



# TEXAS CATTLE FEEDERS ASSOCIATION

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# NEWSLETTER

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## **Federal Appeals Court Hears COOL Appeal**

Last Thursday, the U.S. Court of Appeals for the D.C. Circuit heard oral arguments in the appeal that industry groups have made in the case against country-of-origin labeling (COOL).

The three-judge panel did appear to agree that if they accept the constitutional argument, then they would likely have to invalidate the COOL statute, but they asked questions that made it clear they are concerned about potential fallout due to such a decision, according to the North American Meat Association. They asked if any other existing labeling requirements would be invalidated.

Knowledgeable observers say that, as a rule, courts will try to decide a case on matters other than constitutional issues if they can, and it could take months for this court to make a final ruling. An audio of the arguments is posted online at <http://tinyurl.com/oral-arg-recordings>.

## **Congress Approves Appropriations Bill**

On Thursday, the U.S. Senate approved a \$1.1 trillion omnibus appropriations bill (H.R. 3547) by vote of 72 to 26. The bill will fund the federal government, including USDA and related agencies, for the remainder of FY 2014. The legislation is based on the two-year budget agreement (H.J.Res. 59) approved by Congress and signed into law by President Obama last month. The House approved H.R. 3547 by an overwhelming vote of 359 to 67 on Wednesday. This marks the first time, since the FY 2012 spending bills, that Congress has approved a new spending package – instead of extending the previous year's bill.

TCFA and NCBA worked to retain provisions that restrict funding for several programs. The bill prohibits EPA from requiring livestock operations to obtain permits for emissions of greenhouse gases and prohibits the agency from requiring the reporting of greenhouse gas emissions from manure management systems. In addition, the bill prohibits GIPSA from working on its so-called competition rules.

Unfortunately, language to reinstate the prohibition on the use of federal funds to inspect horse processing facilities also was included in the bill. This language effectively bans horse processing in the U.S. A New Mexico judge was scheduled to decide today whether or not a Roswell, N.M. company would be allowed to move forward with plans to open a new horse processing facility.

## **TCFA Urges Feds Not to List Prairie Chickens**

In comments submitted this week to the U.S. Fish and Wildlife Service (USFWS), TCFA urged the agency to submit a final determination that listing the Lesser Prairie-Chicken (LEPC) as threatened under the Endangered Species Act is not warranted.

“We believe current and future conservation efforts that encourage voluntary participation by private landowners are the best mechanisms to support the species and promote increased populations inside the currently occupied range,” TCFA said. “There are two efforts underway that will further stabilize and enhance habitat and LEPC populations in the years and decades ahead. These efforts involve multiple stakeholders, including conservation groups, agriculture groups representing private landowners, and various energy exploration and development entities.”

One conservation effort is a range-wide plan developed by the Lesser Prairie-Chicken Interstate Working Group (IWG) and endorsed by USFWS. The plan has established ambitious goals for conservation of the LEPC by, among other things, (1) addressing threats to the prairie-chicken throughout its range; (2) establishing measurable biological goals and objectives for population and habitat; (3) providing the framework to achieve those goals and objectives; (4) demonstrating administrative and financial mechanisms necessary for successful implementation; and (5) including adequate monitoring and adaptive management provisions.

## **CME Updates Heifer Delivery Proposal**

“Recent feedback from the beef cattle industry and a recommendation from a heifer delivery focus group have prompted CME to consider accepting heifers for delivery against the Live Cattle futures contract. To this end, the CME has drafted an initial proposal for heifer delivery,” according to an analysis paper released by CME.

TCFA appreciates the development of a proposal for heifer delivery against the Live Cattle futures contract. TCFA market committee members and staff have worked very hard to this point and feel the inclusion of heifers in the delivery supply is key to maintaining the Live Cattle contract as a viable risk management tool.

CME is now seeking feedback from the industry on the proposal. Written comments will be accepted until Jan. 28, after which CME will make a final decision on heifer delivery.

For more information, including where to submit comments, go to <http://tinyurl.com/dlr-1-14-14>.

## **CFTC Looking at Changes to Futures Position Limits**

The Commodity Futures Trading Commission (CFTC) is accepting comments on a proposed rule that will dramatically change the position limits for livestock futures speculators, according to the *Daily Livestock Report (DLR)*. Some items to note are:

- Spot month limits remain pretty much the same. The one exception is that the lower limits for Live Cattle during the last five days of a contract’s life will be dropped.
- Single month limits for Live Cattle and Lean Hogs are roughly doubled while the limits for Feeder Cattle remain the same.
- A new “All Months” limit is established for all three contracts that is, in all cases, equal to the new single-month limit. There has been no separate All-Months limitation in the past, meaning that the effective All-Months limit was: (Single month limit x (Number of listed contracts – 1)) + Spot Limit. That number is clearly many times larger than the proposed “All Months” limit.

“Our take is that the proposed rule could have a significant negative impact on the level of liquidity in livestock contracts since it will cut the total number of contracts that a speculator may hold at any one time,” *DLR* economists say. “At the same time, it allows any one speculator’s more limited impact to be more concentrated into one contract month.” For more information, go to <http://tinyurl.com/dlr-1-15-14>. The proposed rule can be read at <http://tinyurl.com/cftc-fed-reg>. Comments can be submitted at <http://tinyurl.com/cftc-comments>.

## **USDA Boosts Beef Forecast**

USDA increased its beef production forecast for 2014 but reduced its pork and turkey production forecasts in its latest World Supply and Demand Estimates report released last Friday. Beef production is raised for 2014 as higher-than-expected placements in the later part of 2013 and expected availability of winter pasture support increased cattle marketings and slaughter during the year, according to *MeatingPlace*.

USDA raised its commercial beef production forecast for 2014 to 24.3 billion pounds from 24.2 million forecast last month. This would still be a significant decline, however, from the estimated 25.7 billion pounds produced in 2013. Beef imports are unchanged for 2013 but are raised slightly for 2014. Beef exports are raised for both 2013 and 2014 as the pace of exports over the past several months has been strong.

For 2014, the cattle price forecast is raised from last month as demand for fed cattle remains strong. USDA raised its average steer price forecast for 2014 by \$1 per cwt. to a range of \$129 to \$138.

To access the full report, go to <http://tinyurl.com/wasde-1-10-14>.

## **Even on the Upside, Beef Prices Tied to Corn**

For beef cattle prices to continue their record run, the 2014 U.S. corn crop will have to produce record yields, according to a Texas A&M AgriLife Extension Service economist. That aside, the 2014 beef cattle market outlook is poised for another historic run as lack of supply will continue to fetch strong bids on calves, says Dr. David Anderson, Texas A&M AgriLife Extension Service livestock economist.

“Look for continued high prices,” Anderson says. “Tight supplies are underpinning the market. I think we are going to have higher calf prices than we did in 2013 and higher prices in 2015 than we did in 2014.”

However, Anderson said the biggest threat to future high calf prices is feed prices. “If the nation’s corn crop comes up short, that could drive up prices, putting downward bid prices on the calves,” he said.

## **Looking Ahead to 2025: Beef Herd Expansion Smaller Than Some Hope, Bill Mies Predicts**

Forecasting the future is a very tough proposition, and the farther out one tries to forecast, the less accurate it is apt to be. But, that is exactly the challenge that was given to Dr. Bill Mies, a retired professor of beef cattle

science at Texas A&M University, who spoke at the International Livestock Congress-USA meeting in Denver Tuesday.

Mies tackled the trends that have shaped the beef industry to this point and projected where we might be in 2025 in the United States. He said he is expecting some expansion, but it won't be nearly as much as some expect, according to Ron Hays with the *Oklahoma Farm Report*.

"I think that when we look at the economic factors, the economic factors say that we're going to have a very large expansion. But when you look at the logistical factors – the amount of land, the opportunity we have to graze on public lands in the West, EPA regulations on grazing lands in the East, the age of ranchers, the amount of capital that it takes in order to increase – all of those things will limit, I think. We will have expansion, but it will be limited expansion. I think as we get droughts and we don't have droughts, as markets go up and markets go down, I think by 2025, we're probably going to look at about the same number of cows as we've got right now."

For more, go to <http://tinyurl.com/exp-smaller-than-hoped>.

### **USMEF Supports Bipartisan Congressional Trade Priorities Act**

The U.S. Meat Export Federation (USMEF), an organization charged with increasing the value and profitability of the U.S. beef, pork and lamb industries by enhancing demand in international markets, strongly supports passage of legislation extending presidential Trade Promotion Authority.

"The United States is currently engaged in the most critical free trade agreement negotiations in our nation's history," said USMEF President and CEO Philip Seng. "Both the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) have untold potential for U.S. agricultural exports. For these negotiations to fulfill their potential, our trade officials need the strongest possible hand when they are at the negotiating table," Seng says.

Our trading partners need to know that once these agreements are negotiated, they are not going to be changed as they go through the approval process in Congress. The Bipartisan Congressional Trade Priorities Act will ensure that Congress continues to have a strong voice on trade while giving the Administration the support it needs to achieve the best possible outcome for the U.S. red meat industry from the TPP and TTIP negotiations."

### **Sen. Coburn Announces Retirement**

U.S. Sen. Tom Coburn (R-Okla.) announced that he will not serve out his full Senate term and intends to step down after 2014 because of deepening health problems. In a statement, Sen. Coburn acknowledged that he is battling a serious recurrence of cancer. His resignation is expected to set up a hotly contested special election to fill out the remainder of his term.

### **Gov. Perry Appoints Covar to Texas Commission on Environmental Quality**

Gov. Rick Perry has appointed Zak Covar of Round Rock to the Texas Commission on Environmental Quality (TCEQ) for a term to expire Aug. 31, 2015. The commission establishes, oversees and implements policies regarding clean air, clean water and other environmental matters for the State of Texas.

Covar served as executive director of the TCEQ and has worked for the commission since 2007. He is a former environmental and natural resources policy advisor to Gov. Perry, former chief committee clerk for the Texas House of Representatives Environmental Regulation Committee and former chief of staff to State Rep. Dennis Bonnen.

**Meanwhile, TCEQ commissioners voted unanimously to appoint Richard A. Hyde, P.E.**, executive director for the agency, effective immediately. Hyde has served as deputy executive director since 2012. He also served as deputy director of the Office of Compliance and Enforcement, the Office of Permitting and Registration, and was director of the Air Permits Division for five years. Hyde joined the TCEQ in 1992 and worked as a permit engineer, team leader and manager in the Air Permits Division.

### **Texas High School to Build Multi-Million-Dollar Meat Lab**

Education officials in Longview, Texas, unanimously approved a plan to build a \$2.23 million meat-processing lab on property just north of Longview High School, according to local media reports.

The facility will give students the opportunity to learn how to cut and age meat and help prepare them to become butchers or foodservice managers after high school. School officials believe the facility will also offer the chance for students who go on to college to take their experience to large processing companies as a career, reports *MeatingPlace*.

## **Beef Has Changed, Industry Tells Dietary Guidelines Advisory Committee**

The 2015 Dietary Guidelines Advisory Committee held its second public meeting this week to hear testimony regarding potential changes to the U.S. dietary guidelines, and the beef industry was front and center.

Clara Lau, Ph.D., director of nutrition research at NCBA, a contractor to the Beef Checkoff Program, spoke to the importance of lean beef in healthy diets. Lau explained as the guidelines have changed over time, so has the beef industry. In 1980, when the first edition of the dietary guidelines was published, it was common to see one-half of an inch of fat trim on beef in the grocery store meat case. Now, retail beef cuts are virtually void of external fat, averaging less than one-tenth of an inch, according to Lau.

“Farmers and ranchers have responded to dietary guidance by supporting research and education to maximize the availability of lean beef,” Lau said. “The industry has selected for leaner cattle, trimmed excessive fat, and encouraged people to choose appropriate portions of lean beef more often. We listened, we changed, and we wanted you to know about it.”

## **Times Square Billboard Calls Out HSUS for Misleading Public**

As part of its ongoing campaign to expose the deceptive fundraising practices of the Humane Society of the United States (HSUS), HumaneWatch.org, a project of the Center for Consumer Freedom, last week launched a billboard in New York’s Times Square calling attention to a little-known fact: Despite its commercials and fundraising materials featuring sad-looking puppies and kittens, HSUS gives only 1 percent of its \$120 million budget to support local pet shelters.

The ad features a picture of an angry-looking cat with the headline, “WTF? (Where’s The Funding?),” and goes on to explain, “The Humane Society of the United States only gives 1 percent of its budget to local pet shelters.” The ad concludes by prompting viewers, “Find Out About the Deception At: HumaneWatch.org.” You can view the billboard at <http://tinyurl.com/hum-ts-billboard>. Find more on HumaneWatch.org at <http://tinyurl.com/hum-watch>.

## **2013 – A Banner Year for Voluntary Conservation**

The 2013 numbers are in, and they show the importance of voluntary, locally based conservation. Data released by the Natural Resources Conservation Service (NRCS) shows how the USDA agency, in partnership with farmers and ranchers across the country, conserved and protected natural resources on tens of millions of acres of America’s privately-owned lands last year.

Among other things, NRCS and conservation-minded farmers, ranchers and other partners:

- Developed conservation plans for more than 43.8 million acres.
- Enrolled more than 279,000 acres into conservation easements, setting aside valuable wetlands, grasslands and farmlands. These landscapes help create wildlife habitat, clean air and water, and lead to other environmental benefits.
- Worked with producers in the Ogallala Aquifer region, the nation’s breadbasket, to implement conservation practices that use water wisely on more than 70,000 acres.
- Improved habitat for at-risk wildlife. Two initiatives geared toward the Lesser Prairie Chicken and sage grouse put conservation practices on more than 220,000 acres and 570,000 acres, respectively.

## **Make Your Brand a Piece of History by Adding it to the Living Legacy Wall**

The Living Legacy Wall displays cattle brands of NCBA members and associates and tells the history of the beef industry. Each brand is hand torched from a steel plate and treated with a special formula adding red, brown and blue-black to the surface, giving each brand a unique coloration and patina evocative of age and weathering.

By adding your brand to the Living Legacy Wall, you are making a tax-deductible gift to support the National Cattlemen’s Foundation in advancing the future of the beef industry through scholarships, research and education. The Living Legacy Wall will be located in the NCBA Denver headquarters. For more information, go to <http://tinyurl.com/ncf-brand-wall> or visit the NCBA booth at the Cattle Industry Convention in Nashville, Feb. 4-7.

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