



TEXAS CATTLE FEEDERS ASSOCIATION NEWSLETTER

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TCFA Comments Oppose EPA Greenhouse Gas Reporting Rule. This week, TCFA filed comments opposing an EPA proposed rule that would require reporting of greenhouse gases (GHGs) emitted from manure management systems at livestock operations, including methane (CH₄) and nitrous oxide (N₂O). For now, EPA has excluded GHGs from enteric fermentation of ruminant animals.

As compared to total GHG emissions, cattle producers are a very minor source. In fact, the relative contribution of GHG emissions from beef cattle manure management activities was only 0.127% of total GHG emissions in 2007. This regulation would be a significant financial and administrative burden on cattle feeders and would not provide data that is useful in addressing EPA's long-term goal of reducing major sources of GHG emissions.

EPA would require feedyards to collect "fresh" monthly manure samples for analysis of volatile solids (organic matter) and nitrogen content. Results would be used to calculate methane and nitrous oxide emissions from the feedyard surface and retention ponds.

In the proposal, EPA incorrectly calculated the emissions. As proposed, EPA suggested that a feedyard with 88,923 head one-time capacity would exceed the 25,000 metric ton reporting threshold.

However, after consultation with research scientists and engineers and further review by TCFA staff, numerous errors were identified. EPA's proposal would actually require feedyards with 40,800 head to report GHG emissions on an annual basis.

Because cattle feeders are such a small source of GHG emissions, producers should be allowed to voluntarily reduce GHGs by creating offsets for use by regulated industry as a way to reduce economic burdens imposed by a mandatory cap and trade program. The extensive comments filed by TCFA are posted on the TCFA website at http://www.tcfa.org/greenhouse_gas/GHG_Comments-2009-06-12.pdf.

The America Clean Energy And Security Act Of 2009 (H.R. 2454), which was approved by the House Committee on Energy and Commerce last month, faced much more opposition this week when it was considered by the House Committee on Agriculture. Many of the committee members expressed opposition to the bill because they believe that it would significantly increase farm and ranch input costs (like fuel and fertilizer) without providing agricultural producers with an effective carbon sequestration program to offset those increased costs. "Cap and trade is nothing more than a national energy tax, and the effects will be far reaching to businesses, consumers, and even more so to farmers and ranchers. Whether it's the fuel in the tractor, the fertilizer for the crops, or the delivery of food to the grocery store, agriculture uses a great deal of energy throughout production. The national energy tax included in this legislation would be devastating to our farmers and ranchers," said Agriculture Committee Ranking Member Frank Lucas (R-Okla.).

As currently drafted, TCFA staff does not believe that this legislation would apply to CAFO emissions, including enteric fermentation; however, this exemption is not explicit and could likely be interpreted differently by EPA in the future. In addition, staff is also concerned that S. 1062 would require EPA to develop performance standards to reduce greenhouse gases such as methane, which would likely include animal agriculture. TCFA staff will continue to work with members of the House of Representatives to address these concerns as the bill makes its way to the floor.

If EPA Grants A Petition To Allow A 50% Increase In The Allowable Limits Of Ethanol In Gasoline, it will mean higher commodity costs for livestock, poultry and food producers, according to two new studies released by Advanced Economic Solutions and FarmEcon LLC. The studies were completed on behalf of the Grocery Manufacturers Association and National Turkey Federation, respectively.

"Barring a change in government support for ethanol, if the EPA allows blends of more than 10% ethanol, our study projects that by 2015 up to 110 million acres of corn will be planted, constituting the

highest number of acres planted since WWII and nearly a 20% increase over the baseline," said Bill Lapp, president of Advanced Economic Solutions. This compares to current plantings of 85 million acres.

Lapp's study also examined the potential for a serious shortfall of availability in the corn market, particularly if the blend wall is raised.

"U.S. corn yields have been 7% or more below trend roughly one out of every four years. A 7% yield loss would equate to over 1 billion bu., more than the projected carryout during 2010-2015 in the E-10, E-12 or E-15 scenarios," explained Lapp, who went on to say that "raising the blend rate will exacerbate an already precarious situation in the corn markets."

Farm Econ LLC's study focused on the effects that increasing the allowable ethanol blend levels in motor fuel will have on the price of corn fed to livestock and poultry. "As a result of the combined effect of the higher blend limits and the RFS increase, the 2010 cost of corn to the U.S. economy is forecast to increase by another \$1 per bushel, or another \$12.4 billion in total.

"U.S. biofuels policies and regulations contain inherent contradictions and have also resulted in significant economic damage to diverse sectors from inside and outside of the energy industry. Increasing the maximum blend of ethanol in gasoline, combined with higher 2010 Renewable Fuels Standard requirements, will increase cost pressures on both ethanol and food producers," said Tom Elam, president of FarmEcon LLC.

To view the Advanced Economic Solutions study go to <http://www.foodbeforefuel.org/files/LappE15June09.pdf>.

To view the FarmEcon LLC study, go to <http://www.foodbeforefuel.org/files/Elam%20blend%20rate%20issues%20FINAL.pdf>.

Meanwhile, another recent study released by the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri, offers a different take. The FAPRI analysis suggests that allowing 15% ethanol blends would elevate corn prices by just 1.1%. To see FAPRI's report, go to http://www.fapri.missouri.edu/outreach/publications/2009/FAPRI_MU_Report_04_09.pdf.

U.S. Senator Jon Tester (D-Mont.) Has Introduced The Beef Checkoff Modernization Act (S. 1062). This legislation would increase the number of industry groups eligible to contract with CBB for Beef Checkoff funded contracts; require 30% of the Checkoff product marketing budget be used to promote beef derived from cattle exclusively born and raised in the U.S.; and require a producer referendum anytime changes are proposed in the assessment level, contracting requirements, oversight, administration or organizational structure of the program or collection or allocation of proceeds. TCFA has serious concerns with this legislation because it would significantly limit the effectiveness and efficiency of the Beef Checkoff. Requiring a producer referendum to approve the day-to-day operations of the Beef Checkoff would be unwieldy, extremely costly and usurp the authority and functions of the CBB. Such a scenario would be similar to requiring a general election of the American people to vote on every bill introduced in Congress or ordinance before a city council. Additionally, parts of the bill are unnecessary because the Beef Checkoff can already be used to promote beef derived from cattle exclusively born and raised in the U.S. TCFA staff will continue to monitor this legislation.

Ag Appropriations: On Thursday, the U.S. House Appropriations Subcommittee on Agriculture, Rural Development and the Food and Drug Administration marked up the FY 2010 appropriations bill, which includes \$22.9 billion in total discretionary spending – a \$2.3 billion increase from FY 2009. TCFA staff is still combing through the bill to identify specific program funding, but we have determined that it makes significant investments in agricultural research. The bill provides total funding levels of nearly \$1.2 billion for the Agricultural Research Service (ARS) and nearly \$1.25 billion for the Cooperative State Research, Education, and Extension Service (CSREES) – almost \$82 million over the Obama Administration's budget request.

The bill also eliminates funding for the National Animal Identification System (NAIS). Explaining the rationale for zeroing out NAIS funding, Chairwoman Rosa DeLauro (D-Conn.) said, "After receiving \$142 million in funding since Fiscal Year 2004, APHIS has yet to put into operation an effective system that would provide needed animal health and livestock market benefits. USDA is currently conducting a public listening tour around the country for several months to hear from stakeholders. Until USDA

finishes its listening sessions and provides details as to how it will implement an effective ID system, continued investments into the current NAIS are unwarranted."

A summary of the funding provided by the bill is available at http://delauero.house.gov/files/FY2010_Ag_Summary.pdf.

Food Safety Legislation: On Wednesday, the U.S. House Energy and Commerce Subcommittee on Health approved the Food Safety and Enhancement Act of 2009. TCFA and NCBA have serious concerns with some provisions in the bill and are working to resolve these issues prior to the bill's consideration by the full committee. Specifically, the legislation would undermine USDA's regulatory authority for ensuring the safety of meat and poultry products by authorizing the FDA to conduct on-farm inspections. FDA does not have the money, employees or expertise to properly oversee the livestock and poultry industry. The bill would require the FDA to create a tracing system for the complete pedigree of all food, including meat, which is not regulated by the FDA. The legislation also would give the FDA the authority to create farm safety standards, including manure use and animal control, which are outside of the expertise of FDA and already handled by several other, more knowledgeable regulatory agencies. This type of on-farm system would increase production and technology costs for cattle producers and would be overly burdensome for both producers and FDA.

In addition, the bill would grant the FDA authority to quarantine a geographical area during a food health emergency. Giving the FDA this type of authority would only serve to confuse and disrupt the strong, proven food-emergency response process that has worked for decades through a collaborative effort between USDA, DHS and the States. TCFA and NCBA are also concerned that the bill would open the door for mandatory meat recalls by the FDA, instead of the very successful voluntary recall process currently conducted by USDA.

"The U.S. has the safest and most abundant food supply in the world, and we must continue to work hard to keep it that way. It is imperative that we maintain the sound, scientific food safety system we have in place today to protect our consumers and our industry. And although well intentioned, many of the provisions in this bill will do little to improve beef safety, while diverting scarce FDA resources away from other areas where they are truly needed," said TCFA Director of Government Relations Josh Winegarner.

Texas Governor Rick Perry Has Announced That He Will Convene A Special Session of the Legislature this summer, but the exact time and agenda for the session have not been released. The Governor sets the agenda of a special session but may expand the list of topics at any time. By law, a special session may not exceed 30 days, but there is no limit on the number of special sessions that may be called. Several state agencies, including the Department of Transportation and the Department of Insurance, were not reauthorized under the sunset process prior to the adjournment of the regular session of the Legislature; it is widely believed that these matters will be addressed during the special session.

TCFA is also urging the Governor to add eminent domain reform to the agenda in order to provide landowners with the private property rights protection they deserve. Comprehensive eminent domain legislation (SB 18) was approved by the Senate during the regular session but was not considered in the House and failed to pass due to procedural time constraints. The bill provided significant and long-sought landowner protections – including requirements that authorities involved in the taking of property provide accurate and timely information, negotiate in good faith, provide adequate compensation for impairment of access and allow previous property owners to repurchase taken property (at the original sales price) if not used for the stated purpose within 10 years.

Texas Agriculture Commissioner Todd Staples agrees that eminent domain needs to be addressed. "There are several matters that were casualties of the regular session that need to be tackled – eminent domain reform is without a question or doubt one of these essential topics," said Staples.

USDA's June Supply And Demand Report Provided Mixed Signals. The report's data came very close to pre-report estimates, which caused traders to think the report was already factored into the market. At the same time, the report is starting to pull down new crop production and ending stocks that are the result of the unusually late planting rates. Corn acres were left unchanged at 85 million planted but are expected to decline in the June 30 Crop Production Report. The projected corn yield was reduced by two bu. per acre to 153.4 bu. per acre as a result of the late planting progress. The

reduced yields lowered the production estimate to 11.9 billion bu., a reduction of 155 million bu. The reduced production forecast in turn caused a reduction of 100 million bu. in the feed and residual category and a 55 million bu. reduction in the ending stocks projections. Feed, seed and industrial usage and ethanol usage were all left unchanged. Probably the most critical aspect of the report is that it is starting to pull down the projected supply number for the coming crop, which will place usage for the year above production. USDA did increase the projected average price range to be between \$3.90 and \$4.70, up 20¢ per bushel. Any additional reductions in subsequent reports could cause the corn market to become very volatile.

A Sow Retirement Program Is Being Launched By A Group Of Pork Producers. The Producer Retirement Program (PRP) is a non-profit operation that will operate like a co-op. *Meatingplace.com* reported that hog producers can join PRP by paying \$20 per sow up front or by paying 25% up front and financing the balance over two years. Sign up will begin by June 17. Producers will have until July 10 to subscribe and until July 31 to fund their subscription. Bids from producers who want to retire their sow herd will be accepted until July 17, and the first bids will be awarded July 24. Iowa hog producer Chuck Witz said bids will be awarded until PRP runs out of money or bids. The plan calls for harvesting 10,000 to 12,000 sows per week. For more information, go to <http://www.producerretirementprogram.org/>.

Russian Bans On U.S. Meat Will Apparently Remain In Place, at least for the time being. Following a trip to Russia, U.S. Trade Rep. Ron Kirk expressed hope that Moscow's desire to join the WTO would prompt a lifting of the bans. But, *Reuters* quotes a Russian produce official as saying his country wants more data from Washington before considering such action. Citing concerns about the H1N1 virus, Russia blocked shipments of a wide variety of U.S. meat including all meat products from Texas and three other states.

The Animal Agriculture Alliance Has Issued A News Release To Rebut a new advertising campaign that attacks the use of antibiotics by the livestock industry. As reported in last week's *TCFA Newsletter*, the Pew Campaign on Human Health and Industrial Farming has purchased ad space inside Washington D.C. Metro stations and trains. Aimed at lawmakers and their staffs, the ads claim that excessive use of antibiotics by livestock producers is leading to the development of deadly strains of drug-resistant bacteria that can be spread to humans.

In disputing Pew's ads, the Alliance's release says, "America's veterinarians, farmers and ranchers use FDA-approved antibiotics to treat, prevent and control disease which ensures the health and well-being of animals, as well as the safety and healthfulness of the food consumers are eating." Another point made in the release: "Emerging evidence documents the unintended consequences that can result when policy decisions about antibiotic use are not driven by science and risk assessment. There is clear evidence today from Denmark and The Netherlands that the removal of antimicrobial growth promoters resulted in more animal death and disease, which in turn led to an increased use of antibiotics to treat animal disease, and little evidence that antibiotic resistant rates in humans decreased."

The Alliance release also notes that, "Most scientists agree that improper use of antibiotics in human medicine is the greatest contributing factor in the formation of resistant bacteria affecting humans; not usage in animals like these ads falsely claim."

To see a full copy of the Alliance's release, go to http://animalagalliance.org/current/home.cfm?Section=2009_0605_Misleading&Category=Press_Releases.

Argentina Is Struggling To Produce Enough Beef to meet its own country's demand, *BEEF* magazine reports. Once the world's largest beef exporter, Argentina might have to import up to 1 million tons of beef next year to satisfy its growing domestic appetite for beef. *BEEF* reports that as Argentina's beef consumption escalates, its national herd has stabilized at 50 million head.

The Texas A&M Beef Cattle Short Course is Aug. 3-5 in College Station. Scheduled demonstrations include cattle handling, pen design, carcass quality, cattle selection and business

management. For more information and to register, go to <http://animalscience.tamu.edu/ansc/BCSC/index.html>.

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