

12/31/2003 Entry: "OCM: LACK OF COOL COSTING \$27 MILLION PER DAY IN LOST REVENUE -"

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FOR IMMEDIATE RELEASE

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OCM: LACK OF COOL COSTING \$27 MILLION PER DAY IN LOST REVENUE -
OVER \$15 BILLION IN EQUITY LOST

Lincoln, NE ~ OCM said today that the lack of country of origin labeling (COOL) is currently costing cattle producers over \$27 million per day in lost revenue and an estimated \$15 billion in lost equity. OCM praised USDA in its aggressive investigation into the mad cow incident, as well as USDA's new plans - announced today - to make changes to the meat system. However, the USDA is being hampered by an outdated ideology that the solution must be a North American solution.

"We appreciate USDA's moves today toward a safer food supply," said Fred Stokes, OCM president. "However, Secretary Veneman has unfortunately not yet been convinced of the benefits of COOL despite the losses in the cattle market. Japan and South Korea demanded beef born, raised and slaughtered in the U.S. last summer and our government refused to provide it. Had we acceded to our customers' demands, our export market would likely have remained intact because we would have boxes of beef to sell that are labeled 'born, raised and slaughtered in the U.S.'. We could immediately guarantee that the meat of the infected cow was not in any of those boxes."

"OCM performed initial calculations of the losses caused directly by the lack of country of origin labeling," continued Stokes. "We found that U.S. cattle producers are currently losing over \$27 million per day in gross revenue resulting from sales of market cattle to packers. They have also lost over \$15 billion in net worth. We hope some of the net worth can be regained, but the daily revenue losses are not recoverable."

OCM calculated \$27.4 million in lost daily cattle market revenue as follows. U.S. slaughterhouses process approximately 110,000 cattle per day at an average of 1246 pounds per animal live weight. Last Tuesday's pre-BSE cash cattle market was about \$98 per hundred weight. Today's cash market in Kansas, according to USDA Market News, was reported at \$78 per hundred weight. That is a \$20 decline, or 20.4%. The result of multiplying the amount of that decline times the total pounds of live cattle slaughtered is \$27.4 million per day lost revenue for producers.

OCM also calculated a loss in net worth of more than \$15 billion as follows. The July 1, 2003 total cattle inventory was 105.2 million head. We assumed an average value of \$700 per animal - pre-BSE - as a rough estimate. The total value of the cattle herd last week was, thus calculated, \$73.6 billion dollars. A 20.4% reduction in total cattle herd value presents us with a \$15 billion loss in net worth for producers. This is an especially serious strain for producers who have collateralized cattle for bank credit purposes.

"USDA insisted that there was no benefit to COOL and opposed it vigorously," said Stokes. "This mad cow incident shows that there are tremendous benefits. If we were able to guarantee that the boxes of beef with USA labels do not have meat from other countries within them, our export markets are likely to have been maintained. The cost of implementing COOL would have been, and will be, returned many times over in value added for U.S. beef. We hope that USDA will add their support to country of origin labeling for our export customers and our domestic consumers."

The Organization for Competitive Markets is a nonprofit organization working for fair, open and competitive markets for farmers, ranchers and rural communities. OCM helps lead the Cattlemen's Competitive Market Project which is a voluntary contribution program focusing on competition in the cattle markets.