



TEXAS CATTLE FEEDERS ASSOCIATION

# NEWSLETTER

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## *Happy Holidays*

*from your friends at  
Texas Cattle Feeders Association*



### Top Headlines for Cattle Feeders in 2011

**GIPSA Rule**—Thanks to the efforts of TCFA, NCBA and many other organizations and individuals, the Final Rule issued by GIPSA contained only those provisions required by the 2008 Farm Bill—the sections related to suspension of delivery of birds, additional capital investment criteria, breach of contract and arbitration—in addition to a section on swine and poultry sample contracts. GIPSA also published a separate Interim Rule that contains a modified version of the section focused on poultry that is open for public comment.

USDA has stated that they are no longer pursuing prohibitions on packer-to-packer sales or packer buyers purchasing for more than one packer.

The remaining provisions from the original proposed rule remain under consideration, meaning USDA will not be submitting, at least not anytime soon, the sections that prohibit undue preferences or the section that changes the definition of competitive injury. In addition, the 2012 Agriculture Appropriations bill prohibits USDA from using federal funds for the rest of the fiscal year to work on sections of the GIPSA rule related to competitive injury, unfair practices and undue preference.

**Drought And Cow Movement**—Mother Nature turned out to be the biggest market adversary in 2011. The record drought throughout the three-state area forced unprecedented movement of cattle. Feeder cattle and calf sales have been sharply above expected levels throughout the year and liquidation and relocation of breeding stock has been at record levels. The unanswered question in front of the January 27 Cattle Inventory Report is how many cows have been relocated to other regions and how many have been culled as a result of the drought.

Feed grain supplies were sharply reduced from the early season forecast. Excessive rains and record flooding which followed the record snow melt from the winter of 2011-2012 curtailed available acres and excess rain over much of the Corn Belt in the spring caused delayed plantings.

Record heat and drought conditions across the Plains forced irrigated row crop farmers to abandon or sharply curtail irrigation circles because no rain, excessive heat and blistering winds were destroying the crop at a faster pace than farmers could keep up with watering.

From late fall to early winter, limited precipitation has helped with pastures and supported some wintering of cows on grass and stocker cattle on winter wheat. Much more moisture is needed in 2012 to fully recharge both topsoil and sub-soil moisture reserves.

**Trade**—According to data compiled by the U.S. Meat Export Federation (USMEF), the overall value of global exports of U.S. beef and beef products from January to October 2011 was approximately \$4.5 billion. Likewise, CattleFax reported that the value of beef exports, hides and variety meats for every fed steer and heifer slaughtered reached a record high in 2011 at more than \$275 per head. The top ten export destinations for U.S. beef and beef products were:

1. Canada	\$862 Million	159,396 mt.
2. Mexico	\$818 Million	213,004 mt.
3. Japan	\$727 Million	133,870 mt.
4. South Korea	\$575 Million	129,810 mt.
5. Russia	\$222 Million	63,969 mt.
6. EU	\$200 Million	26,843 mt.
7. Hong Kong	\$195 Million	42,665 mt.
8. Egypt	\$189 Million	122,938 mt.
9. Taiwan	\$160 Million	28,889 mt.
10. Vietnam	\$155 Million	36,311 mt.

CattleFax also forecasts that U.S. beef exports will increase by 10.5% in 2012, with much of that growth occurring in Japan and other Asian countries. USDA's Economic Research Service reports the strong increase in exports stems from higher global demand for beef, stronger economic recovery in Asian countries and favorable exchange rates for foreign purchasers. Growth in beef exports demonstrates U.S. beef remains competitive in the marketplace. The quality of U.S. beef available in the global marketplace is difficult for other countries to match.

**Free Trade Agreements**—After years of politics, Congress overwhelmingly passed and the President signed implementation legislation in October for the long-pending free trade agreements (FTAs) with South Korea, Colombia and Panama. When considered as a package, these three deals represent the largest FTA since enactment of the North American Free Trade Agreement in 1994. Experts believe that these three FTAs will create approximately \$2.5 billion in additional farm exports and more than 20,000 new U.S. jobs.

Below are just a few of the many benefits the three FTAs will provide cattle producers in the years ahead:

- South Korea—Annual exports of U.S. beef to South Korea are expected to increase as much as \$1.8 billion once the agreement is fully implemented. Implementation of the FTA would phase out over 15 years South Korea's 40% tariff on beef imports, with \$15 million in tariff benefits for beef in the first year of the agreement alone and about \$325 million in tariff reductions annually once fully implemented. The Administration has also committed to work with the Korean government to gain full access for U.S. beef from animals of all ages.
- Colombia—The import duty on U.S. beef muscle cuts will be eliminated immediately, and import duties on other beef products will be phased out over a period not to exceed 15 years.
- Panama—The tariff on USDA Prime and Choice beef cuts will be eliminated immediately, as will the tariff on most edible offal. All other tariffs on beef and beef products will be phased out over 15 years.

**Country-of-Origin Labeling (COOL)**—In November, a World Trade Organization (WTO) dispute resolution panel issued a final ruling backing complaints filed by Canada and Mexico against the U.S. mandatory COOL law for meats and perishable commodities. The three-member WTO panel agreed with the Canadian and Mexican arguments that mandatory COOL requirements violated provisions of the WTO's Agreement on Technical Barriers to Trade. In particular, the panel concluded that the mandatory COOL requirements resulted in imported cattle and pork from Canada and Mexico being treated less favorably than U.S. origin cattle and pork. By mid-January 2012, the U.S. must decide whether or not to appeal the panel's findings. TCFA and NCBA are urging the U.S. government not to appeal the ruling.

**Mexican Trucking Dispute Settled**—Nearly two decades after the hotly contested provision of the 1994 North American Free Trade Agreement set off lawsuits and a costly trade dispute, the U.S. government approved the first Mexican company, Transportes Olympic, to enter the U.S. under the cross-border trucking program.

Mexican trucks are required to comply with all U.S. safety standards and must have electronic monitoring systems to track hours-of-service compliance. In addition, the Transportation Department will review the complete driving record of each driver and require drug-testing samples to be analyzed in federally certified laboratories in the U.S. The Mexican government lifted all of its retaliatory tariffs on U.S. products when the first truck entered the U.S. on Oct. 21, 2011.

**Environmental**—The U.S. House of Representatives passed legislation in 2011 to prevent EPA from regulating greenhouse gas emissions, farm dust and non-navigable waters. However, the U.S. Senate has not acted on these bills. The Obama Administration has stated that it has no plans to regulate farm dust.

**Texas Legislature**—Overall, the 82nd Regular Session of the Texas Legislature was a successful session for Texas agriculture. TCFA staff, working with other agriculture and business organizations, supported and helped pass legislation to strengthen property rights protections regarding the use of eminent domain; clarified that landowners own the groundwater below their property; limited property owner liability for injuries and death resulting from animal activities; modified the agriculture sales tax exemption requirements to limit fraud and abuse without overburdening legitimate producers; provided entities with protections from nuisance and trespass suits if in compliance with state and federal permits (unless they are based solely on noxious odor); clarified that manure is not a commercial fertilizer; reauthorized the Texas Water Development Board; and reauthorized the Texas Commission on Environmental Quality. TCFA was also successful in blocking several immigration, environmental and tax bills that would have been detrimental to cattle feeders.

**Horse Processing**—A provision prohibiting USDA from expending federal money to inspect horse processing facilities was removed from the 2012 Agriculture Appropriations bill, but it also did not allocate any money for USDA inspectors. USDA has stated that while there are not any facilities in the U.S. that currently process horses for human consumption, should one open it would conduct inspections to ensure federal laws were

being followed. Some proponents of horse processing believe that a facility could open soon, but previous horse processing facilities in Texas and Illinois would remain closed for now due to state laws.

***MyPlate Replaces MyPyramid.*** In June, U.S. Department of Agriculture Secretary Tom Vilsack, First Lady Michelle Obama and Surgeon General Regina Benjamin unveiled a new food icon that will serve as a reminder to help consumers make healthier food choices. This new icon serves as a replacement to the *MyPyramid* image as the government's primary food group symbol to help consumers adopt healthy eating habits consistent with the 2012 Dietary Guidelines for Americans, which was released in January.

The new *MyPlate* icon is shaped like a plate, with four primary areas, including fruits, vegetables, whole grains and protein icons, and continues to include protein, such as lean beef, as part of a healthy, balanced diet. The new visual cue will be part of a multi-year, comprehensive, nutrition communication initiative that provides consumers with easy-to-understand recommendations, a new website with expanded information, and other tools and resources. The new tool and additional resources are available at <http://www.choosemyplate.gov>.

**The TCFA Office Will Be Closed** Monday, Dec. 26 and Tuesday, Dec. 27 for Christmas. There will be no *Newsletter* next week. The TCFA office will also be closed on Monday, Jan. 2 for New Year's. TCFA wishes everyone a Merry Christmas and a prosperous 2012.

**Please note: All links are available at <http://www.tcfa.org> under This Week's Newsletter links.**

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**Texas Cattle Feeders Association**

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