



National Bison Association

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Overview of the U.S. Bison Business *Developed August 27, 2020*

The U.S. bison business faces the most precarious economic outlook in nearly two decades.

Following the collapse of the bison industry in 2000, bison ranchers and marketers unified in a diligent commitment to connect with the public around the three positive attributes of bison meat: *nutritional quality, ecological benefits, and great taste*. The \$10 million USDA Section 32 Purchase Program authorized in 2003 helped correct a severe supply/demand imbalance and provided much-needed stability for ranchers and processors alike.

With this foundation for market stability in place, the bison business began to connect with a growing segment of the public. This led to a sustained period of economic stability and profitability.

Last year, however, an unexpected large volume of finished bison began to exert downward pressure on the marketplace. Between July 2019 and February 2020, the average carcass price paid for slaughter-ready bison dropped by 8% for bulls, and 12% for heifers.¹ The loss would have been more significant without the forward contracts initiated by some processors prior to July 2019.

The impact of these price reductions rippled throughout the entire bison supply chain, and began to be felt by the cow-calf producers who were weaning their 2019 crop of calves last fall. Three bison auctions—Custer State Park, Minnesota Bison Association, and the Kansas Buffalo Association—are considered bellwether sales throughout the national bison business.

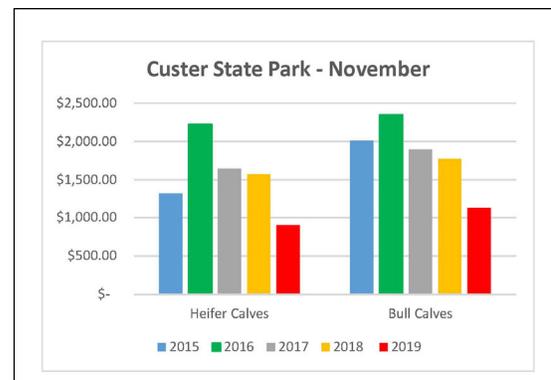


Figure 1. Custer State Park Calf Prices, 2015 – 2019. Source: NBA Auction Database.

¹ This unforeseen oversupply of market-ready bison is the primary reason that the National Bison Association requested the USDA Grain & Livestock Market Reporting Service to initiate an annual bison weaning report. This annual report will allow ranchers, processors and marketers to better forecast animals available for harvesting 15-25 months in advance.

At the Custer State Park sale, conducted November 2, 2019, heifer calves bringing an average of \$900 apiece were 43% lower than the previous year, and bull calves averaging \$1,125 were 37% below the 2018 average (Figure 1).

Two weeks later, at the Minnesota Bison Association sale, heifer calves sold for 22% below the 2018 average, although bull calves held steady with the previous year (Figure 2).

In early December, however, heifer calves sold through the ring at the Kansas Buffalo Association brought 27% less than in 2018 and bull calves sold for 48% less than the previous year (Figure 3).

The potential for long-term market disruption was deemed sufficiently significant that the National Bison Association convened an open roundtable discussion among commercial ranchers, finishers and processors in early January 2020 to develop a strategy to expand the marketing and promotion of bison meat. A sense of confidence began to be restored.

Then, COVID-19 hit.

Seemingly overnight in mid-March, the U.S. foodservice industry shut down while consumers flocked to retail stores to stock up on essential supplies—including meat. This was not an even trade-off.

Throughout the past two decades, the restaurant trade has served as the primary outlet for high-value cuts of bison meat, particularly ribeyes, strip steaks and tenderloins. Meanwhile, retail stores have been the primary outlets for much of the ground bison.

The initial disruption created by COVID-19 created two distinct impacts:

1. Major marketers serving primarily the foodservice sector experienced a virtual collapse in their business. Two major marketers/processors in the sector furloughed more than 55% of their workforce by the end of March. Another marketer serving the foodservice sector

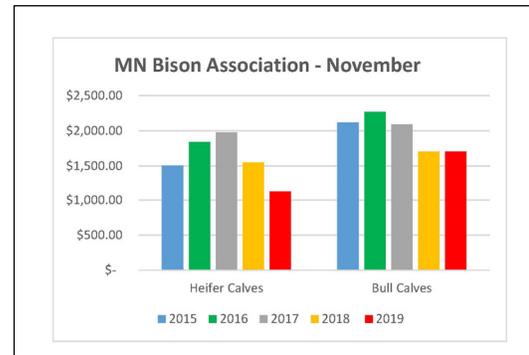


Figure 2. Minnesota Bison Association Calf Prices, 2015 – 2019. Source: NBA Auction Database

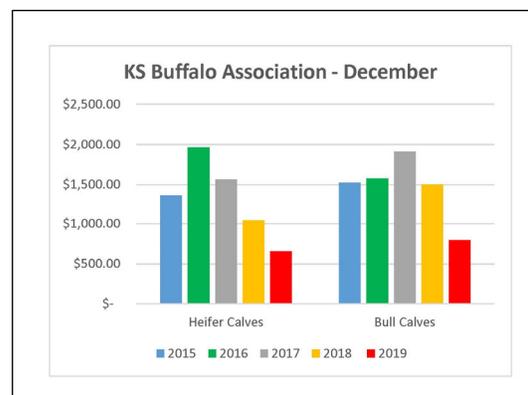


Figure 3. Kansas Buffalo Association Calf Prices, 2015 – 2019. Source: NBA Auction Database.

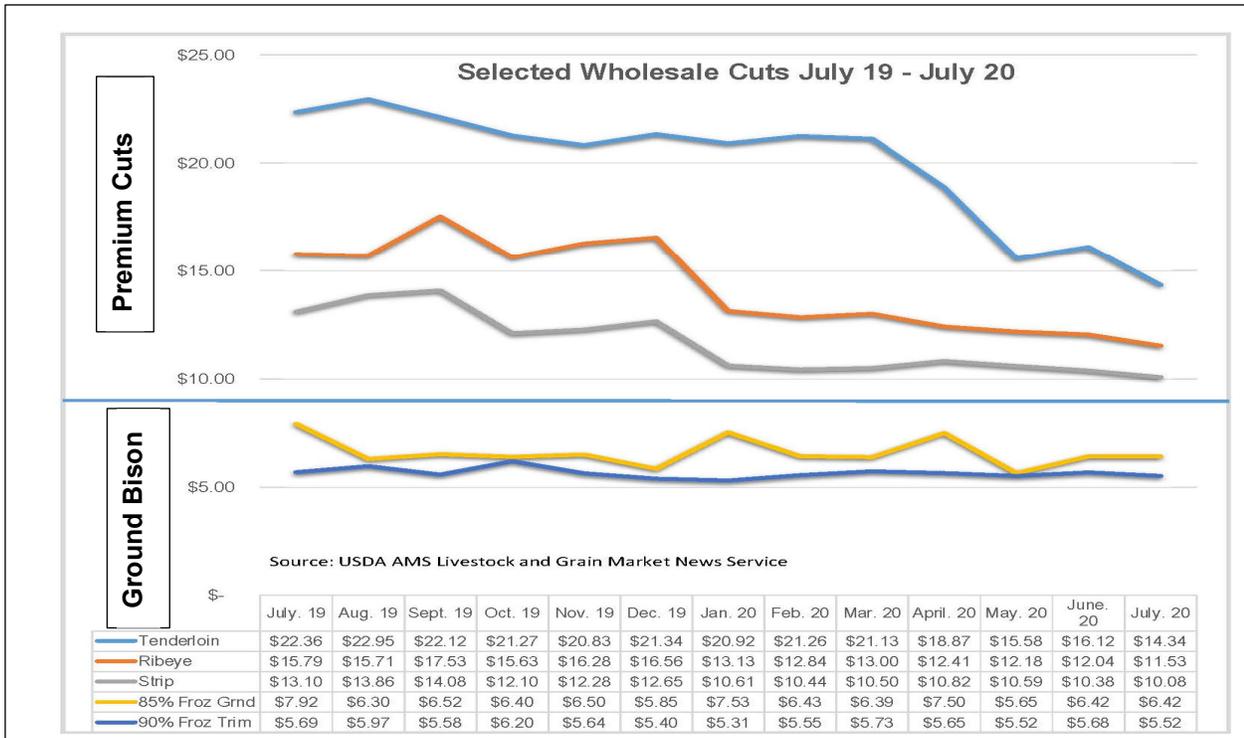


Figure 4. Wholesale Prices for Selected High Value Cuts, Trim and Grind, July 2019 - July 2020. Source. USDA AMS Livestock Market Reporting Service

reported that bison meat sales that averaged 8,000 lbs. per week in February dropped to 90 lbs. per week in April.

2. Marketers that served both foodservice and retail channels experienced less (or no) reduction in volume, but sustained a significant reduction in revenues as their high value cuts went into the freezer while they attempted to keep up retailers' increasing orders for ground bison. This shift is significant because ribeyes, tenderloins and strip steaks comprise about 9% of a typical carcass, but have historically accounted for nearly 25% of the value. As shown in the table below, when the panic buying subsided in recent months, the prices of ground bison remain relatively unchanged (See Figure 5).²

Responding to this disruption, some processors quickly cut the wholesale carcass price by \$40/cwt (See Figure 4). As initial shock waves of the COVID-19 disruption reverberated throughout the bison business, the National Bison Association, North Dakota Bison Association and InterTribal Buffalo Council convened with North Dakota Agriculture Commissioner Doug Goehring to document the extent of the economic impact, and to recommend specific economic relief measures under the Coronavirus Food Assistance Program (CFAP). Despite that

² For purposes of this illustration, 85% frozen ground and 90% frozen trim were included because those are the only items that are consistently reported on a monthly basis.

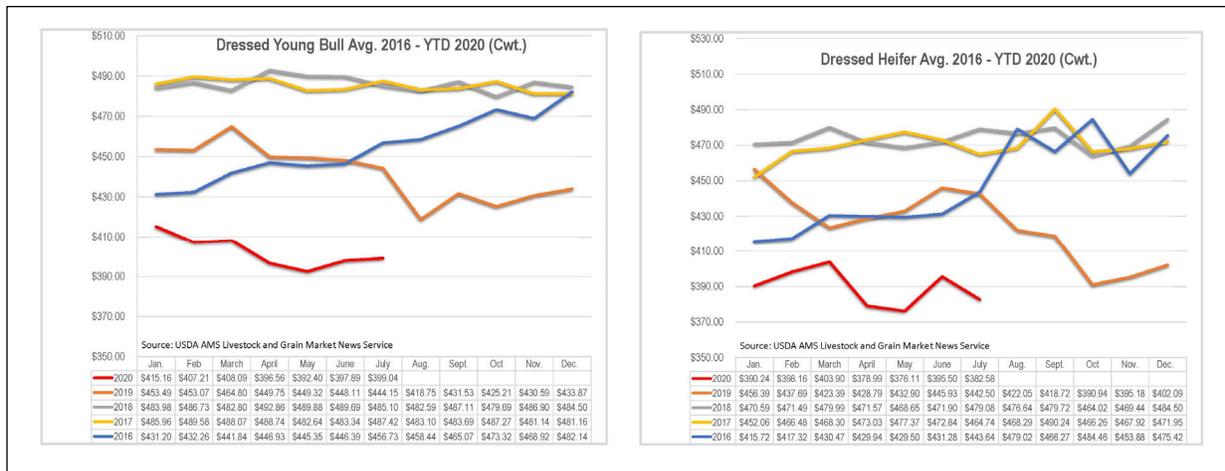


Figure 5. Wholesale Prices for Dressed Bison Young Bull and Heifer Carcasses, 2016 - YTD 2020. Source: USDA AMS Livestock Market Reporting Service.

documentation, bison producers were not deemed eligible under the initial round of CFAP assistance announced May 19th. USDA officials cited the lack of sufficient market data as the primary reason that bison was not included.

Accordingly, when the Notice of Funding Availability was released May 22nd, the National Bison Association conducted two surveys among its membership to garner available market data.

One survey was conducted among producers who sold or purchased stocker/feeder bison (400 lb. – 800 lb.) between January and April 2020. The 43 producers responding to that survey provided data documenting that between January and April 2020:

- bull prices declined by an average of 37%;
- heifer prices declined by an average of 25%; and
- the cost of feeding bison in finishing facilities increased by an average of 12%.

The overview of that survey is included as Attachment A with this request.

A second survey was conducted among the association’s farm-direct marketers. Forty nine producers from 24 states responded to that survey. Results gleaned from that survey included:

- 85% of producers marketing to restaurants and other foodservice clients experienced more than a 20% decline in sales;
- 86% of the producers who are engaged in live animal sales experienced price declines exceeding 10%, and 62% of the respondents saw price declines exceeding 20%.
- Although the farmers’ market season had not fully started during the January-April timeframe, 63% of the producers responding to the survey anticipate that sales and incomes would drop more than 20% this season.

- While 25% of the respondents operating on-farm stores reported an increase in business this year, 31% reported no change in business, and 44% reported sales declines of at least 10 percent.

An overview of that survey is included as Attachment B with this request.

This documentation was submitted to USDA on June 21st as a part of the National Bison Association’s request to include bison producers in the follow-up round of CFAP assistance. That request was not granted.

As a result, bison producers, processors and marketers face an increasingly uncertain future.

The rapidly expanding drought conditions across the heart of the bison production region are compounding that uncertainty. Seven states (CA, CO, NM, OR, TX, UT & WY) with significant areas of severe or extreme drought account for more than 20 percent of the U.S. bison herd, and another four states (MT, NE, ND & SD) with abnormally dry or moderate drought conditions account for more than 48 percent of the U.S. herd (Figure 6).³ Many ranchers in these regions are already facing a choice of increasing their feed costs or reducing the size of their herds.

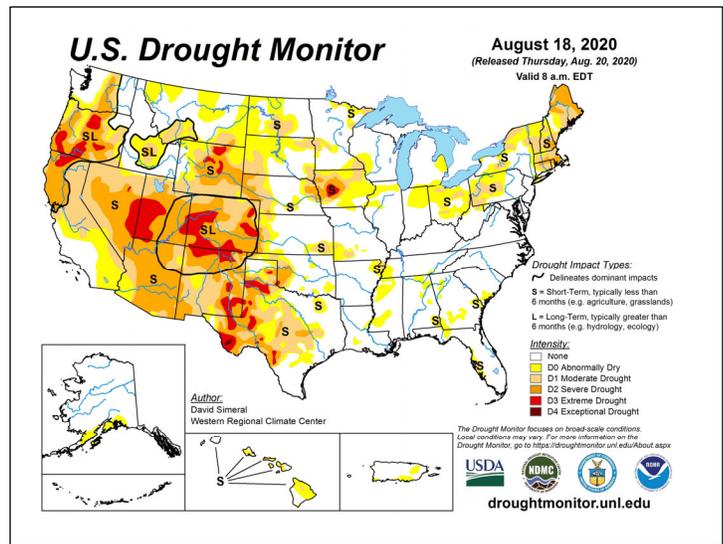


Figure 6. U.S. Drought Conditions, August 18, 2020

With steadily deteriorating weather conditions, increasing economic uncertainty, and the lack of eligibility for COVID-19 relief, the National Bison Association Board of Directors this month voted unanimously to request a Section 32 Purchase Program for bison meat. As part of this decision-making process, the association sent an online survey to the 14 largest bison processors in the U.S. Eleven processors responded to that survey, with 100 percent supporting the concept of a Section 32 request. Collectively, those processors reported the capacity to handle more than 7,100 additional animals over the next six months. Based on an average yield of 350 lbs. of usable meat per animal, this would equate to 2.5 million lbs. of bison meat that would be available for the program.

³ Source: U.S. Census of Agriculture, 2017.

Accordingly, the National Bison Association formally requests that the U.S. Department of Agriculture approve a \$17 million purchase of bison meat under Section 32 of the Agricultural Adjustment Act.

Attachment A

Commercial Producers' Survey Results

The National Bison Association distributed an online survey to commercial bison producers in June 2020, with a request for responses from those producers who bought or sold live bison weighing between 400 lbs. and 800 lbs. during the period from January through April 2020. Information was tabulated from 41 responses (two responses were disqualified because respondents did not list prices per lb.). Those producers bought or sold a total of 2,773 bulls and 1,959 heifers weighing between 400 lbs. and 800 lbs. between January and April 2020.

- The average price of bulls bought/sold in January was \$2.87/lb. and in April was \$1.81/lb. This represents a decline of 37% between January and April.
- The average price of heifers bought/sold in January was \$2.58/lb. and in April was \$1.93. This represents a decline of 25% in price between January and April.
- Feed costs averaged \$1.91/animal/day in January and \$2.14/animal/day in April. This is an increase of 12 percent over the three month period.

Summary: COVID-19 Economic Impact on U.S. Live Bison Prices January - April 2020

Survey Response	JANUARY				FEBRUARY				MARCH				APRIL				Feed Cost Animal/Day January	Feed Cost Animal/Day February
	Q1: Buy/Sell 400-800lb.	Q.2 If Yes # of Bulls	Q.3: If Yes, # of heifers	If yes, \$/lb. of bulls\$/lb./ heifer	Q4: Buy/Sell 400-800lb.	Q5: If Yes # of Bulls	Q6: If Yes, # of heifers	If yes, \$/lb. of bulls\$/lb./heifer	Q7: Buy/Sell 400-800lb.	Q8: If Yes # of Bulls	Q9: If Yes, # of heifers	If yes, \$/lb. of bulls\$/lb./ heifer	Q10: Buy/Sell 400-800lb.	Q11 If Yes # of Bulls	Q12: If yes, # of heifers	If yes, \$/lb. of bulls \$/lb./ heifers		
No. bought/sold		1014	573			278	50			287	274			1194	1062			
Average				\$ 2.87 \$ 2.58			\$ 2.87 \$ 1.92				\$ 1.92 \$ 1.77					\$ 1.81 \$ 1.93	\$ 1.91 \$ 2.14	
Change January - March/April											-33% -31%					-37% -25%	12%	

Total Animals Marketed	Bulls	Heifers
	2,773	1,959

Notes
 Respondent 22 listed the price paid as \$1.00 - \$1.70. For this purpose, we used the average of \$1.35.
 Responses from No. 29 & 42 were not tabulated, because the respondents listed only the price per head, and not the price per lb.
 Respondent No. 43 provided information via phone.

Figure 7. Summary of Commercial Bison Producers' Survey, June 2020

Attachment B Farm-Direct Bison Marketers' Survey Results

Farm-Direct Marketer Survey

The tangible market impact created by COVID-19 is difficult to quantify among the industry's farm-direct markets because of the diversified, dispersed nature of that sector. The National Bison Association conducted an on-line survey among its membership with questions regarding several aspects of the farm-direct marketing and agritourism sectors. data provided through the on-line survey, however, documents a significant impact.

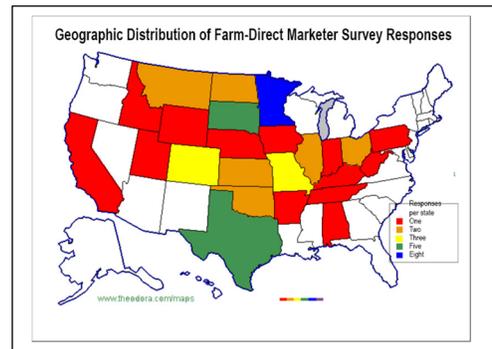


Figure 8. Geographic Distribution of Responses to NBA Farm-Direct Marketer Survey, June 2020

Forty-nine producers from 24 states responded to the on-line survey. Information regarding the share of revenue from specific channels was disqualified for nine surveys because their calculation of revenue from individual sources exceeded 100%. However, the responses provided under the request for general comments were included in our analysis. Here are some key findings.

Live Animal Sales

As noted in USDA APHIS' *Bison 2014* analysis, live animal sales comprise a significant share of the annual revenue for farm-direct marketers. This includes both animals sold to fellow producers for finishing, as well as animals sold directly to consumers for processing into freezer-ready product.⁴

More than 80% of the qualified producers responding to the survey reported that live animal prices were down at least 20% during the past four months, and 62% reported that prices had dropped more than 20%.

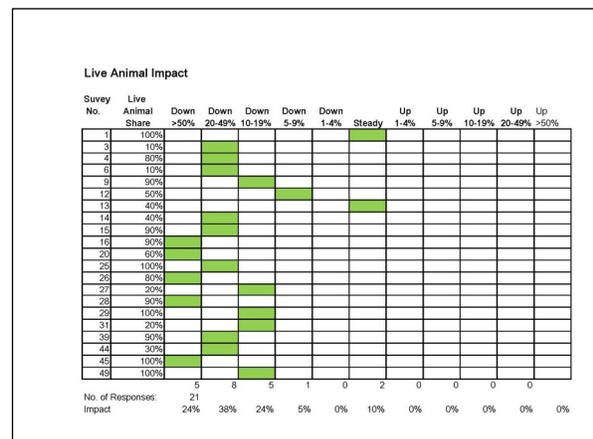


Figure 9. Live Bison Sales Impact Reported by Farm-Direct Marketers, June 2020

⁴ Source: Bison 2014. Health and Management Practices on U.S. Ranches-Bison Operations, 2014. USDA Animal and Plant Health Inspection Service National Animal Health Monitoring Systems https://www.aphis.usda.gov/animal_health/nahms/bison/downloads/bison14/Bison2014_DR.pdf

Restaurant/Foodservice Sales

Among farm-direct marketers, this category provides perhaps the most measurable impact during the period from January – April 2020. Although foodservice sales of bison tend to be weighted more heavily during the summer seasons of May-September, a reasonable amount of sales occur during the January-April timeframe. Marketers in this segment report a significant loss of revenue during that time.

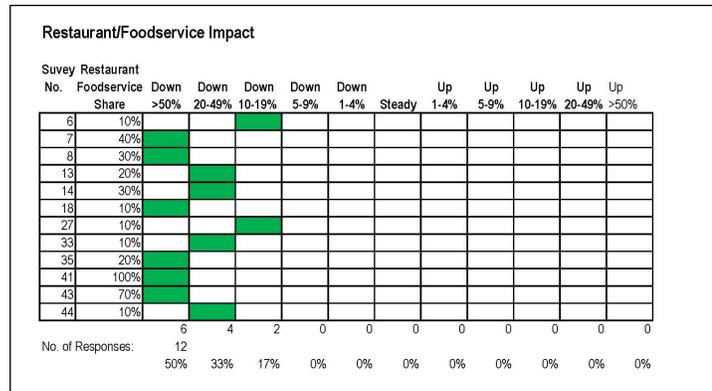


Figure 10. COVID-19 Impact of Restaurant/Foodservice Sector for Bison Farm-Direct Marketers, June 2020

Fully 83% of the farm-direct marketers with customers in the restaurant and other foodservice sectors reported sales declines exceeding 20%, and 50% reported that sales and revenue had dropped by 50%.

Farmers' Markets

The economic impact imposed upon producers relying on farmers' markets as an income source is very difficult to gauge during the January-April timeframe because the vast majority of farmers' markets (particularly in regions in which significant bison production occurs) do not open until after mid-April. The June 2020 survey requested that participants project the difference in anticipated 2020 revenues compared to the revenues actually received in 2019.

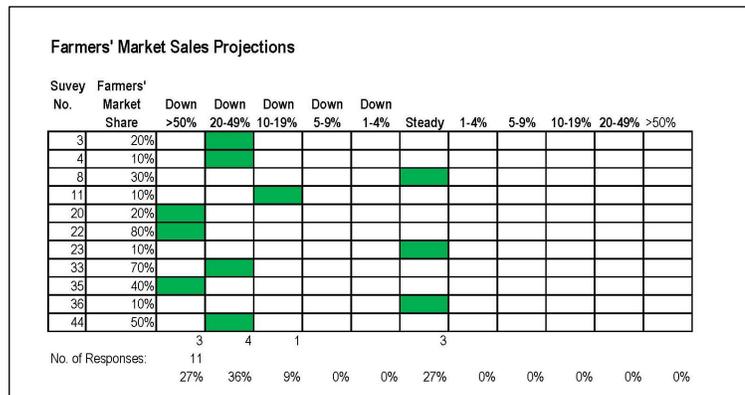


Figure 11. Impact of COVID-19 on Bison Farm-Direct Marketers Utilizing Farmers' Markets, June 2020