



# TEXAS CATTLE FEEDERS ASSOCIATION NEWSLETTER

5501 I-40 WEST

AMARILLO, TEXAS 79106

806 / 358-3681

Volume 43, Number 39

September 25, 2009

**EPA Will Begin Requiring The Collection Of Greenhouse Gas (GHG) Data** from large emitters on Jan. 1, 2010 under a new reporting system. This first-time ever program will cover approximately 85% of the nation's GHG emissions and apply to roughly 10,000 facilities, according to an EPA news release.

One of the significant changes from the proposed rule includes revised calculations and assumptions used to determine a reporting threshold for livestock manure management systems. For cattle feedyards, EPA will require annual reporting if the average annual cattle inventory at a feedyard is more than 29,300 head. This is in stark contrast to the proposed rule, in which EPA indicated the reporting threshold would be 89,000 head, (although EPA's estimates were plagued with a series of flaws). EPA will not include emissions from enteric fermentation – emissions from the cattle themselves.

Beginning Jan. 1, 2010, feedyards must keep records on cattle inventories that will be used to determine the average annual cattle inventory. Beyond cattle inventory, EPA has defined many of the inputs to the equations, such as nitrogen excretion rates, maximum methane potential, nitrous oxide emissions, etc. The first report, which will cover emissions for calendar year 2010, will be due March 31, 2011.

TCFA had filed extensive comments in opposition to the proposed rule and identified several areas where EPA led cattle producers astray. TCFA staff will now develop information and reporting guidelines for feedyards to comply with another final regulation issued by the current administration.

EPA says the new reporting system will provide a better understanding of where GHGs are coming from and will guide development of policies and programs to reduce emissions. However, EPA readily admits that all of agriculture in the U.S. generates only 7% of the greenhouse gases in the country. Furthermore, greenhouse gas emissions from all livestock manure management systems account for less than 1% (0.8%) of all U.S. emissions, and manure management systems from the beef sector emit only 0.12% of total greenhouse gas emissions.

The final regulations (hundreds of pages) on the new reporting system and reporting requirements can be accessed by going to <http://www.epa.gov/climatechange/emissions/ghgrulemaking.html>.

Members can also contact TCFA Vice President Ben Weinheimer at [ben@tcfa.org](mailto:ben@tcfa.org) for more information.

## 2009 Convention Checklist For TCFA Members:



**Ambassador Hotel Reservations:** If you are planning on staying in Amarillo for the TCFA Annual Convention, you better act quickly. Rooms are going fast at the Ambassador Hotel, and the cutoff date to reserve your room for Convention is Monday, Sept. 28. Call the Ambassador Hotel today at (806) 358-6161 or log on to <http://www.ambassadoramarillo.com> and use the group name TEXASCAT to guarantee your room.

**Plan Some Fun at the Convention Sporting Events:** Dust off your clubs and practice your chip shot or polish your gun barrel and prepare to take aim at the clay pigeons. Either way you and your cattle feeding friends will have a great time at the golf tournament or sporting clays tournament at Convention. Make sure to include your plans to participate in the sporting events when you fill out your registration form.

**Return Registration Form to TCFA:** John Gillcrist returned his registration form to TCFA and was lucky #100. For his efforts John will receive a free \$125 member registration. Registrations are coming in daily. Watch the coming weekly editions of TCFA *Newsletter* and see who will be lucky #200, #300, #400, #500.... It could be you!

Check these things off your list today. For more information and to register for Convention, log on to <http://www.tcfa.org>, or call the TCFA office at (806) 358-3681. See you in Amarillo!

**Corn Growers Fear Sticker Shock From RFS-2:** A study commissioned by the National Corn Growers Association tallies the high cost of proposed regulations by EPA to implement the expanded Renewable Fuel Standard. The study found that the up-front cost to the ethanol industry for compliance with the new regulations could reach \$30 million with annually recurring compliance costs reaching up to \$420 million.

Higher costs for ethanol producers mean increased costs for corn growers, said Steve Ruh, chairman of NCGA's Ethanol Committee.

"Paperwork has a price," Ruh said. "At a time of economic recession, the last thing any industry needs are new regulations – especially unneeded recurring reporting requirements – that can cost up to a half-billion dollars a year."

If an acreage trigger approach were used by the EPA, the recurring costs would be minimal compared to ongoing verification. With corn yields on the rise, a shift in corn acreage above the 2007 crop trigger is not expected at this point, and the recurring costs would be \$15 million per year.

Ruh pointed out that, at the farm level, the cost of the new regulations will mainly take the form of extra management and recordkeeping time associated with the "renewable biomass" definition. It is also possible that in some parts of the country other costs will be forced down to the farmer level of the supply chain.

"Because of unnecessary paperwork, farmers also may be forced to shuffle corn among buyers in the limited situation where they might produce corn on acres that don't meet the stringent EPA regulations," Ruh said. "They then would resort to delivering corn from previously cultivated land to ethanol facilities, while delivering corn from newly cultivated land to other markets."

The report, "Compliance Costs Associated with the Proposed Rulemaking for RFS2," was prepared by Informa Economics. To read the full report, go to

<http://www.ncga.com/files/pdf/RFS2RegulatoryComplianceCostReport9-21-09.pdf>.

**Congress Looks At How To Regulate Derivatives:** The House Agriculture Committee held hearings this week to receive testimony about regulating derivatives and Over the Counter Markets (OTC). Besides testimony from industry experts, both CFTC Chairman Gary Gensler and SEC Chairman Mary Schapiro testified before the committee to provide an overview of the joint recommendations from the agencies. Those recommendations include new regulations for derivative markets and dealers and a call to move derivatives from over the counter to exchange-traded vehicles that include centralized trading. The agencies are asking for rulemaking and enforcement authority. They are also asking for oversight and regulatory authority of U.S. trade on foreign boards of trade. Opponents of the proposed heightening of regulation say an increase in margin requirements for exchange-traded positions would limit industries' risk management capabilities because of costlier equity obligations.

### ...TCFA At Work For You...

#### In Recent Weeks, TCFA Staff:

- Joined with TCFA leaders to represent members in Washington in congressional and agency visits on several issues of importance to cattle feeders, including climate change, Clean Water Restoration Act, food safety, maintaining the use of antibiotics, ethanol and preventing restrictions on cattle ownership and marketing.
- Met with members of a distiller's grains research team to hear updates and progress on current cattle feeding trials. Research organizations associated with a TCFA-supported research program include Texas AgriLife Research, Texas AgriLife Extension Service, West Texas A&M University, Texas Tech University and USDA-Agricultural Research Service.
- Successfully completed another semi-annual USDA audit of TCFA's Quality Systems Assessment Program for age verification of cattle destined for export markets. The TCFA program has been in place since 2005 and currently has 55 feedyards participating.
- Participated in meetings with industry organizations to begin to understand the details of what's included in a Life Cycle Assessment (LCA) of beef cattle production. An LCA would attempt to quantify the amount of greenhouse gases, land use change, atmospheric change and other factors associated with a given unit of beef produced (i.e., per one pound of beef).
- Participated in regional water planning group meetings, which are working to update the regional and state water plans in 2011 to include current and projected demands and supplies.
- Represented the interests of cattle feeders as a member of the USDA Agricultural Air Quality Task Force. Ben Weinheimer attended the meeting held in Des Moines, where several recommendations were approved for consideration by Secretary Vilsack, including the development of USDA guidelines on measurement and reporting of air emissions, a USDA workshop to be held in 2010 on process-based

modeling and continued dialogue with EPA on over-sampling issues associated with dust samplers that are placed in rural/agricultural production areas.

Also TCFA Environmental Services have been working since July 20 to assist members with renewal of their Texas Commission on Environmental Quality (TCEQ) feedyard permits. The 120-day renewal window closes Nov. 17, 2009. Contact Matt Davis at [matt@tcfa.org](mailto:matt@tcfa.org) for details.

**The Beef Promotion Operating Committee Of The Cattlemen's Beef Board** recently approved a FY 2010 budget of \$42.3 million to cover 30 Beef Checkoff programs. That's up from the \$41.6 million that had been allotted in the earlier version approved by the CBB in July. The difference results from higher than expected revenue and unspent administration funds in the FY 2009 budget. Nevertheless, the Checkoff budget is down about 21% from FY 2007.

In the new budget, which still requires the USDA's endorsement, spending on programs is broken down this way:

- About \$18.5 million for promotion
- Nearly \$6.2 million for research projects
- More than \$4.8 million for consumer information programs
- About \$3 million for industry information projects including dissemination of accurate information about the beef industry to counter misinformation from anti-beef groups and others
- Nearly \$5.3 million for foreign marketing and education efforts about U.S. beef
- A total of \$1.8 million in Beef Board dollars for producer communications

In addition to the program budget, other costs to operate the national Checkoff program in FY 2010 include \$220,000 for evaluation of checkoff programs; \$130,000 for program development; \$255,000 for USDA oversight; and \$2.1 million for administration, which includes costs for all board and committee meetings, as well as office rental, supplies and equipment and salaries. A separate \$4.7 million in allocations from the Federation of State Beef Councils will further increase checkoff funding of national programs in promotion, research, consumer information, industry information and foreign marketing.

For CBB's news release on the budget, go to <http://www.beefboard.org/news/090921OCPlanofWork.asp>.

**Continuing Her Offensive Against The Use Of Antibiotics In Livestock Production**, U.S. Rep. Louise Slaughter (D-N.Y.) is requesting information from the Government Accountability Office (GAO). In a letter, Rep. Slaughter asked GAO to "review the status of federal efforts to track and monitor data on antibiotic use in animals and report on their progress in assessing and mitigating the human health risk related to antibiotic use in animals."

The letter specifically asks GAO to conduct a study to address the following questions:

- What data exist on the types and quantities of antibiotics used in food animals and on the purposes for which they are used?
- What further data do USDA, FDA and CDC believe are needed to assess and mitigate the risks to humans from antibiotic use in animals and what efforts are underway or are needed to collect these data?
- To what extent is USDA monitoring food animals and meat for the emergence of antibiotic-resistant strains of pathogens, such as E. Coli, Campylobacter, Salmonella, and Listeria?
- How effectively is FDA overseeing industry compliance with currently approved animal antibiotics and uses for these antibiotics?
- What is FDA's plan and timeframe for reevaluating the antibiotics (and antibiotic uses) that it has approved for animals?
- What efforts have USDA, FDA and CDC taken to assess the human health risks related to antibiotic use in animals, and what have the assessments shown?

Earlier this year, Slaughter filed a bill that would phase out non-therapeutic use in livestock of antibiotics that are important for medical treatment of people. TCFA and NCBA are working to oppose the bill. There is no scientific evidence that the use of antibiotics in livestock production has led to antibiotic-resistant bacteria in the human population.

**The Door To Public Nuisance Lawsuits Might Have Been Opened** by the Second Federal Circuit Court of Appeals' Sept. 21 decision against operations that emit greenhouse gases. *Connecticut v. AEP* overturned a district court decision that, in 2005, dismissed a lawsuit by several states, New York City and three non-profit conservation organizations (Open Space Institute, Inc.; Open Space Conservancy, Inc. and Audubon Society of New Hampshire) against utilities that emit carbon dioxide claiming that such emissions constitute a public

nuisance. The lower court held that the issue of climate change was a "political question" that could not be litigated.

The Second Circuit did not decide that emissions are a public nuisance. The decision allows the claims to go forward for trial.

The plaintiffs argue that greenhouse gas emissions from large coal-fired power plants are a significant cause of global warming that constitutes a public nuisance. If allowed to be litigated, such claims could result in equitable relief that might include capping or elimination of emissions. There are other such suits pending, including a Mississippi case against oil refiners for damages for emissions contributing to the damaging nature of Hurricane Katrina.

This case has potentially huge implications for any sector that emits greenhouse gases, including the agriculture and livestock sectors. Any entity emitting greenhouse gases could be sued. Because such suits could include monetary damages and/or abatement of emissions, such suits could significantly threaten agricultural operations.

**NCBA Says Weaker Dollar Suggests Changing Trade Flows:** This week has seen the U.S. dollar fall to its lowest point of the year against most currencies, including the Korean Won. It currently takes 1,206 Won to buy one U.S. dollar, compared to an average foreign exchange (FX) rate of 1,352 during the first six months of this year and a 2008 average exchange rate of 1,103:\$1U.S. This means that for the Korean consumer, U.S. beef is now 11% cheaper than it was on average during the first six months of this year, based solely upon the difference in the exchange rate (assuming beef prices were the same).

U.S. beef exports to South Korea have been far below expectations during the first seven months of 2009 due to extremely large inventories of beef imported from Australia and the U.S. in 2008, soft demand and the exchange rate; but this may be changing. Just as the U.S. dollar is weakening against the Won, the Australian dollar (A\$) is strengthening. The A\$ is currently 9% stronger compared to its average FX rate against the Won during the first six months of 2009, and 13% stronger than the 2008 average FX rate.

This would suggest that U.S. beef exports to Korea should be picking up (and anecdotal reports indicate they are). Another big reason why sales are improving is that Korea has finally been able to chew its way through the inventory it piled up late last year.

**Japan:** Supply, not demand, is the driving force behind U.S. beef exports to Japan. The 20 month and under age restriction will once again begin to limit our ability to supply that market until next spring. This is incredibly unfortunate considering the benefits that a weaker dollar is providing us in Japan. It currently takes 91.5 Yen:\$1U.S. versus 95.5:1 during the first six months of 2009 and a 103.5:1 FX rate on average during 2008. Thus, U.S. beef is 4% cheaper to the Japanese consumer than it was during the first half of this year and 12% more competitive than it was on average during 2008, which is one of the reasons why U.S. beef exports to Japan are up 18% on the year through July.

**Canada and Mexico:** The volume of U.S. beef exports to Canada is down 12% through July, but there may be cause for optimism with the Canadian dollar (\$C) appreciating to \$C1.07:\$1U.S. this week – that just happens to be the same as the average FX rate for all of 2008. U.S. beef is now 12% cheaper to the Canadian consumer than it was during the first six months of 2009.

The opposite holds true for our NAFTA partner to the South, where the current Peso 13.35:\$1U.S. rate is still well above the 2008 average rate of 11.2:1, and only 4% better than the 13.9:1 average for the first six months of this year. The comparison to last year explains much of why U.S. beef and beef variety meat exports to Mexico are off 25% through July. The FX factor has been particularly acute in terms of its effect on U.S. beef variety meat exports to Mexico, which are down 35% through July.

**The Administration's Nominee For Chief Agricultural Negotiator** for the Office of U.S. Trade Representative (USTR) is Dr. Islam A. Siddiqui. He is currently vice president for science and regulatory affairs at CropLife America, where he is responsible for regulatory and international trade issues related to crop protection chemicals. From 1997 to 2001, Dr. Siddiqui served in various capacities at USDA as under secretary for marketing and regulatory programs, senior trade advisor to the ag secretary and deputy under secretary for marketing and regulatory programs. As a result, he worked closely with the USTR and represented USDA in bilateral, regional and multi-lateral agricultural trade negotiations. Since 2004, Dr. Siddiqui has also served on the U.S. Department of Commerce's Industry Trade Advisory Committee on Chemicals, Pharmaceuticals, and Health/Science Products & Services, which advises the U.S. Secretary of Commerce and USTR on international trade issues related to these sectors. Earlier in his career, Dr. Siddiqui spent 28 years with the California Department of Food and Agriculture.

Please note: All links are still available at <http://www.tcfa.org> under Newsletter links.