Executive Summary

According to the National Cattlemen’s Beef Association (NCBA), cattle were the single largest source of farm cash receipts in the U.S. in 1997 (17%), and a critical element of America’s rural economy. Since 1976, per capita consumption of beef has fallen 27 percent, resulting in an estimated $34.24 billion annual loss in revenue to producers and an estimated $137 billion annual impact on the rural economy. Small to medium-sized cattle producers and processors, in the Eastern Corn Belt (IL, IN, KY, MI, and OH), have been hit especially hard. Since 1986, 1 out of every 3 cattle operations within the region have failed, or the producer has simply quit. Beef cattle operations in the region are becoming economically non-viable in sustaining families and supporting rural communities. For example, cow-calf producers represented in the 1996-1998 Eastern Corn Belt SPA Database Summary, had an average return to labor and management of a negative $2,162. This has resulted in fewer viable beef processors (from 7 to 4 since 1995, each with harvest capacities of ≥ 200 hd/d) and questions about the sustainability of small to medium-size family owned and operated seedstock, cow-calf, backgrounding and feedlot operations in the region. These consequences are direct and affect all producers in the supply chain from conception to harvest. This further reverberates throughout the rural communities of the region, impacting grain elevators, feed and seed companies, cooperatives of all types, equipment dealers, farm supply stores, community banks, and the ability of rural communities to maintain essential public services and schools. The cattle industry generates $4 billion in economic activity in this region.

For small and medium-sized producers to survive and prosper, there are four key objectives to be addressed: 1) Create a supply chain cooperative for small to medium-size producers that will lower member cost of production and enhance profits by coordinating the flow of these source verified, high quality cattle and shared information from birth to harvest; 2) Develop a prototype production network that will allow small to medium-sized producers capture added value from raising premium quality cattle; 3) Develop a prototype source verification system utilizing electronic identification of each producer owned animal from birth through harvest; and 4) Create a prototype spreadsheet information collection and sharing system throughout the coordinated network of producers and partners.

If successful, this project will help ensure viability of the remaining small to medium-size beef producers and processors in the Eastern Corn Belt. It will also verify that a supply chain cooperative can be created in the beef industry that can quickly respond to the needs and demands of both producers and consumers. The success of this cooperative will have far reaching implications. It will prove that small family-owned units can retain much of their independence, and that it is possible for an open system to work within an environment where information is freely shared. The potential economic impact of this system is dramatic—significantly lower production expenses and increased prices for producers—a net income increase of more than $100 per animal.

The network of partners which has come together for this proposal is in itself unprecedented. It encompasses Land Grant Universities, State Departments of Agriculture, Cattlemen’s Associations, and Farm Bureau in the states of Kentucky, Indiana, Illinois, Michigan, and Ohio; Southern States Cooperative’s MLE Marketing; United Producers, Inc.; and the Southern States Cooperative Foundation.

This proposal spans two fiscal years. Total funding requested is $857,868--$338,769 from the current fiscal year and $519,099 from FY2001. Matching contributions of time and dollars from the five states is $1,078,868.

From July until September 30th, three field personnel will be hired, 5000 producer owned calves (meeting specific criteria) will be identified and tagged, database development started, and initial plans for the supply chain cooperative structure developed. Second year activities, starting October 1, 2000, will include movement of producer owned cattle to feedlots, collection of animal data, data analysis, finalization of the supply chain cooperative structure, and preparation of the final report. Meetings will be held throughout the five-state region and with all partner organizations to share results.