

**Agricultural Marketing Service (AMS)—Livestock, Poultry and Seed (LPS) Program
Meeting with Beef and Lamb Sector Stakeholders
March 26, 2014**

Stakeholder Representatives:

1. Forrest Roberts, Chief Executive Officer, National Cattlemen’s Beef Association
2. Colin Woodall, Vice President, Government Affairs, National Cattlemen’s Beef Association
3. Jess Peterson, Executive Vice President, U.S. Cattlemen’s Association
4. Josh Winegarner, Director of Government Relations, Texas Cattle Feeders Association
5. Peter Orwick, Executive Director, American Sheep Industry Association
6. Marty Manion, Executive Director, American Association of Meat Processors
7. Chris Young, Outreach Specialist, American Association of Meat Processors
8. Mark Dopp, Senior Vice President, Regulatory Affairs/General Counsel, American Meat Institute
9. Barry Carpenter, Chief Executive Officer, North American Meat Association
10. Laurie Bryant, Executive Director, Meat Import Council of America
11. Kelli Ludlum, Director, Congressional Relations, American Farm Bureau Federation
12. Mike Stranz, Senior Government Relations Representative, National Farmers Union

Introduction: On March 26, 2014, AMS-LPS hosted a stakeholder meeting with 12 leaders from 10 organizations representing beef and lamb sector stakeholders. This was the first of a planned series of meetings with stakeholders from sectors served by LPS. The meeting took place in the LPS Conference Room and started with introductory remarks from AMS Administrator Anne Alonzo. LPS Deputy Administrator Craig Morris then explained the purpose of the stakeholder meeting and provided a brief summary of print materials provided to participants. National Organic Program (NOP) Deputy Administrator Miles McEvoy and Transportation and Marketing Program Associate Deputy Administrator Luanne Lohr briefly explained the roles of each of their respective programs within AMS. Stakeholders raised several questions about each Program, particularly regarding requirements, certification, labeling, and marketing claims under NOP. LPS Division Directors then introduced themselves and gave brief overviews of their respective Divisions. After a break, a productive dialogue on LPS issues began. Below is a summary focused on capturing and contextualizing the concerns and issues discussed.

Primary Challenges:

Keep AMS Services Relevant and Cost-Effective—The marketplace for beef and lamb commodities is changing, with consumer demand for information expanding beyond the quality grades that historically have been the mainstay of LPS’ grading work. Stakeholders suggested that LPS could achieve additional efficiencies by expanding to other plants the grading pilot project utilizing camera technology and LPS-trained and certified plant personnel. While LPS staff continues to monitor the carcass grading function, recasting LPS responsibilities from carcass-by-carcass grading toward greater emphasis on auditing and oversight. Additionally, all product certification should continue to be evaluated and converted to process control activities as is currently performed on pork and canned items for the Federal purchase program. This holds the potential to reduce costs to industry and increase flexibility to use LPS staff on other value-added verification services. This presents an opportunity for LPS to evaluate, or reevaluate, what services we provide and how we can provide them in the most cost-effective manner.

Ensure Market Information Supports Industry Trade and Innovation—Stakeholders emphasized that LPS’ Market News is central to commerce for their commodities. There was wide agreement that the loss of critical market information during the furlough at the beginning of FY 2014 resulted in the industry “flying blind” during that period. There was a suggestion that it’s time to rebrand Market News to convey more accurately that the program provides commodity market information and oftentimes is the

sole source of reliable information on what is happening in commodity markets on a daily basis. Sellers and buyers of these commodities base their transactions on the most recent prices as reported by Market News, which often are written into ongoing contracts and formula pricing arrangements between buyers or sellers to establish the price that will be paid. In the absence of Market News price reporting, markets may become more volatile and less efficient as buyers and sellers search for price and market information in a vacuum. Smaller buyers and sellers may face a marked disadvantage in negotiation because they do not have access to the same information as larger entities with respect to prevailing market prices and volumes.

Stakeholders also expressed concern with the limitations of Market News reporting, or as one industry representative called it, the “commodity mindset of price reports.” The concern is that Market News reports do not capture all relevant conditions of a sale, particularly those that may illuminate value-added or innovative aspects that went into the production of a commodity beyond categories that are currently reported. This sets in motion a self-fulfilling prophecy: buyers will look for sellers who will meet the Market News price, so sellers are discouraged from innovating due to the additional expense.

Highlight Positives about Checkoffs, Not Just Negatives, and Learn from Other Countries—The messages to and about Checkoffs have become disproportionately negative, creating an impression that they’re problems rather than assets. To balance out the criticism and scrutiny Checkoffs have received in the past few years, LPS should get more positive messages out to industries and the public, highlighting, for instance, that the Beef Checkoff brings a large return on investment—\$6 earned for every \$1 dollar spent—for beef producers.

Stakeholders cited the New Zealand Wool Checkoff situation as a cautionary example of what can happen when producers undervalue the benefits provided by Checkoffs. New Zealand ended its wool levy, dismantling the Wool Checkoff program. As U.S. industry sees it, producers regretted the dismantling of the program afterward when they realized the full economic impact of losing the Checkoff’s global promotion of New Zealand wool. Stakeholders expressed concern about the same thing occurring in the United States if producers, industries, and the public view Checkoffs as more of a problem than they’re worth.

Consider Impact to Entire Industry When Developing New Verification Programs—Stakeholders expressed concern about the implications that verification programs, such as the process verified program (PVP), can have for entire industries. Hence, stakeholders asked that LPS be more cognizant of that and seek industry-wide input when working to launch such programs in the future. (LPS administers audit-based certification and verification programs with companies on a user-fee basis.) The particular example a representative cited was a PVP that LPS developed at the request of the pork industry to verify that pork was free of ractopamine, to facilitate exports. Stakeholders expressed concern that by launching the PVP, the PVP could become a de facto export requirement that could undermine exports generally and could expand beyond pork to other meats. LPS sees this as significant to a larger point of identifying industry consensus on issues, as LPS seeks industry consensus before moving forward with these types of verification programs. Industry consensus is an important marker for LPS to follow when launching PVPs or certification programs; such programs often come into play in meeting international trading partners’ requirements, and anything LPS or industry can do to proactively identify consensus before urgent issues arise is good for all stakeholders.

Other Issues/Concerns:

- With the current historically small cattle population in the United States, is there a way to impress upon producers the importance of retaining their heifers rather than sending them to slaughter? They’re getting high prices for the animals now, but it isn’t in the best interest of the industry long-term for the domestic herd to continue to contract.

- Is there anything AMS could do to consolidate audits and standardize the audit requirements that some entities have to meet to be in order to comply with any number of process verified or other LPS-administered programs in which they participate? Some feedyards are audited by as many as 20 groups. LPS will explore this issue further and continue to work with industry on developing ways to deliver our services more efficiently.
- How can you get industries to agree, or in other words, come to consensus? While LPS recognizes that this is a challenge, third party verification continues to be what the program does best. Based on experience, “standards developer” is a difficult role for LPS to fulfill because the necessary public notice and comment leads to aspirational rather than practical standards, especially with regard to process-based standards.
- Can LPS standardize U.S. meat cut and tenderness standards with those of Australia? LPS is currently working to do this.
- Industry members want to see more auction market price reporting by LPS. With decreased State resources devoted to such efforts, auction market sales aren’t being reported at the levels they used to be. Representatives suggested utilizing video and live Web streamlining at auctions, which LPS already does for video auctions. Another suggestion was having local extension agents present at auctions, to record the information as a way of increasing transparency of such transactions without having to add LPS staff to do so. LPS is looking at ways to expand coverage of auction market information into the Market News information it disseminates. A pilot project in Pennsylvania is a good example.
- Market News is up for reauthorization again in September 2015. The program ceases unless Congress expressly reauthorizes it. LPS is working with beef and lamb industries to address industry changes that have occurred since the last reauthorization. LPS will continue to work with stakeholders regarding reauthorization and changes that may be sought by industry.
- A stakeholder expressed particular appreciation that the Country of Origin Labeling (COOL) Division of LPS provided an overview of its activities.
- A stakeholder suggested that LPS consider dual announcements with key industry groups by cooperating with Cattle Fax and other reporting services by sharing data prior to the key announcements.