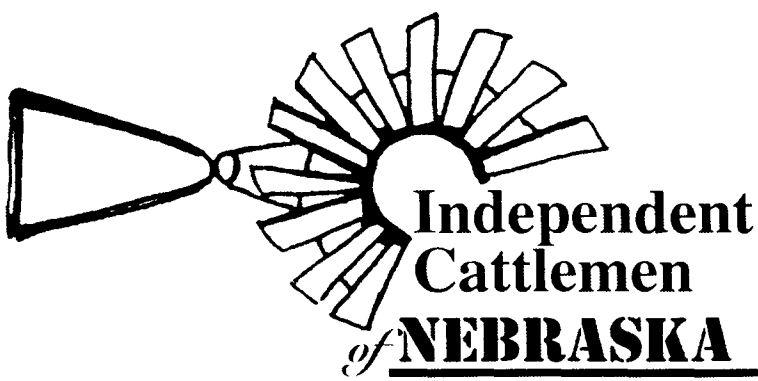


July/August 2006



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WHAT IS OUR FUTURE?

This title could have set the theme and the tone for the first Independent Cattlemen of Nebraska membership meeting and convention in Valentine on June 15th and 16th.

There were a lot of vacant seats in the Valentine High School auditorium, but the ones that were occupied were by people who came to voice their concerns and to offer their time and energy in whatever way they could. Issues such as Animal ID, International Free Trade Agreements, Country of Origin Labeling, Check-off Reform, Natural Resources, Conservation Easements, water rights, property taxes, and current economic situations dealing with land values were topics of concern to members and non-members who attended.

The quality of speakers and political candidates that took time out of their busy schedules was also a major highlight of the convention. One could see the wheels of progress turning as each speaker recognized the problems and concerns happening in our industry today. These concerns are not only on a national scale, but becoming global. Competing and remaining independent into the future did not seem like an overwhelming challenge to the speakers and cattlemen and women attending, but an empowered challenge.

To see the number of folks remain after the convention and participate in adopting policy and by-laws for this new organization was gratifying.

Becoming informed and focusing on keeping that economic independent freedom that has been passed down through the generations is the wind of change blowing across rural America today. To see other states start up new independent cattlemen organizations is living proof that as independent as we might be, we are standing up with one unified voice and being heard through the halls of Congress in Washington D. C.

Apathy and complacency is not in our repertoire. Big business and big government has a strangle hold on our rural communities and rural way of life. We can silently stand by and lose our independence, our freedom, our liberty and our justice to the future generation, or we can become informed, get involved and support the organizations that are fighting tooth and nail in keeping rural America as strong as it once was.

Thanks so much to all the speakers, political candidates, cattlemen and women who attended our inaugural convention. You made it a great success.

Chris Abbott
ICON President

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CADILLACS AND YUGOS

Let me see if I have this right; Japan and South Korea want to buy our beef, and not just any old beef, but beef that has been held to extremely high standards. And we have U.S. cattle producers, feeders and processors that are ready and able to provide just such a product. However, the current administration, its ag department (USDA), corporate agribusiness (Tyson, Swift and Excel) and their lobbyist (AMI) and the "industry oriented" organizations have decided allowing that to happen might crimp their collective vision for a globally oriented, commodity focused red meat industry.

Let's try a little illustration to put this in perspective. Say for instance, your country wants to buy cars from my country. Simple enough you say? There's more. You want to buy cars, but your citizens (who will ultimately fork over the cash) have a perception, right or wrong, that only Cadillacs will do. So supposedly, in my free wheeling democracy full of energetic entrepreneurs someone will rise to the task of building the exact Caddie you want. But wait, in my country, there also exist powerful companies who make Yugos, and with the collusion of our government, they disguise them and sell them as Chevys. And further, they can produce Chevy/Yugos faster and cheaper than anyone in the world, but they have no interest in building Cadillacs and even less interest in competing against anyone who would. So they have used their considerable financial resources to "convince" our government that only their Chevy/Yugos, which meet the minimum standards for safety, quality, etc., should be allowed for export to your country. Furthermore, they submit the building of Cadillacs should be banned, lest consumers in my country develop a taste for them. So now, when your country turns up its collective noses at the Yugos disguised as Chevys, the Chevy/Yugo makers and their lackeys whine and demand you be punished until you accept their products. And now at loggerheads we are, whichever country gives in, loses face (and possibly the next election), the Chevy/Yugo builders continue their outright anticompetitive behavior and the Cadillac builders lose their butts.

In the Land of the Free and the Home of the Brave, this scenario seems ludicrous, but it is as real and present as the danger in a Tom Clancy novel. When government policy restricts and inhibits legitimate businesses, especially those with innovative ideas, in favor of influential monopolistic corporations, the spirit and intent of a free-market oriented democracy has been violated.

We need only to watch the evening news to see what happens to industries that become unresponsive to the wishes of their consumers. American car makers are bankrupt. And why? They simply stood by and watched as their competitors used innovation and technology to provide a product consumers wanted. What do our consumers want? Well a big one (South Korea to be exact), wants beef from cattle that can be verified as born, raised and processed in the U.S. I hope the "industry" boys and the USDA economists have their sharp pencils out so they can tell cattle producers what it costs them every day that goes by without a mandatory COOL program.

Grass roots cattle people, independent organizations and even the mainstream industry publications have awakened to the disastrous implications this kind of corporate pandering will lead to. We need to listen to the old adages, especially the kind that keep businesses going; "The customer is always right" and in this case "Even when the customer is overly cautious, he is still always right".

David Domina Gives Direction At Convention

Independent Cattlemen from all over the state of Nebraska were thrilled to hear from Mr. David Domina as the keynote speaker following the Convention banquet. Domina is best known in cattle country for being the lead attorney in the Pickett v Tyson/IBP Federal lawsuit which challenged the meat packers' captive supply marketing strategies under the P & S Act of 1921, winning the jury verdict in favor of his plaintiffs, the independent American Cattlemen.

In presenting his message to "Stay Focused" he displayed his passion for the freedoms we all should defend while not being sidetracked by issues that cannot and should not be decided in a political arena. Using examples of abortion and gay marriage, packer ownership and market manipulation, wars and famine, free trade v fair trade; he was more a political science professor than a nationally known litigator, as he polled the crowd of members on their beliefs and needs. In craftily showing us that we are commonly distracted by issues that cunning politicians use to get votes he brought out the only hope that we truly have to regain and keep our independence. We must vote with our minds, not our hearts. We must vote for the candidate that shows us integrity, honesty and commitment for the constituents he/she represents. We must know that who we are voting for will take a stand for our future, be bipartisan in those efforts and not show interest in political advancement for personal gain. We must stay alert and fight for what is ours.

Bob Rothwell
ICON Director

Jim Hanna
ICON Director

MANDATORY IDENTIFICATION WILL RESULT IN FEWER LIVESTOCK MARKETS

Once again, the scariest phrase in agriculture is "I'm from the government and I'm here to help you".

Mandatory animal I.D. is being promoted by the USDA and the big boys of agriculture as a great opportunity. It probably is. Just not for any of us involved in the actual hands on business of raising cattle. The monster in the closet that big brother claims doesn't exist is marketing expense. I'm not talking about commission or yardage (which will have to increase to cover overhead incurred from added technology and labor costs at the markets). Shrink and transportation will be the big vacuum on producers wallets.

Speaking from a market that I am most familiar with would be the best way to explain this. At Tri-State Livestock in McCook our usual fall sales range from 3500 to 5000 head per sale. Most of these calves come from herds of less than 150 cows. Many of these calves are untouched until the day they are hauled off the farm. The way the program is currently designed, calves would not have to be identified until they are marketed. The responsibility for doing this then shifts to the sale barn operators. For the sake of argument, we'll assume that two thirds of the cattle will be identified on the ranch. If we have a 3600 head sale, that means 1200 will have to be tagged the day of the sale. Assuming a three man crew could work 100 calves an hour, this adds twelve hours to the time many of the calves will have to spend at the market. I would hate to guess what the shrink would be on a ranch fresh calf that has been processed and stood for an extra twelve hours.

The people that think this system will work have not paid enough attention at the supermarket. If Wal-Mart doesn't have the technology to scan the price on a jug of milk in one pass 100% of the time, how can we expect a small or even average sized sale barn to be able to afford equipment that will work on calves at the speed of commerce? Will auction markets have to have calves brought in two or three days in advance so they can be scanned in a squeeze chute where there will be a chance to replace non readable tags? What happens if calves get accidentally mixed before the sale? Who will cover the added labor and equipment expense? These are all questions that auction market operators need answers for. Many will throw in the towel if I.D. is made mandatory. That is where added freight costs come into play.

With fewer sale barns, shipping distances will increase. At current freight rates, every 50 miles adds \$2.00 per head to transportation cost before additional shrink is figured in from added time on the trucks. How far would most of us have to go if our closest sale barn shut down? What about marketing cull cows? How inconvenient would it become to try and package up enough cows to justify a 200 mile trip to the auction?

Many "Industry" insiders would have you believe that a national I.D. system is fundamental for source verification. Many of you already know that source verified calves are already being marketed using brands and or ranch tags. The most high risk cattle from a BSE standpoint (cull cows) already usually carry three forms of ID when they leave the auction: back tags, brands, and bangs tags. So what's the big push for duplicating what is already being achieved? Packers won't be paying a premium for source verified cattle if the program is mandatory. In the July issue of BEEF magazine, Dave Weaber, Swift and Company director of market analysis states, "We're in a transition phase in the industry where incentives that exist for these verifications (source and age) will likely be expectations in the future." From where I stand, it looks like the big boys are banking on the USDA giving them a free ride into the niche markets. We cannot afford to sit by and let mandatory ID destroy our value added markets that are becoming vital to large and small producers alike. We all need to stand up and educate fellow producers about what a threat the mandatory ID program truly is.

John O'Dea

Personal Biography

John O'Dea is a fourth generation rancher and cattle feeder from rural McCook. With his wife Michelle and their sons Adam, John G., and Jake they operate a cow-calf operation and a small feed yard. John is also employed with Tri-State Livestock of McCook as a yard man and field representative. The boys raise registered Angus bulls and Michelle runs a federally inspected kennel. The family are members of St. John's Lutheran Church of rural McCook.



WHY NOT EUROPE?

Since Japan (population 127 million, per capita beef consumption 9.7 lbs per year) closed its borders to US beef, there has been a drumbeat throughout the cattle industry to "force" Japan to re-open the border to the imports of US beef. The effort has scored some points for politicians throughout cattle country, and is a laudable goal.

The Japanese government indicated that it WOULD take US beef if every carcass was tested for BSE. Creekstone Farms (a small and innovative packing plant) stepped up to the plate and was willing to fill that niche by testing every carcass but it wasn't permitted to do so by USDA. The costs of testing for Creekstone could easily be passed on to the Japanese consumer who is used to paying high prices for beef (which peaked at \$27.80 per pound). Capitalism is filled with niche industries which specialize in certain products and Creekstone stood to profit handsomely by being the only US packer serving the Japanese market.

US bureaucrats (lobbied by big packers and the large cattle organizations) prohibited Creekstone's innovation and refused to allow Creekstone to test individually. Why is this so? Perhaps the large packers saw that allowing Creekstone to test would raise the bar for beef quality in the United States and eventually force testing on them to satisfy US consumers. Capitalism is supposed to be unfettered, but obviously it only allowed to be unfettered when powerful capitalists allow it to be so.

We see headlines every day demanding that the Japanese reopen their borders. On the other side of the world the US beef industry is shut out of a large and lucrative market by rules imposed by the European Union that keep supplies of most US beef from the European continent. The 457 million residents of the European Union eat twice as much beef as the average Japanese consumer, but are prohibited from purchasing US beef because it is treated with "hormones."

"Sound science" is a term we've heard from industry executives and government bureaucrats since BSE became an issue in the United States. "Sound science" opened the doors to Canadian exports to the US markets (despite the continual surfacing of BSE infected cattle in Canada). "Sound science" is used to bludgeon the Japanese government to reopen its borders to US beef without BSE testing. "Sound science" tells us it isn't cost effective to test for BSE in the US herd. But "Sound Science" is strangely quiet when it is applied to the European Common Market on the issue of hormones, despite a multitude of scientific papers which say that the use of hormones do not harm the beef eating public.

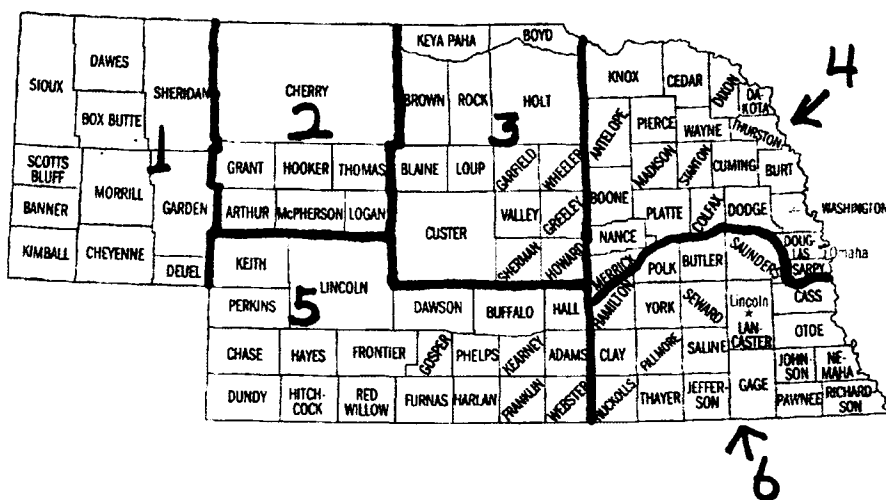
EU beef is shockingly expensive and extremely poor quality. A huge export market, with consumers who can afford our beef, sits across the Atlantic Ocean. US trade negotiators continue to work for open markets with many third world countries-countries with significant beef cattle numbers who could drive down the cost of cattle. But they sit idly by ringing their hands with regard to the European Union's artificial trade barriers.

So if government won't take the initiative, then it is up to you. Take the time to contact your representatives, Secretary Johanns and President Bush and demand that the US government step up pressure on the EU to remove its restrictions on our product. Opening the EU to beef exports from the United States could add 10 cents per pound to the cattle producer's gross income. That's real money, folks!

Al Davis
ICON Director

Regional Directors Needed

Independent Cattlemen Board of Directors have announced openings for their newly created Regional Director committee. A map (right) shows the state divisions for each region. ICON needs directors for areas 1, 3, 4 and 6. If you are interested in the future of the cattle industry, contact any ICON Board Member or call 308.282.2826.



SUPPLY AND DEMAND

Beef demand, what is beef demand? For the past eight years beef demand has been on the rise, or so the leaders in the beef industry tell us. It has risen 25% and this is why the cattle business is once again profitable. Because of what the beef industry did back in 1996 by pulling together to form a single voice, today we all enjoy the fruits of their wisdom and labor. They enjoy pointing out that beef demand had been falling steadily since 1975 and that the trend changed after the adoption of a new long-range plan to increase beef demand 6% by 2005. Some have gone so far as to say that this increase in beef demand has increased cattle prices \$200-\$250 per head.

I see things a little differently than the beef industry does. Prior to 1998 the beef industry used to calculate demand based on per-capita consumption. Per-capita consumption is beef production divided by population. As beef production dropped from the highs in 1975 it appeared that beef demand was falling. Per-capita consumption has flat lined at 65 to 67 pounds for the past 15 years. In 1998 the beef industry changed the way they calculate beef demand. Now it is figured on how much beef is produced along with the prices consumers pay. Since consumption has remained the same while population has increased, this means that beef production has increased. But the big increase came in 2004 with higher retail prices. I am sure you remember what happened in 2004. The beef supply was becoming very short and some in the beef industry were complaining there was not enough finished cattle to meet the consumers demand. This was the reason for the rise in box beef prices, which in turn forced retail prices up. This increase in retail prices helped push the beef demand index to a level 25% higher than in 1998.

It appears to me that neither the one voice nor the long-range plan has done as much for the cattle business as good old economics. Supply and demand!

Dave Wright
ICON Director

Do You Own Cattle	YES	NO
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