

Cow Country Reporter

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Don't forget to check out the website for more informative resources!



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NEWS FROM YOUR CEO

The end is near, year end that is. We are in December and ready to face the year 2010. Are you ready? The year 2009 gave us some set backs. Hot, dry summer coupled with a wet fall prevented timely hay harvest and rye grass planting was late. Late winter pasture growth has slowed grazing in the state which in turn added to lower prices of calves under 500 lbs. during the August-October marketing season. According to Federal/State Market New Service, the reported auction market receipts showed November receipts higher than October (not a real surprise for producers who received 20-26 inches of rain in October). Market cows increased in number at the auction markets as producers reduced herd size to make it through until spring grass is in abundance. An interesting side note, the week ending November 14 posted the largest weekly cow slaughtered in the U.S. since 1998. Demand for calves suitable for wheat grazing has increased and with corn harvest only 79% complete in U.S. (compared to 98% 5 year average) as of November 30 is sending mixed signals. The farmer feeders in the Midwest are busy getting a corn crop in but need to be in the market for feeders before the end of the year. So the remaining week we have for marketing cattle should be interesting. As of the end of November total receipts of cattle marketed in Louisiana were the same as last year's totals which could show a 9% increase in total cattle marketed in sales reported by market news, which accounts for over 80% of total cattle marketed through Louisiana auctions.

Access the CPL website to keep up with the market. CPL is working to have a free classified section on the website and also market updates via the 800 number in early 2010. We want all our members informed of market prices as well as news worthy information affecting your operation. So renew your membership, sign up a new member and remember CPL is only as strong as it's membership.

May you have a blessed Christmas season and may 2010 bring happiness and good health to you and your family.

Dave Foster

Be sure to check the CPL website and the Cow Country Reporter for updates on the Classifieds and Market Updates.

Do you have an idea for a news item or feature? We want to hear from you! Drop us a note, call or send us an email with your ideas and look for them in print in a coming issue. Remember, this is your organization and your newsletter. We look forward to hearing from you soon!

NAIS: SIMPLER TECHNOLOGY FUELS FIRE

Source: Food Safety News

No sooner have most people pronounced NAIS dead-on-arrival, than a number of recent events may have breathed life back into the U.S.A.'s National Animal Identification Scheme. A combination of market forces aligned with a simplified tracking technology, and some rare positive news may have reinvigorated USDA's moribund, voluntary animal traceability initiative.

First the news headlines. Even though the U.S. House of Representatives had voted to cut off funding for the NAIS as part of the Farm Bill, a joint House-Senate conference committee agreed a few weeks ago to continue funding the program to the tune of \$5.3 million for fiscal year 2010-2011. This funding is a reduction from the \$14.2 million authorized for last year and less than the \$14.6 million the Senate approved, but the program will continue. However, a growing number of Congressional members have made it clear they want to see effective leadership from USDA to dispel some of the more egregious NAIS rumors running unchallenged in the countryside (e.g., backyard farmers with only a few chickens for home use or sale to friends will have to tag and track each animal). They also want to expand the number of farms and ranches that have registered with the NAIS premises database from the current anemic 35% to closer to the 90% needed for an effective national system.

The second piece of good news for NAIS supporters is that U.S. District Judge Rosemary M. Collyer in Washington, D.C., dismissed a civil suit filed by the Farm-To-Consumer Legal Defense Fund and a group of Michigan cattlemen against the USDA and the Michigan Department of Agriculture (MDA) over the National Animal Identification System (NAIS). The group's suit, filed last September, sought to enjoin the implementation and enforcement of NAIS. The suit was dismissed primarily because Judge Collyer ruled the program was voluntarily adopted by state departments of agriculture and was not federally mandated.

Even with a bit of good news, the anti-NAIS forces continue to rally their troops by claiming that NAIS is overly burdensome, and is unnecessary because existing livestock records, such as brands, ear tags, veterinary logs and auction barn records do a good job of tracking cattle movements. Dr. George Teagarden, the Kansas state veterinarian, agrees that the current, fragmented record-keeping system can be used "to find the animals in question, but it can be months after the fact." According to Dr. Teagarden, this time lag isn't nearly fast enough and he cautions, "A highly contagious animal disease will devastate this country." He underscores this dire prediction by noting that in Kansas in a single month cattle from all 48 of the Continental U.S. states arrive at least once a month. The speed of commerce is way too fast to be handled by the fragmented, paper-based system. Dr. Teagarden advocates a mandatory ID and traceability program that is consistent across state lines, and notes, "What voluntary system do any of you know that ever worked?"

Apparently, a number of national governments agree with Dr. Teagarden, and recently several have made or are poised to move their systems from voluntary to mandatory. Within the last few months these key countries have made major moves towards mandatory traceability; moves that are likely to impact USA policy and USA producers.

Brazil. Brazil has just announced that by 2011 all livestock producers will be required to participate in a mandatory traceability system. The new system will rely on simpler technology than the current, voluntary SISBOV system which is RFID-based, and every segment of the Brazilian supply chain, from cow-calf operator to slaughter facility including transporters will be required to provide a complete chain of custody records. Real-time electronic record-keeping is not being mandated, but standardized record-keeping whose data can be transmitted via Internet portals to centralized databases will be used. The SISBOV system will continue to exist for those who want to use it, but the expectation among Brazilian officials is that most producers will use the standardized, simplified paper-based system.

Korea. South Korea has instituted a traceback system on domestically raised beef, and has indicated that it would require traceback on imported product by 2010.

Japan. The Japanese government has had a domestic animal identification system in place for several years, and on three different occasions the then-minority political party, the Democratic Party of Japan, had unsuccessfully tried to pass legislation that would require the same level of traceability for imports. In August the DPJ successfully became the controlling party for the first time in a long period, and newly appointed Prime Minister Yukio Hatoyama has vowed to once again try to revise the Beef Traceability Law. He doesn't have control of the Upper House of Parliament, but he may be able to persuade his two coalition partners to go along.

How do these foreign government actions impact the U.S. meat industry? The Brazilian action probably has less direct impact on the US than do the Asian actions, because the Brazilian action was aimed at broadening acceptance of Brazilian beef in the EU. There will be some impact, though, because the largest of the Brazilian meat companies, JBS, is also one of the major U.S. meat producers so there will likely be some technology transfer from Brazilian ranches to their U.S. counterpart.

The Asian country actions, though, are likely to have a major impact for USA producers because both Korea and Japan are major importers of American meat. According to Ken Stielow, Chairman of the Cattleman's Beef Board - Beef Checkoff program, "Exports are key to the future of the US beef industry." The National Cattleman's Beef Association (NCBA) monetizes this statement by indicating to its producers that widening exports to Japan could "add \$50 per head to your bottom line". Losing the Japanese market has been shown to cost producers about \$180 per head. And since the margin of profit per head in a good year fluctuates between \$50 to \$100 per head, the economic impact of the export market is hard to deny. Additionally, when you multiply these numbers by 35 million animals harvested annually, the impact on the entire agri-food sector is significant.

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This impact can be further seen in the fluctuations of the price per head producers receive for their cattle as exports either rise or fall. Sales of beef to Korea rose sharply in Q3 of 2008 as beef trade resumed and producer prices rose as well. Since then, US beef exports have sharply slowed down with weekly shipments of beef muscle cuts to Korea in August 2009 at 725 metric tons per week compared to 3,031 metric tons per week at the same time last year. It is believed the Korean market alone could grow to become a one billion dollar per year market which would further boost cattle prices for U.S. producers. So, the impacts from the Korean and Japanese domestic initiatives may have far reaching impacts on the U.S. producer if those countries successfully impose the same rules for imports as they have for domestic product.

A major key to Brazilian acceptance of a mandatory livestock traceability system by Brazilian legislators was the simplification of the system of initially registering an animal and then tracking its movements from birth to export. The predecessor voluntary system in Brazil known as SISBOV is an RFID-based identification system with real-time electronic data collection and transmittal. While effective, this system is technologically sophisticated and beyond both the economic means and technological understanding of a large percentage Brazilian producers. Embracing and actively promoting a simplified registration and tracking system by USDA, we believe, will go a long way towards helping reduce opposition to NAIS.

Even with all of these developments, make no mistake -- NAIS is still on life support, and it may still die. But when the marketplace speaks and producers begin to feel the pinch or bulge in their wallets, or, God forbid, we have the type of catastrophic event Dr. Teagarden prophesies, even the most hardened producer will either adapt to the new reality or leave the business. Simplified technological approaches may help tip the scales, and we have seen within our own animal tracking commercial activities over the last eleven years that our simplified technologies are the ones most often embraced. As is so often the case, technology can pave the way towards adoption or rejection.

MARKET PROVIDES SHORT-SEASON OPPORTUNITY

BEEF Magazine

Because prices for heavier weight stocker cattle have remained atypically static as lightweight prices have grown this past month, heavier weights on fewer days of winter wheat is making more sense.

"While there is a substantial price rollback for lightweight stockers, there is a break at about 600 lbs. for steers (roughly 550 lbs. for heifers), above which there is relatively little price rollback," explains Derrell Peel, Oklahoma State University Extension livestock marketing specialist. "This dramatically impacts the value of gain for different beginning weights."

Using weighted average prices and weights from Oklahoma City last week, Peel explains the average value of adding 200 lbs. to a 425-lb. in-weight steer is about \$32/cwt. At an in-weight of 475 and 525 lbs., the value of gain for 200 lbs. is about \$53/cwt. At a starting weight of 575 lbs., the value of gain jumps to \$74/cwt. At an in-weight of 625 lbs., it's \$86/cwt.

"These values suggest that producers may benefit by buying heavier animals which will have a higher value of gain and greater profit potential in a short winter grazing season," Peel says. "A short grazing period also favors using high quality, healthy animals that will gain quickly."

"Both steers and heifers appear to have this price break for heavier weights at this time. Of course, the animals will not actually be sold until February or March and the market may correct the price relationship by that time. However, current March feeder futures values make it possible to lock in the higher value of gain now," he adds.

You can read more of Peel's thoughts in this week's *OSU Cow-Calf Corner* at cowcalcorner.okstate.edu/Newsletter.htm.

CATTLE UPDATE: SUPERIOR LIVESTOCK AUCTION UNDER NEW OWNERSHIP

Superior Livestock is now owned by SLAI, LLC which is a wholly owned entity of Farm Credit West, ACA. Farm Credit West, according to a company release, is a strong supporter of the livestock industry and is proud to be the new owner of Superior Livestock—the largest livestock auction company in the U.S. and # 1 in the livestock marketing industry.

Superior Livestock is the nations' leader in marketing load-lots of cattle via satellite and the Internet. Committed to innovation and utilizing the best technology available, Superior leads the way in satellite video marketing and continues to take a leadership role in Internet marketing.

Since pioneering video cattle marketing in 1987, Superior Livestock has been known for its financial responsibility and dependability. The success and growth of Superior Livestock Auction is the result of its reputation for honesty and integrity, its qualified and professional staff and representatives, thousands of satisfied customers, its leadership role in industry innovations and its goal to be the best, most complete livestock marketing service in the industry.

Superior Livestock continues to perform at record levels, both in terms of number of head sold and profitability. Superior offers more than 1.5 million cattle annually and to date in 2009 has sold 1.6 million head of cattle. In order to continue to build upon this success, Farm Credit West has asked Jim Odle to come back to Superior Livestock as general manager. Jim was one of the co-founders of Superior Livestock and played a significant role in building it into the livestock marketing industry leader. Farm Credit West is pleased to have a man of Jim's experience at the helm of Superior Livestock.

If you have any questions, feel free to give Jim Odle a call at (800) 523-6610 or (970) 380-5566.

DEATH TAX MEASURE PASSES HOUSE

By Joe Roybal, Beef Cow/Calf Weekly

A bill that would make the 2009 estate tax level permanent – 45% and \$3.5 million/person exemption – was passed by the House of Representatives on Thursday. The bill passed by a 225-200 vote, with all Republicans opposed. Under current law, the estate tax is scheduled to go away in 2010, but revert to a 55% tax rate and a \$1 million/person exemption in 2011.

H.R. 4154 was introduced by Rep. Earl Pomeroy (D-ND) and does not index the exemption level for inflation. Nor does it include a “portability” provision, which would permit a surviving spouse to carry over any credit left over by the first spouse to die.

The National Cattlemen’s Beef Association (NCBA), however, called the Pomeroy bill “a disservice to America’s family farmers and other small businesses.” NCBA President Gary Voogt said: “By keeping a flawed law in place, Congress will simply extend our problems with the current system into the future.”

NCBA cites USDA Economic Research Service figures that farm estates are 5-20 times more likely to incur estate taxes than other estates. In fact, one in ten farm estates (farms with sales of \$250,000 or more annually) are likely to owe estate taxes in 2009.

“Farmers and ranchers are often forced to sell off land, equipment, or even the entire ranch just to pay off tax liabilities. This is money that could otherwise be re-invested to grow the family business and hand it down to future generations,” NCBA says.

“This is not a tax on the ‘wealthy elite,’” Voogt says. “It is a huge burden – and in some cases, a death sentence – on family farms and small businesses.”

NCBA supports a dual-track approach, which includes additional relief and an overall exemption for agriculture.

In a news release, officials at the Association for Advanced Life Underwriting, Falls Church, VA, which expected the House to pass the bill, said there’s a greater likelihood that the Senate will include reunification (of the estate and gift tax), portability and indexing for inflation in its version of the bill.

AALU officials cite S. 722, introduced in the Senate by Sen. Max Baucus (D-MT), and S. 2784, introduced by Sen. Tom Carper (D-DE), both of which would add reunification and portability, as well as index the estate tax rate for inflation.

An amendment added to the 2010 budget resolution passed by the Senate included the indexing, portability and reunification provisions. That amendment by Blanche Lincoln (D-AR) and Jon Kyl (R-AZ) would have raised the exemption level to \$5 million/person. The Senate voted 51-48 to adopt the amendment, but it didn’t survive conference.

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