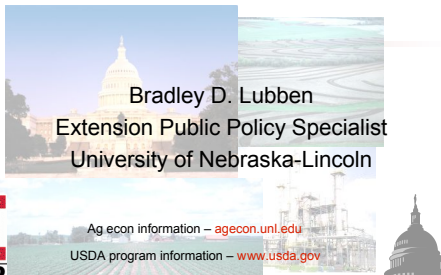


Farm Bill Update: Four C's for Cattlemen



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Ag econ information – agecon.unl.edu
USDA program information – www.usda.gov


IANR

The Setting for the New Farm Bill

- ◆ The Economic Setting
- ◆ The Budget Setting
- ◆ The Trade Setting
- ◆ The Political Setting



4 C's for Cattlemen



- ◆ COOL
- ◆ Competition
- ◆ Conservation
- ◆ Commodities

Proposed COOL Changes

- ◆ Adds goat meat and macadamia nuts
- ◆ Revises label designation for meat
 - Product of U.S.
 - Product of U.S. and [foreign countries]
 - Product of [foreign country]
- ◆ Adds grandfather clause
 - Animals present in U.S. as of January 1, 2008 are designated to be of U.S. origin
- ◆ Revises penalties
- ◆ Revises recordkeeping
 - "Records maintained in the course of the normal conduct of the business of such person, including animal health papers, import or customs documents, or producer affidavits, may serve as such verification."
 - "The Secretary may not require a person that prepares, stores, handles, or distributes a covered commodity to maintain a record of the country of origin of a covered commodity other than those maintained in the course of the normal conduct of the business of such person."

What Are the Costs of COOL?

Results from Previous Studies on Beef

Table 2.1. Estimated Costs of Compliance with COOL Regulations

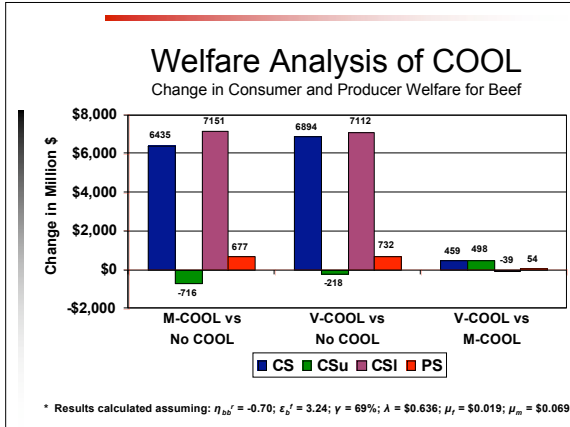
Study	Producers	Processors	Retailers	Total
(\$ Million per Year)				
Sparks (2003)	\$307 - \$365	\$459 - \$546	\$805	\$1,571 - 1,716
Davis (2003)	\$1,311.4	\$473	\$4,608.5	\$6,392.9
VanSickle, et al. (2003)	\$158.2	N/A	N/A	\$158.2
USDA-AMS (2003)	\$196 - \$368	N/A - \$538	N/A - \$780	\$196 - 1,686

N/A - Amount was not available as a separate estimate, but was included in total for all commodities in study

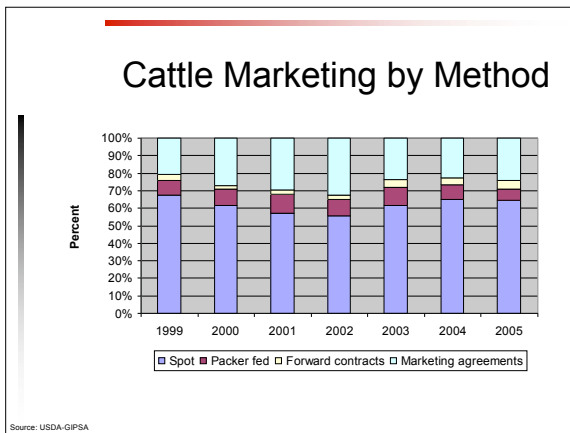
How Much are Consumers Willing to Pay for COOL?

Results from Previous Studies on Beef

Study and Type of Analysis	Interest in COOL (survey question)	Preference for U.S. Product (survey question)	Willingness to Pay Premiums		
			(survey question)	(survey model)	(experimental auction)
NCBA/Wirthlin (Swan, 1999)	76%	91%			
Umberger, et al. (2003)			73% WTP 11% - steak 24% - burger		69% WTP 19% - steak
Loureiro and Umberger (2003)				38% - steak 58% - burger	
Loureiro and Umberger (2005)					2.9% - steak



- ### Competition
- Ban on packer ownership, feeding, or control of livestock
 - Packers cannot... "Own or feed livestock directly, through a subsidiary, or through an arrangement that gives the packer operational, managerial, or supervisory control over the livestock, or over the farming operation that produces the livestock, to such an extent that the producer is no longer materially participating in the management of the operation with respect to the production of the livestock..."
 - Contracting
 - Voluntary arbitration
 - Capital investment
 - Discussion of terms
 - State inspected interstate meat sales

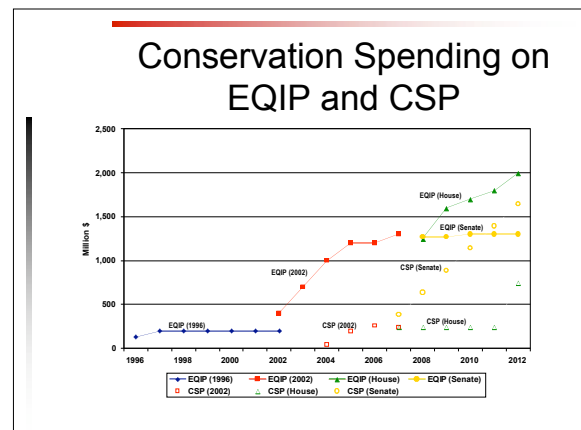


Potential Gains/Losses from Reducing Captive Supplies in Cattle

Reduced Contracting and Packer-Owned Cattle	Consumers	Packers	Cattle Producers	
			Fed	Feeder
SHORT-RUN (2003-2005)				
25% Reduction	Lose \$370 M	Lose \$143 M	Lose \$558 M	Lose \$1.06 B
Complete Ban	Lose \$2.0 B	Lose \$838 M	Lose \$3.1 B	Lose \$6.0 B
LONG-RUN - Year 10 (and cumulative)				
25% Reduction	Lose \$151 (\$2.03 B)	Lose \$191 M (\$1.26 B)	Lose \$250 M (\$3.1 B)	Lose \$174 M (\$4.2 B)
Complete Ban	Lose \$806 M (\$11 B)	Lose \$1.11 B (\$7.35 B)	Lose \$1.41 B (\$17.4 B)	Lose \$996 M (\$24 B)

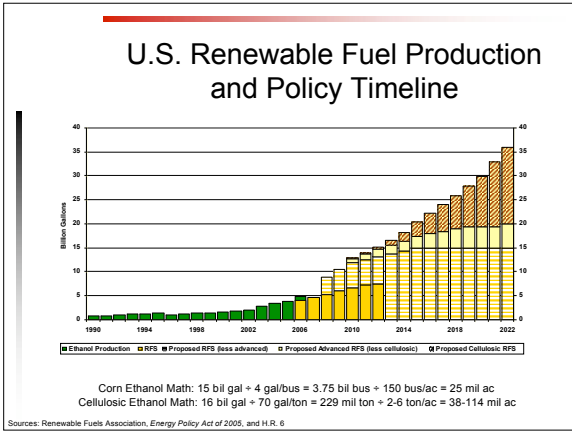
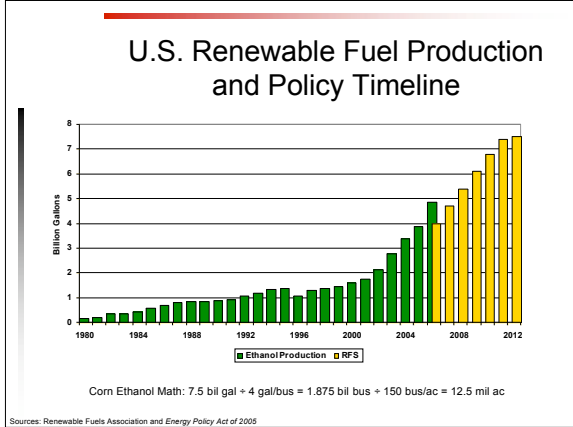
Source: GIPSA Livestock and Meat Marketing Study

- ### Conservation
- Working lands programs
 - CSP
 - EQIP
 - Retirement programs
 - CRP
 - WRP
 - Preservation programs
 - FRPP
 - GRP
-



Commodities

- ◆ Farm income safety net policy
 - Existing three-part price safety net
 - Expanding crop insurance programs
 - Ad hoc disaster assistance programs
 - Proposed revenue safety net at state or national level
 - Proposed permanent disaster assistance
 - Farm-level all-crop revenue safety net including forages and grasslands
 - Livestock Indemnity Program
- ◆ Energy policy
 - Renewable fuels standard
 - Research and development



4 C's for Cattlemen

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