



# TEXAS CATTLE FEEDERS ASSOCIATION

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# NEWSLETTER

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## **USDA-APHIS Proposes Rule to Allow Importation of Brazilian Beef**

On December 23, 2013, USDA published in the *Federal Register* a proposed ruling that would open the door to the importation of beef from a number of Brazilian states into the U.S. The announcement follows a risk assessment conducted by the USDA Animal and Plant Health Inspection Service (APHIS), which concluded that “fresh (chilled or frozen) beef can be safely imported from those Brazilian states provided certain conditions are met.”

TCFA is analyzing the APHIS Regulatory Impact Analysis & Initial Regulatory Flexibility Analysis accompanying the proposal and will work with animal health experts and NCBA in drafting comments to the proposed rule. The primary focus of this effort will be protection of the U.S. herd from FMD.

In June 2010, TCFA, NCBA and others opposed a proposed rule allowing importation of fresh beef from the Brazilian state of Santa Catarina due to biosecurity concerns regarding FMD. “At that time, TCFA was not convinced that the Brazilian government had the safeguards in place to prevent the spread of FMD into free regions of their country, thereby elevating the risk of exporting beef from infected animals,” said TCFA Director of Government Relations Josh Winegarner.

“TCFA supports the regionalization approach to animal disease issues and trade if it is managed correctly and based on sound science,” said Winegarner. “U.S. cattle producers and animal health experts did not have confidence in the Brazilian program in 2010, and while we’re still evaluating the research, I don’t think much has changed to increase that confidence.”

For insight on the economic side of this issue, the *Daily Livestock Report*, reported this week that “should trade come to fruition, the amount of beef coming to the U.S. from Brazil would be relatively small. Keep in mind that Brazil does not have a specific TRQ (tariff rate quota) allocation, which means its product would enter the U.S. using the “other country” quota allocation, about 64,805 metric tons. They would compete with Central American countries for this quota and we think Nicaragua and Honduras would be able to compete relatively successfully with Brazil on price. It is unlikely, in our view, that Brazil would bring significant quantities out of quota given the 26.4 percent tariff. Brazil beef is no longer cheap.”

Brazilian producers have access to a number of countries that are willing to pay more than the U.S., the report says. “Russia has become increasingly dependent on Brazilian beef now that they decided to even cut off Australia as a supplier. Hong Kong and the Middle East rely heavily on Brazilian beef. At this point we think that whichever way it is resolved, the immediate impact of Brazilian beef in the U.S. beef supply picture could be very limited.”

## **Beef Continues to Battle for Market Share**

While beef demand has remained strong, the beef industry continues to battle for a positive image, according to the Beef Checkoff. For instance, did you know:

- That beef continues to face a significant health-image issue? While beef’s great taste is the No. 1 reason consumers eat beef, health is the No. 1 reason millennials are limiting their beef intake. But there is hope, as research indicates that these consumers’ knowledge about beef nutrition is the missing link. In fact, 45 percent of millennials say they would be “very” or “extremely” likely to add more beef meals to their menus after they discover that beef is nutrient-rich, lean, and compares favorably to chicken when it comes to nutrition.
- That consumers in the millennial generation are the ones asking the most questions about how farmers and ranchers raise their food? Unfortunately, the clutter of information in national consumer media and from self-proclaimed online “experts” can be confusing. Many millennials are skeptical about beef’s health benefits and are actively researching, reading and talking about beef production issues. They want information about animal welfare and proof of human treatment of animals. They want to know exactly how cattle are raised and if there’s any truth to so-called “factory farming.” They want measures

of the impact of beef production on the environment. They want specific information about how beef is processed.

- That it's not just the use of digital platforms that is important, but how millennials engage with each other on them. Millennials are more likely to share their experiences widely, especially through social networks, so your checkoff is putting its money where the consumers – and influencers – are. The growth of online platforms is creating more opportunities for the checkoff to engage with this generation, which is at the heart of the decision by producer leaders to convert checkoff advertising to an all-digital platform that seams together our target audience for both demand-building and issues-management in 2014.
- That, based on what millennials say is important to them, your Beef Checkoff Program is working diligently to make real, meaningful connections with these consumers to share the positive, science-based story about beef nutrition and production.
- That the future of the beef industry depends heavily on this next generation of beef eaters, and your checkoff is seeing to it that they have the information they need to increase their confidence in you and your end product to make sure that beef remains “What’s for Dinner” for generations to come!

### **2014: Year of the “IndieWoman”**

As consumers become busier, they also want fresh, locally-produced food and they want to know more about the food they eat. That’s a conundrum that seems at opposite ends of the spectrum, but it points out just how complicated the modern consumer has become. Take, for example, the rise of the “IndieWoman,” according to Phil Lempert, the Supermarket Guru.

“Almost 31 million strong, the ‘IndieWoman’ is 27 and older, lives alone, has no children and spends \$50 billion on food and beverages each year,” Lempert reports in his *Top 10 Food Trends for 2014*. “They have no time, so look for more brands to offer semi-homemade meals that use fresh, high-quality ingredients.”

Lempert also predicts the trend toward international cuisine will continue. “From school cafeterias to the dining room table, global flavors are sprouting up everywhere,” he says. “Kids become exposed to global cuisine flavors much younger, so international flavors will be more accepted and their palates will be more sophisticated. Kids influence nearly 80 percent of purchase decisions by families, so look for all shoppers to be eating more international-inspired foods.”

To read Lempert’s *Top 10 Food Trends for 2014*, go to <http://tinyurl.com/2014-top-10-food-predictions>.

### **Cattle Feeding Country is Still the Place to Feed Cattle**

According to the *Cattle Buyers Weekly* roundup of the Top 30 cattle feeders for 2013, four of the top five cattle feeding companies in the U.S. were either headquartered or have feedyards in the TCFA three-state area of Texas, Oklahoma and New Mexico. What’s more, 14 of the top 30 cattle feeders in the U.S. are headquartered or own feedyards in TCFA Cattle Feeding Country.

### **High Global Cattle Prices to Continue as Supply Remains Tight**

The Rabobank Global Cattle Price Index has risen by 6 percent since June, driven by lower-than-expected beef supply in the main exporting countries and strong Asian demand, according to a new report from the Rabobank Food & Agribusiness Research and Advisory (FAR) group.

According to the report, supply will remain tight, especially in the first half of 2014, driven by lower feed costs, induced herd rebuilding in the U.S. and the strong export demand from Brazil and Argentina, which will continue to support strong prices. In 2014, Rabobank forecasts continued high prices while global beef supply is expected to rise only slightly. Meanwhile, China’s demand for imports is expected to increase.

For the first half of 2014, Rabobank expects further upside for the global beef market, with cattle prices remaining elevated in most regions. The main question in many regions remains where to source sufficient beef supplies. With herd rebuilding as the first priority globally, supported by improving climate conditions and moderating feed costs, global beef production will increase only slightly and is expected to decline sharply in key markets like the U.S. The main demand wildcard will be consumer resistance to high beef prices and the growing availability of competing animal proteins due to the improved margin outlook as feed prices tumble.

### **U.S. and China Reached Consensus to Continue Dialogue**

U.S. and China reached consensus to continue dialogue, with the intention to restore market access to U.S. beef by the middle of 2014. That occurred as a result of the 24th U.S.-China Joint Commission on Commerce and Trade (JCCT) in Beijing, reports *Cattle Current*.

China has prohibited U.S. beef imports since bovine spongiform encephalopathy was discovered in the U.S. in December of 2003.

According to U.S. Agriculture Secretary Tom Vilsack, discussions with Chinese leaders at the JCCT, "...laid the groundwork for future cooperation related to our shared interests in food security, food safety, and sustainability, as well as the expansion of export opportunities for American farmers and ranchers." The JCCT is the highest-level bilateral forum for the resolution of trade and investment issues between the United States and China.

### **Beef Demand Index Shows Solid Demand by U.S. Consumers**

Retail beef prices are at record-high levels as 2013 comes to a close, which, normally, might be a signal that demand for beef is headed (or will soon be) south. However, there's great encouragement in the latest Kansas State University beef demand index.

Each quarter, K-State's Glynn Tonsor re-calculates beef demand trends in the U.S. Tonsor points out that this index represents how much consumers are spending on beef, and not necessarily the volume of beef they are consuming. And the demand index is indicating that consumers are willing to spend more dollars to enjoy beef, according to Ron Hays with the *Oklahoma Farm Report*.

Tonsor says the index calculates beef demand for "Choice" products and "all fresh" beef products. The "Choice" calculation shows that beef demand was up 4.3 percent in the third quarter of this year versus one year ago, and this index has a solid uptrend of higher demand for 10 of the last 12 quarters. The "all fresh" calculations includes lower priced cuts and is also in a solid uptrend – 2.3 percent higher in the latest quarter and higher for the last 13 consecutive quarters – painting a very positive picture about consumers and their love for beef.

For more, go to <http://tinyurl.com/ofr-beef-demand-index>.

### **Cattle Prices End Year on High Note**

"Calf prices finished the year with the strong tone that has prevailed all fall. Steers under 500 lbs. were priced at \$212/cwt. and higher, up 31 percent from lows in June and about 19 percent higher than one year ago. Seven-weight feeder steers were in the low \$160/cwt. last week, up 23 percent from May lows and 11 percent higher than this time last year, says Derrell Peel, Extension livestock marketing specialist at Oklahoma State University.

Peel predicts feeder cattle prices to average 11-13 percent higher in 2014 compared to 2013. Feeder cattle supplies will continue to tighten in 2014 if forage conditions favor accelerated heifer retention and herd expansion, he says.

### **Hog Expansion on Hold as Producers Battle PEDv**

The swine industry battled the PEDv virus throughout 2013, leaving many to speculate on its effect on hog numbers. The number of PEDv cases has escalated since September and futures markets have built significant risk premiums into forward contracts in anticipation of tighter pork supplies, according to the *Daily Livestock Report*.

Prior to USDA's "Quarterly Hogs and Pigs" report, issued on December 27, 2013, market participants were looking for either a confirmation of the ongoing speculation regarding PEDv or some sort of signal that despite the disease spreading, the industry was on track to expand and take advantage of the lower input cost structure. After the report, it appears that hog expansion is nowhere to be found and that the disease situation is indeed quite serious.

For more, go to [www.dailylivestockreport.com/documents/dlr%2012-30-13.pdf](http://www.dailylivestockreport.com/documents/dlr%2012-30-13.pdf).

### **USDA Names Acting Under Secretary for Food Safety**

USDA has named Brian Ronholm as acting under secretary for food safety following Elisabeth Hagen's departure from the post on Dec. 13, a USDA spokeswoman confirmed to *Meatingplace*.

Ronholm joined USDA in April 2011 as deputy under secretary for food safety. In this position, he has provided leadership and oversight for the Food Safety and Inspection Service.

Ronholm previously served as an agriculture appropriations associate on the staff of Congresswoman Rosa DeLauro, managing issues related to the House Appropriations Subcommittee on Agriculture, Rural Development and the Food and Drug Administration. Prior to that, Ronholm worked on public health policy in the private sector.

The USDA spokeswoman did not have information on when a permanent replacement for Hagen might be nominated. According to *Politico*, candidates under consideration include FSIS Administrator Alfred Almanza and USDA Deputy Chief of Staff Anne MacMillan.

### **Cattle Imports Down in 2013**

When all the numbers are tallied, cattle imports to the U.S. are expected to pick up a bit in the fourth quarter, but overall for 2013 the trade in animals will be down significantly, due mostly to years of drought in Mexico, according to the “Livestock, Dairy and Poultry Outlook” report from USDA’s Economic Research Service.

U.S. cattle imports were down 17 percent this year through October, after three years of severe drought south of the border that led to poor forage conditions and stronger exports to the U.S. in previous years. Mexican cattle inventories are depleted, although forage conditions are improving, and demand is picking up at home, leaving fewer animals available for trade, according to *Meatingplace*.

Imports of cattle from Canada are up in 2013, but not enough to offset the drop from Mexico. Through October, imports were 40 percent below year-earlier levels even though imports from Canada have increased 24 percent. Furthermore, an increasing proportion of the animals being imported from Canada are expected to be feeder cattle, rather than animals ready for immediate slaughter, in order to offset the loss of feeder cattle from Mexico.

### **Grain Prices May Stabilize in 2014**

Stability is not a word that has been associated with ag markets too often over the past decade. However, 2014 is shaping up as a relatively balanced year for most ag commodities, according to a Rabobank report.

Record prices and extreme volatility, which have typified many grain markets since the early 2000s, look set to be replaced by more balanced fundamentals and consequently more narrow trading ranges in some, if not most, markets in 2014, the report indicates. Global inventory levels have been rebuilding throughout 2013 and the rapid demand growth of recent sessions has slowed. Key variables to watch in the year ahead include slowing biofuel demand, commodity currency weakness and uncertain Chinese demand growth.

To read the full report, go to <http://tinyurl.com/2014-rabobank-outlook>.

### **NCBA’s Cattlemen’s College Lineup Set for Feb. 3-4 in Nashville**

Celebrating its 21st year, NCBA’s Cattlemen’s College has established a reputation as one of the most thorough cattle producer education programs in the nation. The program will be held Feb. 3-4, 2014, in Nashville, Tenn., headlining the first day of activities at the 2014 Cattle Industry Convention and NCBA Trade Show. Early registration for Cattlemen’s College and the convention ends Jan. 10, 2014.

Cattlemen’s College registration information, as well as a complete schedule for the 2014 Cattle Industry Convention and NCBA Trade Show, is available at [www.beefusa.org/newsreleases1.aspx?newsid=3152](http://www.beefusa.org/newsreleases1.aspx?newsid=3152).

### **Feeders and Feedyards in the News**

Services were held last week for TCFA members **Earl Raye Green** of Hereford and **Vance B. Morris** of Gruver. View the obituaries at [www.amarillo.com/obituaries/2013-12-29/earl-raye-green](http://www.amarillo.com/obituaries/2013-12-29/earl-raye-green) and [www.amarillo.com/obituaries/2013-12-30/vance-blom-morris](http://www.amarillo.com/obituaries/2013-12-30/vance-blom-morris).

**Please note: All links are available at [www.tcfa.org](http://www.tcfa.org) under This Week’s Newsletter links.**

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