

08/04/2002 Entry: "Kansas Cattlemen's Association Interviews with the High Plains Journal 8-14-02"

Kansas Cattlemen's Association surveys producers

Editor's note: Kansas Cattlemen's Association recently did a survey of 1,250 High Plains Journal subscribers, of which 497 responded. The results of the survey are depicted in the graphs on this page. Following the survey, High Plains Journal Managing Editor Holly Martin interviewed Mike Schultz, Executive Director of KCA. Schultz is a cow-calf producer from Brewster, KS and a past president and co-founder of KCA.

Survey Results

Survey Results (PDF File, Requires Adobe Reader)

What was the purpose of the study?

We were wanting to find the general consensus of the cattle producers, if we were on the right track or if we were off in left field. We were being told that nobody supports these issues - that a majority of the producers don't have a problem with the packers owning cattle, don't have a problem with imports, and labeling is not important.

Do you think the current conditions (drought, cattle prices) played a role response?

No, I don't think so.

The survey showed that respondents believed mergers and consolidations eliminate competition. Is there more to the story than that?

The people that have promoted the mergers and consolidations in agriculture, what they have done ultimately is ruined the entire system. Your efficiencies have basically been dropped for these mega corporations that have tried to do some of these things. I think you are seeing just the first part of what's to come by what they have done to the system because we don't have a competitive market. Without competition you'll never have a competitive market then the prices get worse and worse and you are a price taker. If you are able to produce a product of the same value as somebody else it should be competitive. The way it is, people go to sell cattle and there's very limited competition.

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How do we compete with imports and the consolidation ?

I think you have to do it with the government and legislation in order to get anything fixed. You know people don't want government involved, but those same people are some of the ones that have full-time lobbyists hired. They are some of the ones that are at the capitol every day, are in Washington every day setting rules and regulations, the ones that say they don't want government involvement. They are so deeply entrenched in that program that it is ridiculous.

What specific changes in marketing have been a result of mergers and consolidations?

People that use grid and formulas base their grids and prices off of the cash price. There have been weeks where we have slaughtered 130,000 head of cattle and the reported sales are 4,700. Our theory is you price your very best cattle on a weak reported value and it's not a true market picture and therefore people don't know where they ought to price their cattle.

We feel some of the programs at the time were better but they eliminate and create larger captive supplies of cattle. Captive supplies definitely do have an effect on the cash market as a price reduction mechanism. We have to fix. We have to get people informed to not do business like that. Use the futures board if you want price protection. Don't give the packer control of the cattle. I think that is something that realistically could work for people and still be profitable with some price protection.

Producers have set up alliances to establish a brand name and to ensure there is quality and consistency to go along with that. Without doing that, how can you guarantee a better product?

I question sometimes these people promoting this demand issue that the consumer wants this, this and this. I'm not too sure that the pollings and the

surveys they do are consistent. You can't even buy a piece of prime beef here in Thomas County.

You raise good ones you are going to make more money. If you raise bad ones you are probably going to get less. If they all eat the same amount which one would you rather raise? I think the market could correct some of that if we had a true competitive cash market.

If you are going to get paid on quality, how do you price your cattle before you send it to the packer?

With ultrasound - it's another tool used to market cattle. Prior to being sold, most feedyards are ultrasounding their steers a couple of different times to see where their back fat, marbling and carcass data is at.

I think the way the system is, people are getting ripped off by paying too much for the beef end of it, when the producers are getting less and less, feedlot owners are going broke.

How can you stop mergers and consolidations?

I think they ought just enforce the packer and stockyard law. If they do anything whatsoever that is anti-competitive, they have to quit doing it. We have to have a secretary of agriculture willing to enforce the law. We can pass all kinds of laws, but if you don't enforce them, they do you absolutely no good. The penalties are not very severe and we need to look at that.

How does beef demand play a role?

We have fought the use of the checkoff dollars for a long time. Everybody said the checkoff is creating demand. I would disagree with that to some degree. I think it helps if it is done correctly, but I'm not sure that eight pages of advertising in a cattle magazine is too good of a deal. I've been kind of one of the guys that has played a role in trying to get this thing realigned. We wanted to get the checkoff reviewed. We wanted the producers to have an opportunity to vote on it.

Do you think country of origin labeling will affect beef demand?

On the labeling issue, all they would have had to do in the beef program and the beef boards was to put a USA beef label on it. It's not such a big deal.

And the other side, I'm not too sure that U.S. producers need to label our product. You label all of the imports coming in. I don't think the consumers would support them.

How do you propose country of origin labeling would be implemented so the cost wouldn't be on the producer?

There a lot of different debates about people getting micro chips for their calves. I don't know that we need to go to that complex of a level. You have to understand that whatever way you try to do it there is going to be somebody that is going to try to bend it to utilize a import to get it claimed as a U.S.A. produced calf. We could have run the same thing through the Department of Ag. They know I have X number of cows. If you had a 100 cows, then you would go in and get 100 tags.

I think what ever it costs to implement that program ought to charged against imports. If that program is going to cost \$20 million to implement [it should be divided] among however many pounds of [imported] beef. It would cost him more to label that product and to compete against us in our market. There's nothing wrong with that.

Now there's a catch with that because under NAFTA Chapter 11, if you do anything that so much as hinders the competition from an outside country that is involved in NAFTA that government can be sued. When this NAFTA thing was started, I think somebody was asleep at the switch.

The survey respondants felt that packers should not be allowed to own, feed and finance livestock to be slaughtered in their plants. Why do you think they felt this way?

You have seen what they have done to the small independent packer and feeders that don't play their games - they have driven them out of business. They have bankrupted a few of them by what they have done. It's not that the people didn't produce the same quality of cattle as the other guy. I think that is some of the reason you see people support the packer ban. Also by us showing the information that those cattle that they own create lower prices. When they own captive supplies of 80% and you see a price go down, there's something to that.

How is packers owning cattle different than a feedyard who owns land, raises a corn crop and feeds it at their feedyard to make sure that they have enough best price corn?

Under the packer ban deal that we had proposed in Kansas a few years ago if you had less than 2 % of the slaughter they didn't have to do any of the other issues that the other boys had to do. The pricing mechanism for a big feedyard to be competitive are good for some communities. We have several members of KCA that feed in excess of 40,000 head. They are good for a community.

The guy may own the grain, own the cattle but can he sell the beef? The retail market is what everyone needs to be aware of. You could raise all of the commodities and try to raise most of the cattle but I don't think things like that will get overly large. People that feed cattle and then own the slaughter facility are after the retail market. So right now the independent guy is trying to expand. He's thinking, I'll get more land, I'll try to raise it cheaper but he has to remember that he is still buying cattle and competing against the captive supply. It may ultimately come back to haunt him.

Where do you draw the line? Once you get the government involved, how do you say it's okay for one segment of the industry but not the other?

It still falls back on the captive supply thing. Are you using it in an anticompetitive manner?

If an independent gets that big that he uses it in anticompetitive manner, you probably ought to break him up. Defining 'anticompetitive manner' is the issue. I don't know how big is big enough. If this game of cattle feeding, beef packing and raising cattle is like the game of Monopoly, if everybody wants one company to run this whole deal, we should all sell out tomorrow.

In a perfect world, to make the respondents of this survey happy, what specific things would you see happen?

I think people need to create an opportunity to have more family time. I think that is pretty important. You have to have a belief in something. I don't like free lunches. Everything you have you have to work for. I like to see people being productive and then get rewarded for what they do.

One of the criticisms of the KCA is that it wants to go back to the way things were 50 years ago. Is that a correct assumption?

I'm not too sure it was all that bad 50 years ago. That may be stretching it a little bit. Some these things that we have been told that were supposed to be the latest and the greatest and was supposed to be good for us has really ended up being bad for us in the end.

I spend seven times more money than I did 10 years ago and I make the same living, if not less. That concerns me. My expenses have gone up atrociously to do the same amount of business and I actually make about the same amount of money I did 10 years ago. I think there are a lot of people that way.

What else do you want readers to know?

KCA is gaining creditability. We have the fastest growing cattle association in Kansas. We try to do what the majority of the people request and ask for help with. That's what we are representing. We're not doing it because somebody is donating a bunch of money to KCA. We're not packer lobbyists. We work for the people out home - the grassroots people. I think that is why you see people joining because they are fed up with politics. I think the people are waking up to the politics and waking up to the PAC money. I think some of these legislators are going to be held accountable someday for the stands they have taken and not listening to the people.

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