



# TEXAS CATTLE FEEDERS ASSOCIATION

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# NEWSLETTER

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## **TCFA at Work for You at the 2015 Cattle Industry Convention**

This week, TCFA leadership and members of staff have joined a record-breaking 8,200 cattlemen from around the country at the 2015 Cattle Industry Convention and NCBA Trade Show to attend meetings and engage in discussion on a number of industry issues. The event kicked off on Wednesday in San Antonio, Texas, and will extend through Saturday. Next week's *Newsletter* will highlight policy updates and new leaders elected during the 2015 Cattle Industry Convention and NCBA Trade Show.

## **CattleFax Predicts Strong Prices to Remain in 2015**

The CattleFax Outlook Session yesterday at the 2015 Cattle Industry Convention and NCBA Trade Show featured CattleFax CEO Randy Blach, who told the crowd to expect fed cattle prices averaging in the mid-\$150s, slightly higher than last year. He said prices will trade in a range from near \$140 at the lows to near \$170 at the highs in the year ahead, while early year highs for 550-pound steers will range from near \$285 to lows near \$235.

Analysts cited the improved forage situation, lower grain prices and record margins in 2014 for feeders and stockers as the primary reason cow-calf producers will remain in the driver's seat for the year ahead. Despite exceptional prices in 2014, Blach said he expects the market peak is behind the cattle industry now.

"We put the top in the market in the past year, and the signal for expansion has been transmitted," he said. "We will begin to see some modesty expansion in herd numbers now and that will cause prices to trend lower in the years ahead than what we saw in 2014."

He explained that growing supplies of cattle and beef over the next several years will rebalance the normal price and margin environment among industry segments.

"Prices will then retreat back to the lower end of the new trading range," said Blach.

Despite the adjustment, he explained that cow-calf producers will continue to see relatively strong returns over the next four to five years, aided by corn prices expected to average \$3.60 per bushel in 2015 and an improved forage production picture.

## **Agencies Withdraw WOTUS-Related Interpretive Rule**

The Environmental Protection Agency (EPA) and the U.S. Army Corps of Engineers (Corps) issued a memorandum on Jan. 29 officially withdrawing its interpretive rule that defined "normal farming practices" for purposes of the Clean Water Act (CWA), part of the "Waters of the United States" (WOTUS) rule. Congress requested the withdrawal of the interpretive rule in the 2015 Omnibus spending bill passed at the end of December.

According to *AgriPulse*, the agency press office stated, "EPA and the Army Corps of Engineers have followed statutory directive and withdrawn the interpretive rule. The exemptions from Clean Water Act permits for discharges of dredged and/or fill material will continue to apply for normal farming, silviculture, and ranching activities, as well as for other qualifying agricultural activities under 404(f)(1). Withdrawal of the interpretive rule also does not impact the agencies' work to finalize its rulemaking to define the scope of the Clean Water Act."

The withdrawn rule said U.S. farmers would only be exempt from needing Clean Water Act permits for 56 routine farming practices conducted near streams and wetlands if they comply with detailed Natural Resources Conservation Service's (NRCS) technical conservation standards. Livestock and crop organizations nationwide – including TCFA and NCBA – opposed the limited definition of normal farming practices near wetlands as well as a change in enforcement protocol.

"If not withdrawn, the interpretive rule would have forced us to comply with once voluntary NRCS standards or potentially face upwards of \$37,000 a day in penalties for violating the CWA," TCFA Chairman Tom McDonald said. "Likewise, the rule could have had a detrimental effect on the constructive relationship

producers and NRCS have shared for decades by pushing NRCS into the role of a regulatory compliance agency.”

According to McDonald, while the withdrawn interpretive rule is a step in the right direction, member engagement in this issue is still needed. The interpretive rule was only part of the larger WOTUS proposal issued last year, which is still under review by both EPA and the Corps, as well as by Congress.

The memo to withdraw notice can be viewed at <http://tinyurl.com/memo-withdraw-int-rule>.

### **Shuster and Inhofe Lead Joint Hearing Over WOTUS**

Two standing Committees in the U.S. House and Senate held their first joint hearing in eight years on Wednesday discussing the impacts of the proposed WOTUS rule. Chairman Bill Shuster (R-Pa.) of the House Transportation and Infrastructure Committee led the joint hearing, working with Oklahoma Sen. Jim Inhofe (R-Okla.) who chairs the Senate’s Environment and Public Works Committee.

The joint hearing had two panels. One featured EPA Administrator Gina McCarthy and Assistant Secretary of the Army, for Civil Works Jo Ellen Darcy, while the other featured officials representing state, county and local government, as well as representatives from private industry.

Sen. Inhofe and Congressman Shuster issued a statement following the hearing stating their belief that McCarthy intends to “plow ahead to issue a final rule by spring.” In the lawmakers’ statement, which can be found at <http://tinyurl.com/inhofe-shuster-withdraw-wotus>, they said, “We will continue to conduct oversight over the EPA and work together towards legislation to prevent this flawed rule from being finalized. We need to ensure that the Administration follows through on its word to make necessary and significant changes to the rule in response to the concerns of the states and local governments and the more than one million comments filed by the public.” Video of the hearing can be watched at <http://tinyurl.com/wotus-hearing-vid>.

### **CME Group to Close Most Open Outcry Futures Trading in Chicago and New York by July**

As open outcry futures trading has fallen to just one percent of the company’s total futures volume, CME Group announced yesterday that it will close most of its futures trading pits in Chicago and New York by July 2, 2015. The floor-based S&P 500 futures market will remain open on CME Group’s Chicago trading floor.

Options on futures contracts, which continue to trade actively on both the floor and the screen, will remain open on both trading floors except for the DJIA (\$10) and NASDAQ-100 open outcry equity index options markets, which are designed to deliver into floor-based futures contracts.

With the exception of the S&P 500 futures and options on futures pits, which will remain open, equity index futures pits and the DJIA (\$10) and NASDAQ-100 options pits will close following the expiration of the June 2015 contract on June 19, 2015. All other futures pits will close on July 2.

To find more details on this announcement, go to <http://tinyurl.com/cme-closes-open-outcry-trading>.

### **Conaway Encouraged by Froman Trade Briefing**

House Agriculture Committee Chairman Mike Conaway (R-Texas) said he was encouraged after being briefed yesterday on current trade negotiations by U.S. Trade Representative Michael Froman. Conaway said that during the briefing, Agriculture Committee members asked Froman about the importance of Trade Promotion Authority (TPA) and both the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (T-TIP) negotiations, as well as issues related to the World Trade Organization.

In a news release, Conaway said, “Although challenges remain, I was encouraged by our discussion today and believe Ambassador Froman is committed to working toward trade agreements that benefit all of U.S. agriculture.”

Froman has been aggressively seeking support for TPA, legislation that gives a president the authority to negotiate a treaty which would be subject to just an up or down vote in Congress, with no amendments. He argues that would help in the TPP negotiations with Pacific Rim nations and with T-TIP talks with the European Union. For more information at <http://tinyurl.com/conaway-froman-trade>.

### **Rounding Out Beef Demand Numbers for 2014**

As cattle producers from across the country gathered this week for the Annual Cattle Industry Convention, Kansas State University Department of Agricultural Economics Associate Professor Glynn Tonsor gave an update on beef demand numbers for the end of 2014.

“For the fourth quarter of 2014, demand was up notably – 13.2 percent – a very large increase, and that follows up on two particularly good quarters when the third quarter was up over 9 percent and the second

quarter was over 5 percent,” Tonsor said. “It’s a really good way to wrap out 2014 compared to the fourth quarter of 2013.

“Going into 2014, it was pretty much known that U.S. consumers were going to be presented fewer beef pounds, and in econ speak, if demand was flat, that would’ve led to higher retail prices,” he continued. “And I have some kind of expectations on how much higher those would’ve been. The fact that those prices were even higher than anticipated tells me beef demand improved.

“I have a hard time separating the fourth quarter from the previous couple of quarters. I recognize that numerically it was stronger than the past two. But we continue to have a pull-down of available supplies, and basically, the ability to pass on those prices kept going up and up and up. But it’s really just a continuation of Q2 and Q3, so I don’t want to overreact to just the fourth quarter. It’s really a continuation of a good story from the previous couple quarters. And at the end of the day, I think the public has been surprisingly willing to pay higher prices.”

According to Tonsor, the higher prices observed in 2014 were driven by a combination of tight supply and strong demand. He said that as the tight supply portion of the scenario eases, the role demand plays will become even more obvious.

To hear Tonsor’s entire commentary on beef demand, go to <http://tinyurl.com/tonson-beef-demand-audio>.

### **Producer Support of Beef Checkoff Remains Strong**

Three out of four producers support the beef checkoff, while the number of those who disapprove of the program – just 11 percent – is the lowest in program history, according to a recent survey of 1,209 beef and dairy producers nationwide.

The random survey, conducted by the independent firm Aspen Media & Market Research in late December 2014 and early January 2015, found an overwhelming majority of beef and dairy producers continue to say their beef checkoff has value for them in many ways.

- 81 percent of producers say the beef checkoff has helped to contribute to a positive trend in beef demand.
- 72 percent of producers say the beef checkoff contributes to the profitability of their operations.
- 76 percent say the checkoff is there for them in a crisis.
- 76 percent say the checkoff represents their interests.
- 66 percent of producers believe the checkoff is well managed.

“Despite a great deal of discussion about the future of the checkoff, along with being challenged by critics of the checkoff and groups who would like to see us go out of business,” says Producer Communications Working Group (PCWG) Chair Jeanne Harland, “beef and dairy producers continue to value their checkoff for building demand, contributing to their profitability and for representing their interests. And with all that has gone on in the past six months, I believe it’s significant that the fewest number of producers in the history of the program say they ‘disapprove.’”

Find a summary of the research findings at <http://tinyurl.com/checkoff-support-study>. For more information about your beef checkoff investment, go to [MyBeefCheckoff.com](http://MyBeefCheckoff.com).

### **2014 Beef Board Annual Report Available**

The 2014 CBB Annual Report is now available at <http://2014annualreport.beefboard.org/>. Beginning this year, the report is wholly electronic, with no hardcopies available, but the publishing program used allows for transformation to a PDF document for easy printing.

Included in the report are fiscal year 2014 financials from the auditing firm of CliftonLarsenAllen, LLP, as well as summaries of results from each Beef Board budget category, including promotion, research, consumer information, industry information, foreign marketing and producer communications.

The goal of the publication is to demonstrate to beef producers and importers who pay into the checkoff not only how their dollars are being invested, but also the results of those investments.

“As we reflect on 2014, I am pleased to say that there is no shortage of achievements to report from our national Beef Checkoff Program,” CBB Chairman Kim Brackett notes in her opening letter in the report. “Given the ongoing budget challenges we have experienced, I am proud of what we accomplished with our Beef Checkoff Program in fiscal 2014, and I think our entire industry should be excited about those successes!”

“As always,” Brackett continued, “we had more than our share of challenges – drought, misinformation about our industry and product, and our acutely tight supply situation. But what will become clear to you as you read this annual report is that we have made progress in our efforts to improve the beef industry’s position in

the marketplace in recent years by improving consumers' understanding of our industry and strengthening their preference for our product.”

All CBB annual reports since the start of the national checkoff program are available at [www.MyBeefCheckoff.com](http://www.MyBeefCheckoff.com) under the “Resources” tab.

### **Friona Industries, L.P. Receives Texas Mutual's Top Honor for Workplace Safety**

Following through with the mission to make Texas a safer, more productive place to do business, Texas Mutual Insurance Company recognizes policyholders each year who exemplify a strong commitment to employee safety. Friona Industries, L.P. was one of only 200 businesses out of 60,000 policyholders to receive the Texas Mutual Safety Award.

To qualify for this honor, a company must demonstrate its dedication to workplace safety by implementing an exemplary safety program and controlling workers' compensation losses.

“Friona Industries, which has been a long-time participant of the TCFA Safety Services and Workers' Comp programs, has always been some of the first at the table to discuss better ways of keeping their employees safe,” said TCFA Regulatory Manager Brady Miller. “They're known for embracing innovation to execute their safety goals, always keeping employee well-being top-of-mind, and we congratulate them on this honor.”

### **Merck and DVAuction Team Up to Deliver Real-Time Feeder Cattle Prices**

Merck Animal Health and DVAuction, Inc., announced the launch of Cattle Market Central (CMC), a new website that is an extension of Beef Market Central. CMC provides timely and accurate feeder cattle prices in real-time, providing feeder cattle class and weight offerings, as well as prices updated automatically throughout the day from more than 45 auction markets.

Cattle producers can test CMC with a free, four-week complimentary trial from Merck Animal Health. Interested producers can simply visit [cattlemarketcentral.com](http://cattlemarketcentral.com) to sign up.

“This site was developed with extensive input from cattle producers and designed to help address their critical real-time needs in this digital age,” said Jim Miles, Merck Animal Health senior marketing director. “We've had 275 producers test the site to ensure that it provides what cattlemen want, and we've gotten excellent feedback about its ease of use and value.”

For more information about CMC, go to [cattlemarketcentral.com](http://cattlemarketcentral.com).

### **2015 Fed Beef Challenge**

The best cattle in Cattle Feeding Country will make their way to the historic Amarillo Livestock Auction on Wednesday, April 15 for the 2015 TCFA Fed Beef Challenge. Feedyards from throughout the TCFA area will bring top quality steers, heifers, as well as Holstein steers, to compete for awards, cash and bragging rights. In addition to the carcass contest to determine the best beef, there will be a live evaluation contest, steak feed and special activities benefiting the TCFA Education Foundation. Watch future editions of the *Newsletter* for further details. Contact Jason Slane at (806) 358-3681 or [jason@tcfa.org](mailto:jason@tcfa.org) for more information, or visit <http://tinyurl.com/tcfafbc>.

### **Calling All Junior Cattle Feeders**

The start of the 2015 Junior Fed Beef Challenge is just around the corner. Junior cattle feeders from all across Cattle Feeding Country will compete for more than \$20,000 in scholarships, cash and prizes by participating in four phases of the event, including carcass merit, record keeping, a written exam and oral presentation or interview. Steers can be validated March 1 – March 28. Find all contest details at <http://tinyurl.com/tcfajfbc>, or contact Jason Slane at (806) 358-3681 or [jason@tcfa.org](mailto:jason@tcfa.org).

### **TCFA Dues Rebate Criteria and Forms Available**

If you fed 10,000 head or more in 2014, you may apply for a dues rebate. The rebate applies to the cumulative number of cattle fed by a single feeding entity. Rebate applications must be completed and returned to the TCFA office by April 15. For more information, contact Jason Slane at [jason@tcfa.org](mailto:jason@tcfa.org).

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