs to protect our industry. One of his proactive approaches is to prepare the livestock industries for the potential introduction of Foreign Animals Diseases (FAD)/Animal Terrorism and the massive economic hardships they would bring. The Washington Cattlemen's Association supports COOL (Country of Origin Labeling), but it also

understands that there are potential concerns from some segments of the industry regarding implementation of the program. Requests from these segments for assistance should be supported in order to ensure that COOL is implemented and used as the marketing tool that it is intended to be. In the future there may be a need for a review of labeling requirements. The industry understands the role that our land grant university (Washington State University) plays, and requests that the Legislature increase the level of support for WSU's Agricultural Research for both on-campus and extension requests. The Washington State Beef Commission plays a key role in the education and marketing of beef products to our consumers. The overall health of the Cow/Calf Industry here in Washington is fair. The future success and expansion is contingent upon the success of the rest of the beef industry. The entire industry needs to thrive in order to better the status of the Cow/Calf Producer.

The Feedlot Operator:

The Feedlot segment of the beef industry plays a key role in finishing feeder calves. Feedlots are operating on tight margins. Thus, even the smallest increase in costs can have a huge impact on the bottom line. The Feedlot segment of the beef industry is currently faced with a number of regulations such as air quality emissions (dust), Clean Water Act, and nuisance complaints. The Feedlots are also facing the same issues with high feed costs, only on a much higher scale than that of any other segment of the industry. The high costs of corn and hay have made it very hard on the cattle feeders. Feedlots also face the same challenges with minimum wage. The Feedlots also have a need for a legally documented workforce. The state could step up by ensuring that there is a fair and expedient process to obtain legally documented workers. The Feedlots here in Washington give the beef industry an advantage over other states that do not have a cattle feeding industry. The proximity of the feedlots in Washington State to our state's Cow/Calf Producers also allow for lower transportation costs. The State could best serve the Feedlot segment of the beef industry by addressing the fuel costs, labor issues, and by not creating new and additional regulations.

The Salebarn Operator:

Salebarns, also known as Public Livestock Markets, provide a much needed place where producers from all segments of the industry may buy and sell cattle of all breeds and types. Currently there are only four major Salebarns that are operating. Salebarns must compete with a number of other markets such as the video markets and the internet when competing to sell cattle. It is important that the Salebarns remain competitive to ensure that the cash market for cattle remains healthy. The State could reduce or eliminate the B&O Tax that Salebarns pay on feed and on some of the services that they provide.

The Beef Processing Industry:

The Beef Processing Industry in Washington has both large scale commercial Beef Packers such as Tyson Fresh Meats and AB Foods, as well as “cow plants” that harvest cull cows and bulls. These plants provide a necessary role of turning live cattle into steaks and other beef cuts. The beef processing plants would immediately benefit from the State removing the B&O tax that they must pay. The State could also work with the federal government to remove the Anti-Dumping Tariffs that Washington’s Beef Processors must pay to enter into the Mexican marketplace. The cow plants would also benefit from State assistance to help them meet the federal requirements to provide product into the School Lunch Program so our local schools can benefit from local products. The smaller processors would benefit from additional USDA inspectors located throughout the state to inspect live cattle, carcasses and meat fabrication to allow for retail sales. This would be a great tool for producers of all sizes and would facilitate farmer’s market type sales.

Transportation:

Washington has a competitive location with regard to our proximity to the Pacific Rim. The State should invest in our ports so that Washington maintains its advantage as a shipper of all of Washington’s agriculture products. Container taxes would hamper export of agricultural products. The entire industry is facing enormous costs to transport its products be they feed, feeder cattle, or boxed beef. The State could work to harmonize some of the regulations with other western states in terms of trailer lengths, load widths, and weight restrictions.

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