

# BEEF

## EXECUTIVE SUMMARY

The beef cattle sector has been and continues to be the single largest sector in the Kansas agriculture industry, and is recognized nationally and globally for raising healthy cattle and producing high quality beef. Kansas has the third largest number of cattle on ranches and feedyards and has a significant role in the nation's beef processing as well. Resources to support beef cattle are plentiful in Kansas, from the strong feed supply to the abundant pastureland to the efforts to conserve the water supply. The beef industry in Kansas includes leaders at all levels of the production chain, as well as in research, health, marketing and advocacy, and agriculture-related education is a source of strength in the state. The value of the beef cattle industry is well respected on a state and national level which has led to strong support from state and federal policy makers and agriculture agencies.

In addition to concerns of weather and fluctuating prices, challenges facing the beef cattle industry threaten to prevent its continued success. A number of local, state and federal policies have the potential to directly affect the beef industry, from transportation regulations and water use to environmental regulations and international trade opportunities. Fluctuating land prices and changes in land use, caused in part by an increase in the number of absentee landlords removing land from production, and generational transfer add to the challenges the industry must continue to address. The workforce required to maintain successful beef operations involves issues of education and immigration which adds complexity to operation management, especially as the industry continues to become more competitive.

As we look to the future and as the beef industry adapts to meet ever-changing consumer demands, we must identify goals for strategic growth based on competitive advantages of raising cattle and processing beef in Kansas. Coordination between public and private leaders within the industry will direct efforts toward navigating the barriers which could prevent growth. A focus on workforce education, industry communication and policy development will assist in identifying opportunities to expand or grow the Kansas beef cattle sector in the future. Collaboration among key partners will be key to developing a long-term growth strategy for the Kansas beef cattle industry, a strategy that not only builds upon earned brand equity and the tradition of this industry, but that encourages growth and future prosperity for the Kansas beef cattle community.



## STATUS

The beef cattle sector has been and continues to be the single largest sector in the Kansas agriculture industry, with cattle and calves generating \$8.84 billion in cash receipts in 2015, which accounted for more than 56 percent of Kansas agricultural cash receipts that year. Not only does Kansas have the third largest number of cattle on ranches and feedyards (accounting for more than 17.6 percent of fed cattle in the United States), at 6.4 million on Jan. 1, 2017, the state also has a significant footprint in the cattle processing sector. In 2016, Kansas produced nearly 5.4 billion pounds of red meat, or 10.8 percent of the nation's total.

According to estimates prepared by the Kansas Department of Agriculture and based on the Implan economic data model, beef cattle farming and ranching has a direct output of approximately \$6.91 billion and a total economic contribution of more than \$14.4 billion and supports a total of 73,290.5 jobs. In addition, animal slaughtering and meat processed from carcasses, except poultry, has a direct output of approximately \$11.6 billion, a total economic contribution of almost \$23.1 billion and supports a total of 80,720 jobs.

The beef industry is also recognized nationally and globally for raising healthy cattle and producing the beef which consumers demand. In 2015, Kansas exported nearly \$712 million in beef products globally. As the global middle class continues to grow, it is expected that global demand for protein will also increase, adding more value to cattle raised in Kansas. Through June 2017, the U.S. Meat Export Federation estimates that exports have added nearly \$270 per head in value.

The success of the Kansas beef cattle industry has not come without significant challenges, though. Drought and record-high feed prices in recent years, record-low herd numbers, volatile markets, an increasingly burdensome federal regulatory environment, and a growing number of anti-agriculture and anti-meat activists spreading false information regarding cattle production practices and beef nutrition have made it difficult for the entire beef cattle community.

## OPPORTUNITIES

In order to develop a strategic growth plan for the beef cattle community, it is important to understand the areas where Kansas has a comparative advantage and the best opportunities for growth or expansion.

Factor	Implications for Growth and Development Opportunities
<b>Biosecurity</b>	The Kansas beef industry has been aggressive and progressive in advancing biosecurity and foreign animal disease preparedness. In addition to participation in state-level foreign animal disease exercises, the feedyard operators throughout the state are working with KDA to update or develop biosecurity plans. It should be noted that many feedyards have existing biosecurity plans.
<b>Education</b>	The Kansas State University Department of Animal Science and Industry is recognized throughout the cattle industry as one of the premier animal science programs in the nation and a prime spot not only for cutting-edge education and a tremendous provider of qualified employees but also as a hub for cutting-edge research. As the Kansas beef industry looks to the future, the role of K-State as the knowledge base for the industry will be critical.

# OPPORTUNITIES

Factor	Implications for Growth and Development Opportunities
<p><b>Global Consumer Demand</b></p>	<p>In 2015, exports of beef and veal products from Kansas were nearly \$712 million and exports of hides and skins was nearly \$228 million, according to the U.S. Department of Agriculture. Beef produced from cattle raised, fed and processed in Kansas will be critical in meeting the rapidly growing demand from the growing global middle class.</p>
<p><b>Human Capital</b></p>	<p>Kansas is not only one of the top beef producing states in the United States, it is also home to world renowned leaders throughout each step in the production chain. Industry consultants, research leaders at K-State (College of Veterinary Medicine, Animal Science and Industry, the Beef Cattle Institute), Fort Hays State University and throughout private industry, including companies located within the KC Animal Health Corridor, and cattlemen and women who are serving in leadership roles in industry associations, there is a wealth of knowledge driving the continual improvement in the beef cattle industry.</p> <p>As the industry works to improve production capabilities — resource management and utilization, reproduction and genetic improvements and technologies, feed efficiency, cattle health management, animal husbandry, economics and marketing, and more — it will be critical to work alongside these well-recognized industry leaders.</p> <p>Today’s consumers are increasingly interested in knowing how and where their food is grown, raised and processed. Throughout each chain of the beef industry, private operations have opened their doors to welcome consumers and influencers for learning opportunities. In addition, established programs, like the Beef Checkoff Program’s Masters of Beef Advocacy, have provided training opportunities to equip farmers and ranchers with public speaking training and coordinated messaging to help “tell our story.” These initiatives together have helped the Kansas beef industry become a recognized and trusted source of high-integrity, wholesome producers of high-quality beef products, and they will be increasingly important as domestic and international consumers continue to seek more information about their food choices.</p>

# OPPORTUNITIES

Factor	Implications for Growth and Development Opportunities
<p><b>Policy Environment</b></p>	<p>Kansas tax law allows sales tax exemption on the construction, reconstruction, and remodeling of livestock facilities for projects greater than \$50,000; sales tax exemption for farm machinery and equipment and various ag-based inputs; and reinstatement of the ability to offset capital gains from the sale of breeding livestock with schedule C, E and F ordinary income losses. These state tax code provisions make Kansas a more attractive state for growth or expansion.</p> <p>Also at the state level, KDA works closely with the beef cattle community to eliminate unnecessary and outdated regulations, and on the development of commonsense solutions to policy challenges in Kansas. Through the KDA Animal Health Board and key partnerships throughout the industry, KDA regularly meets with and seeks input on policy-related issues to ensure industry concerns are heard and included in policy decisions.</p> <p>At the federal level, Kansas is fortunate to have elected members of Congress who strongly support the beef cattle industry. The Kansas congressional delegation will play an important role in influencing positive changes related to federal regulations or legislation, including a national traceability system, international trade, marketing regulations, federal taxes, antibiotic use, transportation rules, human nutrition, natural resources and more.</p>
<p><b>Supporting Institutional Infrastructure</b></p>	<p>Kansas has a solid foundation throughout the entire beef production community. With cow-calf production and stocker operations, a robust feeding sector, and a strong beef processing presence, Kansas has a well-established beef production network that results in efficiency benefits to all steps in the production chain.</p> <p>Kansas feedyards are able to recruit feeder cattle from all four directions, including Canadian and Mexican feeder calves, as well as yearlings from the Rocky Mountains and calves from the southeast United States. As of Jan. 1, 2017, Kansas has 2.3 million cattle on feed.</p> <p>As one of the top grain producing states (including corn, beans, milo, wheat and barley), the Kansas beef cattle industry benefits from having a readily available supply of feed. There are also abundant supplies of roughages, including silage, alfalfa and other hays. In order to sustain and grow the cattle industry, especially the cattle feeding sector, maintaining the abundant feed supply is critical.</p> <p>Kansas is also among the top states for beef processing, with three of the four major beef processors operating in Kansas.</p>

# OPPORTUNITIES

Factor	Implications for Growth and Development Opportunities
<b>Supporting Institutional Infrastructure (cont'd)</b>	<p>Kansas is recognized as one of the best exercised states in foreign animal disease. The construction of the National Bio and Agro-Defense Facility and the existing Biosecurity Research Institute enhance the research capabilities for animal health and biosecurity for the state, U.S. and global beef cattle community.</p> <p>Kansas also has a large presence of agribusinesses that directly support beef cattle production, including equipment manufacturers and equipment service providers, livestock feed manufacturers, livestock trailer manufacturers and semen/genetic companies.</p>
<b>Verification/Certification Programs and Quality Assurance</b>	<p>Beef producers have shown a strong willingness to participate in voluntary certification or verification programs, including the Beef Quality Assurance program, Age and Source Verification, and multiple third-party programs. In addition to providing education and training on animal handling, management and production practices, some of these programs can result in earning a premium at the marketplace.</p> <p>In Kansas, more than 90 percent of the fed cattle in the state are handled by BQA certified handlers.</p> <p>As Kansas beef producers increase herd size as is expected in the coming years, there may be opportunities to add value to cattle raised in Kansas through increased participation in certification/verification programs to meet specific consumer demands as well as packer and retailer demand for specific traits and qualities.</p>
<b>Weather and Natural Resources</b>	<p>The semi-arid climate in Kansas is suitable for cattle production year-round.</p> <p>Not all land in Kansas is suitable for growing crops, but cattle are able to graze on grasses and plants growing on the 15.5 million acres of pastureland throughout the state and convert these resources, which would otherwise likely be unused, into high quality protein for human consumption.</p> <p>Raising cattle not only allows Kansas farmers and ranchers to maximize production on land not conducive for farming, it is a higher value product compared to farming.</p> <p>Kansas is also taking significant proactive steps to preserve and extend the usable life of water supplies in Kansas. In recent years, voluntary, flexible and producer-driven water conservation tools have been implemented to help farmers and ranchers manage their water rights while continuing to raise crops or livestock. Additionally, Kansas has developed a <i>Vision for the Future of Water Supply in Kansas</i> with goals and specific action items to help ensure a reliable water supply while continuing to grow the economy.</p>

## SUCCESS STORIES

The beef cattle community in Kansas continuously works to improve production practices and efficiencies to raise healthy cattle and meet consumer demands. In recent years, the Kansas beef cattle industry has taken the following steps to improve or enhance the industry:

- Kansas is among the top three states in the nation in the number of cattle in feedyards and on ranches and in red meat production.
- More than 90 percent of fed cattle in Kansas are handled by Beef Quality Assurance certified handlers.
- Kansas cattlemen have and continue to be elected by peers to serve in leadership roles within national organizations.
- As Governor Sam Brownback has led efforts to extend and conserve the usable life of the Ogallala Aquifer, Kansas feedyards continue to step up to explore opportunities with voluntary, producer-driven conservation tools.
- Changes in the tax code (see above) in 2014, including the Livestock Facility Sales Tax Exemption, make it easier for industry to utilize.
- Exports add nearly \$270 per head in value through June 2017.
- In partnership with K-State Research and Extension, KDA jointly leads the Sunflower Supreme Heifer Program to provide southeast Kansas cattlemen with reproductive and genetic improvement tools to enhance the quality of their cattle.
- Over the past six years, KDA, in coordination with industry and academic partners, has worked to improve emergency preparedness efforts throughout the state in order to be the best prepared state in the nation when it comes to foreign animal disease preparedness.
- The Kansas legislature, along with Governor Sam Brownback, approved a special permit for non-divisible loads of up to 90,000 pounds gross vehicle weight on non-interstate roads if the vehicle has six or more axles.
- Revised consumptive use regulations are in the final stages of publication, and will create an equitable, science-based process for converting from irrigation to stockwater or any other water use.

## CHALLENGES

Just as the beef cattle industry has endured challenges from weather, economic fluctuations and consumer perception in recent years, the threat of additional barriers to growth will continue to exist. Identifying those challenges and developing proactive solutions will be key to future growth.

Challenge	Details of Challenge
<p><b>Access to Capital</b></p>	<p>Growth and expansion in the beef industry can often require large amounts of financial capital. Finding enough financial institutions with the ability to competitively lend at the levels necessary for some beef operations to grow in Kansas is a challenge and barrier to growth.</p>
<p><b>Critical Infrastructure</b></p>	<p>As beef packers and processors identify when and where to grow their presence, a key factor they will consider are utility rates. There are challenges with competitive utility rates in Kansas that have resulted in burdensome and unnecessarily high utility rates.</p> <p>One of the key comparative advantages the Kansas beef industry has benefited from for generations is access to land for grazing and feeding cattle. With high land prices in recent years and an increase of urban and suburban absentee landlords, it is becoming an increasing challenge to find land necessary for cow-calf and stocker operations to expand in the future.</p>

# CHALLENGES

Challenge	Details of Challenge
<b>Critical Infrastructure (cont'd)</b>	<p>While Kansas is home to several major beef packing facilities, there has also been a decrease in the number of local processing facilities, mostly in rural communities. Without a nearby processing plant, cattlemen are forced to drive longer distances in order to process smaller groups of animals.</p>
<b>Generation Transfer</b>	<p>As the current generation of primary owners and operators approach retirement age, identifying the next generation of management can be a challenge when a son or daughter, or other family member, is not interested or able to take over an operation that may have been built for multiple generations. Beyond identifying the actual next generation of management, challenges related to capital requirements in agriculture can also be a barrier when it comes time to transition a beef cattle operation from one generation of ownership to the next.</p>
<b>Industry Capacity and Competition</b>	<p>Historically and even still today, Kansas, Nebraska and Texas have been the top three beef producing states nationwide. In recent years, there has been more growth in areas more closely located to ample feed supplies, including Nebraska, South Dakota and Iowa. Industry growth and expansion in other states may present a challenge for growth in Kansas.</p> <p>With more than 6.4 million cattle and calves in feedyards and ranches throughout Kansas and nearly 5.4 billion pounds of beef coming from packing plants in the state, it will be important for each segment of the industry to determine if it is at the maximum capacity.</p>
<b>Industry Fragmentation</b>	<p>Unlike the vertically integrated pork and poultry industries, the U.S. beef industry remains composed of multiple independent segments working together to comprise the beef production chain. This independent organization of the industry can be a challenge when producers within the sectors fail to recognize the importance of working cooperatively with each segment up and down the production chain.</p>
<b>Industry Opponents</b>	<p>The growing number and power of anti-animal agriculture and anti-meat activists will continue to challenge consumer perception of beef production practices, beef nutrition and beef safety.</p>
<b>International Trade</b>	<p>A key area for growth will result from increasing global demand for beef. Kansas has the opportunity to not only increase exports of beef but also of live cattle to countries wanting to expand their own domestic herds.</p>

# CHALLENGES

Challenge	Details of Challenge
<b>Market Volatility</b>	<p>Extreme market volatility in the beef marketplace continues to be a challenge for all segments of the beef industry.</p>
<b>Policy</b>	<p>Kansas is one of fewer than ten states in the nation that has laws restricting corporations from engaging in farming and ranching. The Kansas law has been amended throughout the past to provide 18 specific exemptions from the law, but the law still restricts who can do business in Kansas. This unfair restriction has resulted in potential agricultural operations choosing to relocate, grow or expand in states other than Kansas.</p> <p>The beef industry relies solely on trucks and the highway system to transport live animals and beef products. Federal regulations can make it challenging to transport live animals or beef products in a manner that is safe for drivers and animals alike.</p> <p>Burning the Flint Hills is a critical range management tool to improve prairie grass production and prevent intrusion from weeds and woody plants. In fact, recent research by K-State suggests many land managers in the Flint Hills need to increase burning frequency to more than once every three years in order to prevent the landscape from being taken over by invasive plant species. Kansas has worked with industry stakeholders, local government and environmental partners to develop and implement the Flint Hills Smoke Management Plan to address concerns raised by downwind communities regarding air quality during the annual burning season. Despite this plan, there is concern that the federal government may propose regulations that may result in challenges to the ability of Flint Hills ranchers to burn rangeland.</p> <p>Though not unique to Kansas, there exist significant challenges due to federal laws and regulations, including: dietary guidelines, the Endangered Species Act, environmental rules and regulations related to air and water quality, and more.</p> <p>Kansas is fortunate to have a federal congressional delegation that is highly supportive of agriculture and the beef industry. Beyond Kansas' two senators and four representatives, there are an increasing number of federal lawmakers who have no understanding of agriculture, and this is becoming a challenge at the state level as well.</p>

# CHALLENGES

Challenge	Details of Challenge
<b>Talent Development and Quality of Life</b>	<p>Growth in the beef cattle industry, particularly in cattle feeding or cattle processing, will require a skilled workforce, which continues to be a significant challenge through the entire agricultural industry. In addition, a decline in the number of graduates from the K-State College of Veterinary Medicine with a focus on large animal medicine presents a challenge throughout the production community.</p> <p>Beyond needs for specific job training and talent development, ensuring a long-term ability to recruit and sustain a high quality workforce will require the state to consider issues surrounding quality of life in rural communities, including topics related to having a robust economy of support businesses necessary for the agricultural industry, strong schools, access to health care services, affordable and quality housing, and more. Increasing local property tax rates also present challenges throughout the beef industry and rural communities.</p> <p>At the federal level, challenges as a result of the nation's immigration system can be difficult for the beef industry, which relies on a year-round, steady supply of migrant employees, especially in the cattle feeding and beef processing sectors.</p>
<b>Traceability</b>	<p>The lack of traceability system inhibits export growth potential and could potentially create animal health threats.</p>
<b>Water and Natural Resources</b>	<p>Critical to growing any livestock operation is access to an abundant and reliable water supply. This can prove challenging in many areas of western Kansas that are closed to new water appropriations. New or expanding beef operations in these regions will have to purchase land with sufficient water rights.</p>

## NEXT STEPS IN STRATEGIC DEVELOPMENT

Leaders from throughout the Kansas beef industry will continue to collaborate in the development and implementation of a long-term strategic growth strategy with input and discussion among key partners. Industry-identified desired growth outcomes, initially developed in 2016, will be implemented by industry and key partners and updated annually at the Kansas Governor's Summit on Agricultural Growth.

# BEEF INDUSTRY OUTCOMES



## **Growth Objective:**

*Execute a long-term strategy for growth in the beef cattle industry that not only builds upon its strengths but that also encourages innovation, collaboration and trust throughout the production chain and with consumers.*

**The following outcomes will be the result of industry collaboration and effort to grow the Kansas beef industry:**

### **Phase 1 (Begin within two years)**

- Voluntary, market- and industry-driven traceability system to provide critical tools to manage a disease outbreak, enhance consumer confidence and trust in Kansas livestock, protect food safety, and provide opportunities to access export markets.
- Cooperation and information sharing among the different sectors in the beef production community that creates opportunity to foster trust, speak with one voice and add value throughout the production chain.
- Consumptive use regulations using simple, science-based methodology when converting from irrigation to stock watering.
- Industry-led assessment of current fed cattle marketing and risk management methods that will explore alternative and innovative tools to improve the effectiveness of the tools and maintain the ability of producers to market cattle as they see fit.
- Freedom for all business structures to do business in Kansas. Current corporate farming laws limit certain ownership structures from operating in Kansas which curtails investment and limits growth and modernization.
- Science-based environmental management and range management tools, especially for prescribed burning in the Flint Hills, which are accessible to producers.
- Kansas established as a top choice for high-quality cattle for export opportunities, especially as countries around the world work to rebuild domestic cattle herds after drought and other losses.
- Continued industry-led proactive social and traditional media outreach about the beef production chain, beef safety, quality and nutrition to encourage trust from consumers, influencers and media and a better understanding of the industry.
- A competitive and competent workforce to meet the diverse and technical needs of the beef industry in Kansas. Talent development and educational training opportunities for students preparing for careers in the beef industry.
- State-sponsored economic development incentives which meet the needs of value-added enterprises.
- Competitive utility rates in Kansas that do not create a competitive disadvantage with other states and allows Kansas to maintain existing enterprises and grow industry in the future.
- Federal immigration reform with a focus on long-term visas for agricultural workers, and a potential immigration pilot program in Kansas.

# BEEF INDUSTRY OUTCOMES

- Simplified permitting requirements for farm vehicles, and transportation regulations that provide flexibility to requirements for commercial driver's licenses (CDLs) to ensure that live cattle and beef products are able to move safely and efficiently throughout the production system.
- State tax policies focused on the reduction of burdens on agricultural entities.
- Partnerships to place military veterans in positions of employment on cow-calf and stocker operations.
- Rural broadband access throughout Kansas.
- Branded Kansas beef program through the From the Land of Kansas program to provide value-added, niche marketing opportunities for Kansas beef products and information to navigate the local food marketing infrastructure in Kansas.
- Farm transition planning resources for farmers and ranchers to utilize during preparations for intergenerational transfer or alternative forms of succession planning.
- Expanded Sunflower Supreme Replacement Heifer program designed to help add value to the Kansas beef industry by providing producers who want to improve their management techniques and marketability of heifers with research-based best management protocols.

## **Phase 2 (Begin within 2-4 years)**

- Expanded value-added beef processing in Kansas and concentrated recruitment in that sector of the industry.
- Educational programs related to beef nutrition for pre-health, pre-medicine, nutrition and other human health related fields of study at Regents schools.
- Housing development programs to address housing shortages in areas with concentrated beef processing and feeding sectors.
- Research and innovation at the retail level in an effort to capitalize on consumer interest in beef products.