AGRICULTURE POLICY AFFECTING THE BEEF INDUSTRY

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PERSPECTIVE

As beef producers, we are well aware there are some things we have complete control over, some things we have limited control over, and then there are those things that are we basically have absolutely no control over. Our challenge is to move as many of these things as possible higher up on the control bar. That won't be easy, but it will be possible. It will require added input into our operation and our thinking. We may have to contend with our comfort levels, our biases, our history and even our experience.

In this postmodern electronic age of social media, Snapchat, Facebook, Twitter, texting and instant communication of many forms, the world has come to our front gate, like it or not. Something good or something bad can spread almost instantaneously through our community, town, county, state, nation or even the world. The economic, social, political and natural environment in which we operate may be changing faster than we realize or are prepared for.

As landowners and food producers, cattlemen are increasingly forced to defend their practices and their product against allegations and accusations of greed, mismanagement, malpractice and downright negligence. Our accusers can range from our local, state and national governments, our neighbors and our customers to private watchdog groups and self-proclaimed experts. Fortunately, we do have defenders, experts and additional resources available to weigh in on our side of the balance beam when we're well-intentioned and doing things right.

Agriculture policy increasingly covers a broader spectrum of agriculture production. No longer is public policy for agriculture the 1930's support prices for corn and tobacco or the 1950's cash payments for not planting at all. Ag policy today is a multifaceted beast that blankets much of our daily lives as producers. It includes crop insurance, conservation, grading, marketing, water quality, nutrient management, interstate movement, disease control and eradication, food safety, labeling, animal care and welfare, disaster relief, government oversight and a whole lot more.

The increasing trend of transparency and accountability into agriculture is not all bad or all good. But this trend challenges beef producers to make sure the issue balance beam is loaded correctly between practical and impractical, reasonable and unreasonable, scientific and unscientific, necessary and unnecessary, proven and unproven, and more.

Navigating the mine field of beef industry issues, both good and bad, is really not simple any longer. It takes time, effort, money in many cases, good information and a whole lot of commitment. Cattlemen generally recognize they must advocate for their industry and their product. No one else is going to do the advocating for them. But, as cattlemen, do we just talk about advocacy over the hood of the truck or do we really get involved in our issues?

ADVOCACY

Simply put, advocacy is public support for a particular cause or policy. It is an activity by an individual or group which aims to influence decisions within political, economic or social systems. Advocacy can include media campaigns, public meetings, public speaking, organizing a rally, information dissemination, publishing research, polling, petitioning government agencies, litigation and lobbying. A person advocates for a position or cause they want and against those they don't want. Cattle producers have traditionally been willing to advocate on things such as beef promotion, marketing, taxes and government interference. What about the more subtle nuances like dietary advice to reduce meat consumption or more complex matters like sustainability or new challenges like fake meat?

GOVERNMENT AGENCIES WITH MAJOR IMPACT ON BEEF PRODUCTION

- Agricultural Marketing Service
- Agricultural Research Service
- Animal and Plant health Inspection Service
- Commodity Futures Trading Commission
- Environmental Protection Agency
- Farm Credit Administration
- Farm Service Agency
- Food and Drug Administration
- Food and Nutrition Service
- Food Safety and Inspection Service
- Foreign Agricultural Service
- Internal Revenue Service
- National Agricultural Statistics Service
- Natural Resources Conservation Service
- Office of United States Trade Representative
- Risk Management Agency
- United States Immigration and Customs Enforcement

TRADE

Trade is economically important to the beef industry. Hugely important. U.S. beef traded to more than 80 countries worldwide adds around $250 per head at slaughter. Our leading export markets by value are Japan, Mexico, South Korea, Canada, Southeast Asia, Central and South America and Africa. Beef exports add value by increasing the quantity of total beef sales and by selling high value cuts. Value is also realized from selling products with low domestic value (offal, etc.) at a higher price abroad.

America's current trade wars have agriculture producers on edge. Our NAFTA trade agreement with Canada and Mexico could not be finalized before disputes erupted with several more countries. Canada has slapped a tariff of $170 million worth of U.S. beef products. China has added an additional 25 percent duty to stifle U.S. beef exports into that emerging market. Retaliatory tariffs have been added to many more U.S. products and commodities by these and several additional countries.

Insult was added to injury in late July when White House trade advisor Peter Navarro downplayed the economic impact of the tit-for-tat tariff war between the U.S. and China as a mere "rounding error" compared to either country's economic output. As the President tries to realign America's trade relationship with the world including cars, parts, steel, aluminum, intellectual property, and many more products, retaliation from abroad jumps to the forefront. The U.S. could face retaliatory countermeasures of up to $294 billion. It's a foregone conclusion that agriculture will take more than its share of body blows as the trade war escalates. Downward pressure on cattle markets is a good bet.

On July 24, President Trump and Secretary Perdue announced their long-expected $12 billion relief package aimed at agriculture producers in the short term to give the President time to work on longer-term trade deals. The reaction from most producers was, "We would rather have trade than aid." USDA will use these programs to assist producers:

- The Commodity Credit Corporation (created in 1933 to provide price support for farmers during the Depression and Dust Bowl) will provide incremental payments through the Farm Service Agency. The "elephant-in- the- room" question is how and to whom will these payments be determined?
- Food program purchases and distribution
- Trade promotion to new markets

More cattle coming to market will further complicate the economic outlook for beef. Total cattle and calves numbers in July are 1% higher than a year ago. The calf crop is up 2%. Cattle on feed are up 4%. With market pressure from exports and cattle numbers, any beef price improvement looks dim for now. Further complicating the market outlook for cattle is the 2.5 billion pounds of meat already in cold storage, up 5% over a year ago.

FARM BILL

Both the house and Senate have passed their versions of the new farm bill. The bill now heads to a joint Senate-House conference committee who will be charged with ironing out the differences and coming up with a compromise that goes back to both bodies for final action. Staff will work toward resolving differences during the August congressional recess and the conference committee will convene in early September. The goal is to complete the farm bill by September 30 when many programs in the 2014 farm bill expire. In many titles, the 2018 legislation is the same or similar to 2014. In a few titles there's a big divide.

The commodity title and crop insurance title in both bills are similar and are largely consistent with the 2014 farm bill. Both bills support local and regional food systems as well as beginning, socially disadvantaged and veteran farmers. The bills differ in overall conservation spending, conservation policy and their approach to working lands conservation. The House rolls the Conservation Stewardship Program (CSP) into the

Environmental Quality Incentives Program (EQUIP). EQUIP is popular among livestock producers for its cost-share benefits to working farm conservation programs. Both bills increase the acreage cap for the Conservation Reserve Program (CRP). The most difficult issue to reconcile between the House and Senate will be food assistance known as the Supplemental Nutrition Assistance Program (SNAP). The House bill would require able-bodied persons age 18 through 59 without dependent children to work or do job training for at least 20 hours a week. The Senate version does not seek additional work requirements. The legislation is still called the farm bill but roughly 80% of farm bill spending goes toward food programs. The remainder of farm bill spending comes in with crop insurance 8%, commodity programs 6%, conservation 6% and other 1%.

Both versions of the farm bill authorize funding for USDA's animal health laboratory, animal disease preparedness and a national animal vaccine bank which is a high priority for livestock groups.

FAKE MILK AND LAB GROWN MEAT

The attention to plant-based foods development is staggering. Not only is the quantity of new products staggering, so is the quality. The growth of alternatives dovetails with another consumer trend: a rising demand for protein. Plant-based protein alternatives are fighting to wrestle market share from traditional meat and dairy products. New product opportunities have corporations like Cargill and Tyson and billionaires like Bill Gates and Richard Branson investing in alternative product research.

The dairy industry has been fighting the food industry for years over the use of the term "milk" during the market expansion of plant-based almond milk, coconut milk, soy milk and more. Even though the federal government has formal standards of identity definitions for food items that include the term "milk" as a product of a lactating animal, the FDA did not step in when petitioned by dairymen for many years. Now, change may be on the horizon. FDA Commissioner Gottlieb has indicated his agency will crack down on plant-based products being labeled with terms like "milk" or "yogurt". The agency will solicit public comment before taking further steps to redefine the labeling rules.

Now the meat industry is faced with similar yet different challenges. Several companies already have plant-based hamburger, sausage and hot dog alternatives on the market. The meat industry did not challenge the use of meat terms on alternative plant-based food items. However, "lab grown meat" is the latest food fight in Washington and the meat industry is on the front row. Several companies have successfully grown cell-cultured meat and sea food in the lab and are pushing for commercial market opportunities. Foods made from animal cells grown outside the animal are caught in a regulatory turf war between the nation's two food inspection agencies, the USDA and the FDA. The USDA's Food Safety and Inspection Service has statutory inspection jurisdiction over beef, lamb, pork and poultry products and FDA regulates inspection of everything else including fish.

Both agencies have expressed interest in inspecting cultured food products. FDA Commissioner Gottlieb issued a statement that under the Federal Food, Drug, and Cosmetic Act, FDA has "jurisdiction over food which includes articles used for food and articles used for components of any such articles." USDA Secretary Perdue counters that "meat and poultry has been the sole purview of USDA and we would expect any product that expects to be labeled as meat would come under the same inspection criteria" by UDSA. The Federal Meat Inspection Act defines "meat" as the muscle of any cattle, sheep, swine or goats, and "meat food product" as any article capable of use as human food which is made wholly or in part from any meat or other portion of the carcass thereof. These statutory definitions appear to give USDA jurisdiction over cultured meats. However, Washington is full of lawyers and double-speak. This will be a major regulatory battle.

FDA held a public meeting July 12, entitled “Foods Produced Using Animal Cell Technology” that attracted speakers from lab-grown start-ups, consumer groups, farmer and rancher producer groups, meat scientists, meat processors and FDA. However, USDA was not invited to participate which became a flash point of concern for the meat industry. Meat producers also bristled when lab-grown start-ups promised the potential for a “cleaner, greener and kinder model for meat production,” insinuating that traditional meat is not clean, animal agriculture is bad for the environment and farmers and ranchers are not concerned about the welfare of their animals. Product terms aired by speakers at the FDA public meeting included “lab grown meat”, “in vitro meat”, “cultured tissue”, “clean meat”, “cultured meat” and “artificial meat”.

The “Barnyard Group” has formally asked President Trump to intervene in the ongoing turf dispute over cell-cultured products. They said the USDA “system ensures all meat and poultry products are held to the same rigorous food safety and labeling standards. Anything less is a grave disservice to consumers and producers.” The Barnyard Group includes beef, chicken, pork, milk, sheep and processor organizations.

Consumer representatives testified that these emerging food products should be clearly labeled so consumers can make informed decisions and distinguish them from conventional meat. The meat debate over which agency has oversight and inspection jurisdiction, what to call this product and how should it be labeled for consumers will continue to play out on the Washington stage for the foreseeable future.

SUSTAINABILITY

Sustainability is one of the most over-used and under-defined words in our language today. Sustainability is like beauty, i.e. it’s in the eye of the beholder; it’s what you want it to be. Ask five people to define sustainability and you will get five different answers. What is your definition of sustainability? Does it imply the status quo? Is improvement over time part of your definition? Can it realistically be accomplished? Is it little more than a marketing ploy to tickle the ears of potential customers? Could it be a masquerade to attack another product or company?

Beef industry sustainability is defined as meeting the growing global demand by balancing environmental responsibility, economic opportunity, and social diligence throughout the supply chain according to the Sustainability Framework released earlier this year by the U.S. Roundtable for Sustainable Beef. A healthy and sustainable food system depends on having both plants and animals according to a recent USDA and Virginia Tech study. Anti-animal agriculture activists like to debate this fact. They point out that without animal agriculture, the U.S. would reduce greenhouse emissions by 2.6 percent. On the other hand, cattle eat grasses and plant matter left over from human food production. Cattle graze residues of grain harvest and eat the byproducts of from milling grains, cottonseed, and the distiller process. Cattle also utilize vast acreages of land that is too rocky, steep or arid to support cultivated agriculture. Cattle convert resources that otherwise would be unusable into highly nutritious human food.

In response to the framework, fifty organizations signed on to a letter claiming the platform "fails to address key structural issues related to sustainability and the most damaging impacts of cow-calf and feedlot phases of production. The cosigners included the National Grassfed Organization, The Sierra Club, Organization of Competitive Markets, Earthjustice, GMO Free USA, Friends of the Earth, Food and Water Watch plus several Catholic organizations. Most of the additional signing organizations are known for their anti-animal agriculture bias. These social agendas such as vegan vs. omnivore vs. carnivore, local vs. non-local, organic vs. conventional, grass-fed vs. grain-fed do nothing to advance cattle industry sustainability. Now we have the corporate types using sustainability as a catchy word to enhance their corporate responsibility image.

Most companies ask employees to print less and put recycle bins next to their copy machines. But now, WeWork, a large global network of shared office spaces, says it will not serve or pay for meat (beef, pork, chicken, lamb, goat) at WeWork events and is committed to being "a meat-free organization" as a "sustainable measure" and one way to become environmentally conscious. Google has been experimenting with "plant-forward" recipes to encourage employees to eat less animal protein at its offices. Virgin Atlantic Airlines has removed ingredients from its in-flight menus it deems unsustainable such as beef, palm oil and soy. Virgin admits their planes are a large source of carbon emissions so they are reducing their carbon footprint any way they can…by "reducing beef consumption - the biggest culprit." Impossible Foods says is committed to eliminate all animals from food production by 2035. These examples bring a fresh new term into play for the beef and animal industries: corporate politics. The cattle industry better jump into this fray with both feet if we want an industry to pass on to the next generation.

Good stewardship of land, water, animals and natural resources overall plus a measurable trail of sustainable accomplishments are tremendous tools for the cattle industry to use in proactive beef advocacy.

GENE EDITING

Gene editing is the process of making precise, targeted sequence changes in the DNA of living cells and organisms to modify gene function.

- Gene editing uses reagents to recognize and precisely cleave DNA targets within the genomes (an organism's complete set of genetic instructional material) of living cells.
- Gene editing has the potential to have a major positive impact on the efficiency, production traits and health of crops and livestock.
- As with other emerging technologies, the perception of risk must be dealt with.
- All methods of genetic modification have the possibility of unintended consequences and caution is advised in applying these new techniques. Gene editing tools sometimes make changes to genes other than their intended targets, raising flags about how the changes might affect an animal's health or the composition of milk or meat.
- As a new technology approaches the stage of commercial use in food production, how will it be governed or regulated?
- **At this point, USDA does not plan to regulate plants and animals that "could otherwise have been developed through traditional breeding techniques."**

RELIEF FOR LIVESTOCK HAULERS?

Eleven Senators have cosponsored the bipartisan Transporting Livestock Across America Safely Act to provide common sense relief from the hours of service and Electronic Logging Device regulations. The bill's major provisions are:

- These regulations don't apply until driver's travel more than 300 hours from their source.
- Extends the hours of service on-duty maximum time from 11 hours to a minimum of 15 hours and maximum of 18 hours for on-duty time.
- Loading, unloading and waiting times are exempt from hours of service
- Grants flexibility for drivers to rest at any point during their trip without counting against hours of service.
- Allows drivers to complete their trip regardless of hours if they are within 150 air miles from delivery.
- After delivery, the driver must take a break period 5 hours less than less than the maximum on-duty time.

The livestock industry is concerned about the health, safety and welfare of animals in transit and feels this flexibility will add practical relief to the Transportation Department's new rules.

THE HUMANE SOCIETY OF THE UNITED STATES THINKS STRATEGICALLY

Whatever else one might think of the HSUS, the organization's tactics within agriculture today are more effective than in the past. The organization has provided free legal counsel to groups attacking producers and has formed its own legitimate-sounding National Agriculture Advisory Council. HSUS partnered with 102 "agriculture and food" organizations including National Dairy Producers Organization, American Grassfed Association, R-CALF USA and organization for Competitive Markets to push an amendment in the recent Senate Farm Bill to limit and reform all commodity checkoff programs. HSUS also funded a major advertising campaign in Washington, DC prior to the Senate vote. The amendment ultimately failed on the Senate floor 57-38.