



National Beef

Additional processing could be seen locally

BY THEOPOLIS WATERS

Reuters

National Beef Packing Co plans to close its Brawley, California beef processing plant with the final day of operation on April 4, due to dwindling cattle supplies, the company said on Friday.

“A declining supply of fed cattle available for the Brawley facility was a key driver of the decision to close the plant,” National Beef’s chief executive officer Tim Klein said in a statement.

The future status of the plant, which employed 1,300 people, has not been determined, the company said.

The Brawley plant has the capacity to slaughter about 1,900 head of cattle per day, mostly Holstein steers, according to industry analysts.

In comparison, Cargill Inc’s Plainview, Texas plant, which closed in a year ago because of tight cattle supplies, boasted a daily slaughter capacity of about 4,500 head.

“This plant accounts for about 2 percent of capacity. Coupled with Cargill’s closure of the Plainview plant last year, this would be a 6 percent reduction in capacity in 12 months,” said John Nalivka, president of Sterling Marketing in Vale, Oregon, referring to the total U.S. slaughter capacity.

California, the No. 1 producer of dairy cows and 18th in cows processed for beef, is suffering historic drought which has eroded grazing pasture and dried up much-needed water for raising cattle. It has forced ranchers to liquidate herds or send them to feedyards as far east as Kansas and Nebraska for fattening, industry analysts said.

This comes at a time when the overall U.S. cattle population has already shrunk to a 61-year low of 89 million head after years of drought in the southern U.S. Plains, a big cattle region.

But the problem is less about drought and more about too few cattle to support the soon-to-close plant, said Bill Brandenburg, owner of Meloland Cattle Co in El Centro, Calif., and whose cattle are processed at the facility.

“I don’t know what we’re going to do yet. I’ve got cattle we just bought that won’t be finished until May of next year,” Brandenburg said.

He said he may have to send them to the Texas Panhandle area for processing but is still figuring out what to do.

It was an easy decision by National due to the continued long-term liquidation in the U.S. cattle herd, with the massive California drought exaggerating their problem, said Allendale Inc chief strategist Rich Nelson in McHenry, Illinois.

“It would be years from now before local producers rebuild the herd after this year’s drought-based additional liquidation,” Nelson said

Jim Robb, director of the Colorado-based Livestock Marketing Information Center, said the decision by National to shutter the Brawley plant did not come overnight as the overall beef packing industry struggled to remain profitable.

Tight cattle supplies, excess industry capacity and record-high beef prices in the midst of a precarious economy hurt overall U.S. packer profitability for at least the past two years, said Robb.

Robb predicts ranchers and feedlots in California and Arizona will see softer prices for Holstein steers because of the loss of the Brawley facility. Even after closing the plant the industry still struggles with excess capacity to process animals, he added.

“This is the further adjusting, rationalizing of the size of the processing industry to fit the size of the cattle herd and economics of the industry,” Robb said.