Wrap Up

Strategy Forum on Livestock Traceability
Kansas City, MO
Sept 25-26, 2018

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Animal and Plant Health Inspection Service
Traceability Feasibility Study
Necessary Tenets

• Industry driven
• Managed by entity(s) serving both public and private interests
• Maintains data privacy
• Equitable to all industry sectors
• Compatible with common industry practices
• Operates at speed of commerce
• Credible in domestic AND int’l markets

Comprehensive Feasibility Study: U.S. Beef Cattle Identification and Traceability Systems Evaluation of Opportunities, Obstacles and Incentives Across the U.S. Beef Industry Value Chain
ADT Program Review and Proposed Directions

Possibly the most significant change in stakeholder opinion since the establishment of the current ADT framework in 2013 is an increase in support for EID for cattle.

Animal Disease Traceability
Summary of Program Reviews and Proposed Directions from State-Federal Working Group
April 2018
Direct Cost Vs Indirect Cost
Beef Industry Long Range Plan: 2016-2020

“Secure the broad adoption of individual animal I.D. traceability system(s) across the beef community…”

- **Adopt Animal I.D. Traceability Systems** - Secure the broad adoption of individual animal I.D. traceability system(s) across the beef community to equip the industry to effectively manage a disease outbreak while enhancing both domestic and global trust in U.S. beef and ensuring greater access to export markets. (Critical and Immediate. Conduct a feasibility study to understand the economic opportunity of opening new and expanding markets (e.g., China) and the lost opportunity in the event of an animal disease outbreak.) Critical and Immediate. Consider results of feasibility study and, if favorable, aggressively pursue the implementation of traceability system(s) to take advantage of domestic and international opportunities.
## NBQA Top Quality Challenges

<table>
<thead>
<tr>
<th>Year</th>
<th>Quality Attribute</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>External fat</td>
</tr>
<tr>
<td>1995</td>
<td>Overall uniformity</td>
</tr>
<tr>
<td>2000</td>
<td>Overall uniformity</td>
</tr>
<tr>
<td>2005</td>
<td>Traceability</td>
</tr>
<tr>
<td>2011</td>
<td>Food safety</td>
</tr>
<tr>
<td>2016</td>
<td>Food safety</td>
</tr>
</tbody>
</table>

- **External fat**: Overall uniformity
- **Seam fat**: Overall palatability
- **Overall palatability**: Marbling
- **Tenderness**: Tenderness
- **Overall cutability**: Marbling
- **Marbling**: Cut weights
- **External and seam fat**: Reduced quality due to implants
- **Reduced quality due to implants**: Instrument grading
- **How and where cattle were raised**: Lean, fat and bone
- **Market signals**: Weight and size
- **Weight and size**: How and where cattle were raised
- **Instrument grading**: How and where cattle were raised
- **Visual Characteristics**: How and where cattle were raised
Retail All-Fresh Beef Demand Index
Adapted From:  LMIC (sourced from USDA:ERS and USDA:AMS)

Traceability: “It’s what the consumer wants... and that’s how we increase beef demand.”
John Gerber, Tyson Foods, CAB Feeding Quality Forum, 8/28/18
Domestic vs. Export Market

- **Export Premium**
- **Fed Market (no exports)**

Fed Cattle ($/cwt)

<table>
<thead>
<tr>
<th>Year</th>
<th>Fed Cattle (no exports)</th>
<th>Export Premium</th>
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</thead>
<tbody>
<tr>
<td>2004</td>
<td>82.07</td>
<td>2.33</td>
</tr>
<tr>
<td>2005</td>
<td>83.58</td>
<td>4.05</td>
</tr>
<tr>
<td>2006</td>
<td>79.90</td>
<td>6.04</td>
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<td>2007</td>
<td>84.70</td>
<td>7.88</td>
</tr>
<tr>
<td>2008</td>
<td>82.00</td>
<td>10.77</td>
</tr>
<tr>
<td>2009</td>
<td>72.51</td>
<td>10.67</td>
</tr>
<tr>
<td>2010</td>
<td>81.17</td>
<td>14.11</td>
</tr>
<tr>
<td>2011</td>
<td>96.39</td>
<td>18.42</td>
</tr>
<tr>
<td>2012</td>
<td>103.97</td>
<td>18.81</td>
</tr>
<tr>
<td>2013</td>
<td>104.74</td>
<td>21.23</td>
</tr>
<tr>
<td>2014</td>
<td>128.74</td>
<td>25.62</td>
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<td>2015</td>
<td>124.71</td>
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<td>2016</td>
<td>98.80</td>
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<tr>
<td>2017</td>
<td>97.07</td>
<td>24.04</td>
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<tr>
<td>1st half 2018</td>
<td>94.54</td>
<td>26.03</td>
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</table>
moral hazard
/ˈmɔrəl ˈhæzərd/
noun  ECONOMICS
lack of incentive to guard against risk insurance.
CDO

- The investment banks will package these with other securities and slice them into different categories of CDO

Securities (MBS)
Critical Mass

Theoretical Efficiency of Voluntary Beef Industry Traceability Adoption Levels

- Insufficient Adoption
- Nationally Significant & Economically Efficient
- Economically Inefficient

Share of U.S. Beef that is Traceable

Percent of Operators Adopting Traceability
Distribution of Cow/Calf Producer Attitudes
Beef Industry Traceability (% Respondents)
Adapted from World Perspectives (2018)

- Firm Opposition: 10%
- Resignation to the Inevitable: 10%
- Cautious Support: 65%
- Wholesale Support: 15%
Communication / Education

Diffusion of Innovations
Everett M. Rogers
Be Proactive: Shift Happens!

The most dangerous situations arise when the threat is ambiguous. This leads managers to ignore or discount the risk and take a wait-and-see attitude. Such an approach can be catastrophic.”


Make Supply Management A Top Priority

• Don’t Wait For A Crisis