BEEF BUSINESS

Compiled by Shauna Rose Hermel, editor

In this month's "Beef Business," we present industry highlights from the 2018 Cattle Industry Convention and NCBA Trade Show in Phoenix, Ariz., Jan. 31-Feb. 2.

Vitamin Shortage

What does a shortage of a substance used in perfumery have to do with the price of livestock feed supplements? Well, it's because the lemony-scented citral used in aroma and fragrance products also is important to the manufacture of feed-grade vitamins A and E.

More cattle producers are learning how important citral is when they seek answers to why some feed supplement prices are climbing. It's the kind of question asked of Purina livestock nutritionist Christina Hayes.

Hayes said there just isn't enough citral to go around, and there probably won't be for the next few months. An October fire in a manufacturing plant in Germany, plus environmental regulation issues for a plant in China, have curbed production and created a worldwide shortage of citral. The shortage affects the manufacture of vitamin A used in a variety of livestock feeds.

"It could be April before the German plant restarts and perhaps June or July before supplies to the U.S. are resumed," said Hayes.

Feed companies are responding in different ways. Some, like Purina, are manufacturing certain "non-fortified" products, while continuing to add the scarce vitamins to others. These products may be reformulated and contain lower levels of vitamin A and E than before, in order to stretch supplemental vitamin inventories.

Hayes said that supplementing vitamins has historically been so inexpensive that many feed products contained levels well above National Research Council (NRC) requirements. Some reformulated products may still contain vitamin levels that meet or exceed NRC requirements. Others may not. Hayes said cow-calf producers headed into calving season will want to know what vitamin nutrition is provided by any supplements they are using, and whether it is adequate for lactating cows.

"There is a definite need for customer education, so producers understand that there are changes happening," said Hayes. "If there is no A and E in their feed supplements, or not enough, they will need to provide vitamins through a mineral program."

— by Troy Smith, field editor

Tax Reform and You

Enactment of the first major tax reform package in 30 years includes a number of changes that will affect farmers and ranchers. Estate and succession planner Michael McCormack, with Lincoln Agri Business Services, talked about the good, the bad and the ugly implications of new tax laws.

McCormack said a significant change, and a good one, is the new permanent 21% corporate tax rate designed to stimulate corporate investment and create jobs. However, most farm and ranch business entities are not incorporated. For those, seven expanded tax brackets apply, representing moderately lower tax rates.

McCormack explained the increase in standard deductions to $12,000 for individuals and to $24,000 for married couples filing jointly. Another good thing is that "pass-through" businesses, including sole proprietors and partnerships, will be able to deduct 20% of their business income, which includes payments from cooperatives, commodity wages and farmland rental income.

Still more good is found in the improved ability to make capital investments. The new law permanently increases the amount of expenditures that can be deducted using Section 179 small business expensing from $500,000 to $1 million. "Bonus depreciation" will allow farmers and ranchers to fully write off equipment expenses in the same year they are put into service.

Among the bad changes to tax code are limits to certain deductions. McCormack said deductions for state and local property and sales taxes are capped at $10,000 per year. Mortgage deductions are capped at $750,000.

"A really big win for American farmers and ranchers is the estate tax reduction," stated McCormack. "The individual exemption has been increased to $11.2 million, and for a married couple it's $22.4 million."

However, McCormack said an ugly consequence of these changes is that it creates a false sense of security. Some people have the mistaken impression that they don't have to worry about estate or business succession planning.

McCormack emphasized that, with the exception of the 21% corporate tax, all new changes revert to former rates after December 2025. He advised the audience to use the next eight years to implement sound planning.

Even if they have plans in place, changes in tax law, individual operations and family dynamics may need to be addressed. McCormack said a variety of tools are available for customizing estate and business succession plans for individual operations.

"It's a common mistake to think, 'We're all set,' " warned McCormack. "Plans need to be reviewed and updated periodically."

— by Troy Smith, field editor

FMD Vaccine Bank

"Foot-and-mouth disease (FMD) is a disease we never want to see. We haven't had it [in the United States] for 89 years, and if we did, it would really be devastating." That was the somber message veterinarian Jim Roth, distinguished professor in the College of Veterinary Medicine at Iowa State University (ISU), shared at the NCBA Ag & Food Policy Committee meeting.

Roth, who is director for ISU's Center for Food Security and Public Health, added, "But we need to face the facts that we might see it." In preparation for such an event, Roth underscored the need for finances to fund an extensive FMD vaccine bank.

He explained that FMD, while it does not pose a public health or food safety concern, is highly contagious from animal to animal. It is not deadly to the animal, but causes painful lesions on the mouth, feet and teats. If an outbreak were to occur in the United States, it would most surely limit exports. He noted that U.S. beef, pork and dairy exports are valued at about $19 billion annually.

Veterinarian Jim Roth explained that FMD, while it does not pose a public health or food safety concern, is highly contagious from animal to animal.

Roth further explained that to combat FMD, movement of livestock is typically stopped and infected animals are "stamped out" (killed) to minimize the spread of the disease. With today's very large herds of cow-calf, dairy cows and sows — some numbering 5,000 to 10,000 — there would be no way to kill that many animals in 24-48 hours and get rid of the carcasses, he observed. With the extensive transport that occurs in today's industry and the fact that animals may shed the FMD virus for a few days before being identified as infected, the virus could spread rapidly.

Thus, Roth and other veterinarians and leaders across animal agriculture are advocating for bolstering an FMD vaccine bank to aid U.S. livestock producers should an outbreak occur. Funding to be included in the *2018 Farm Bill* is being sought.

"We need $150 million per year for five years. That's a big ask. It's a lot of money, but if you consider the potential impacts [to the ag industry], it's not that much," Roth said.

He explained that FMD is a difficult vaccine because 23 strains of the disease exist.

"So we have to maintain 23 strains because we don't know which

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one would occur," Roth said. He explained that the goal would be to have enough short-term supply of vaccine on hand for 14 weeks. In that time, once the strain is identified, more vaccine could be produced.

Currently, USDA's Animal and Plant Health Inspection Service (APHIS) manages a small vaccine bank at Plum Island, N.Y., where vaccine antigen concentrate for a limited number of FMD strains is stored — and has a limited shelf-life. In the event of an outbreak, the antigen would need to be shipped to a lab in Europe to be turned into a vaccine and shipped back to the United States.

"No FMD vaccines are made in the U.S.," Roth noted. "It's too dangerous because the virus could escape."

The Plum Island lab is slated to be shuttered in 2021, with most of the research operations moved to Manhattan, Kan.

As that transition occurs, a new and more effective FMD plan is being sought via the next farm bill. Specifically, proponents want Congress to authorize annual funding in the farm bill of $150 million for the vaccine bank; $30 million for the National Animal Health Laboratory Network; and $70 million, in block grants, for state animal health agencies to enhance their ability to respond to a foreign animal disease emergency.

Learn more about what to do in the event of an FMD outbreak at *http://securebeef.org/.* For more about the need for FMD vaccine, a white paper is available for download at *https://lib.dr.iastate.edu/vmpm_reports/8/.*

— by Kindra Gordon, field editor

Guestworker program

Proposed legislation to revamp the guestworker program for immigrant agricultural workers is again being discussed in Congress. Speaking on behalf of Congressman Bob Goodlatte (R-VA), Stephanie Gadbois, senior counsel for the U.S. House of Representatives Judiciary Committee, explained the proposed *Agricultural Guestworker Act* (AG Act), to the NCBA Ag & Food Policy Committee.

According to Gadbois, the proposed act (dubbed the "H-2C" program), which would replace the current H-2A program applied to immigrant agricultural workers seeking temporary or seasonal work in the United States, would be administered by the USDA instead of the Secretary of Labor.

"We believe a guestworker program should help farmers, not hinder them," she noted, but also emphasized that the proposed H-2C program is not a pathway to citizenship for guestworkers, Gadbois said.

Providing an overview of the AG Act, Gadbois explained 450,000 visas would be available each year for H-2C workers; 40,000 of those would be exclusive for meat- and poultry-processing workers. Returning H-2A workers and previously unauthorized farmworkers who participate legally in the new program will not count toward the annual visa limit. Additionally, the program includes an automatic escalator of up to 10% annually if the cap is reached.

The new law would give employers the ability to invest in training workers for specialized or hard-to-fill jobs by allowing workers an initial stay of 36 months. Subsequent visas for year-round agricultural jobs and all other H-2C visas would afford a work period of 18 months. The AG Act also includes touchback requirements, where H-2C workers must leave the United States for 45 days, or a time period equal to 1⁄12th of their stay, whichever is less.

The H-2C program would not require employers to provide housing or transportation, and permits contractual or at-will employment agreements.

Learn more at *https://judiciary.house.gov/wp-content/uploads/2017/10/Ag-Act.pdf.*

With Congressman Goodlatte announcing his retirement at the end of 2018, Gadbois emphasized, "Time is of the essence. We need more co-sponsors and yes votes this month." She encouraged producers to reach out to their members of Congress and encourage their support.

Gadbois acknowledged that several ag groups are trying to prevent this proposal from coming to the floor. To this she noted, "The text of the AG Act is not written in stone. We are willing to collaborate to improve this bill. Together we can improve the chances of getting the AG Act across the finish line … If it doesn't happen this year, it may not happen for many Congresses to come."

— by Kindra Gordon, field editor

Checkoff scorecard

The majority of beef producers continue to be supportive of the Beef Checkoff Program, according to findings of a recent survey. Results of survey data collected from cattle owners between Dec. 20, 2017, and Jan. 12, 2018, revealed 74% of those surveyed continue to approve of the National Beef Checkoff Program. This is a 5% increase from survey data collected a year ago.

The survey also found that producers are generally more optimistic about the cattle industry than they were a year ago. Plus, the survey indicated favorable support from producers regarding the value they gain from the checkoff. Findings included:

- 76% say the beef checkoff has contributed to a positive trend in beef demand
- 78% say the checkoff has value even when the economy is weak, 5% higher than last year
- 65% say the checkoff contributes to profitability of their operations
- 71% say the checkoff represents their interests, 4% higher than last year
- 61% believe the checkoff is well-managed

The random survey of 804 beef and dairy producers nationwide was conducted by the independent firm Aspen Media & Market Research from mid-December 2017 until mid-January 2018.

The survey did reveal one area of concern: Fewer producers (43%) had seen, read or heard anything about the checkoff in the past six months. Thus, checkoff contractors intend to improve communications efforts about checkoff-funded programs in the year ahead. In that vein, several checkoff program efforts were highlighted during the update session.

- **The U.S. Meat Export Federation continues to promote U.S. beef in foreign markets.** Large campaigns have been successful in Japan, Mexico, Korea, China and Hong Kong. Interestingly, grilling and slow-cooker cooking have proven to be successful ways to introduce more Mexican consumers to beef. In Korea, Costco made a switch to featuring U.S. beef (instead of Australian) and increased their beef sales 34%. Chef training sessions in foreign tourist regions are also proving successful in getting U.S. beef featured on menus.
- **The Northeast Beef Promotion Initiative (NEBPI) is utilizing beef checkoff funds to reach consumers in metro areas.** Efforts include hosting beef tours for urban influencers, hosting culinary demonstrations at a variety of conferences and sharing beef research with health professionals. Learn more at *www.nebpi.org/what-we-do.aspx.*
- **The American Farm Bureau Foundation is utilizing beef checkoff funds to develop educational materials for students and teachers.** Online student programming includes *MyAmericanFarm.org* and *www.purpleplow.org.* Additionally, On The Farm professional development training will be hosted for STEM and health educators at sessions in Fort Worth, Philadelphia and Portland, Ore., in 2018. Learn more about the effort at *http://www.agfoundation.org/on-the-farm.*
- **The *"Beef. It's What's for Dinner."* brand was completely revamped in 2017 to better reach consumers and share beef information and recipes.** This includes a redesigned website with interactive content, an anthem video (access at *https://www.beefitswhatsfordinner.com/raising-beef/rethink-the-ranch*) highlighting the people and sustainability practices in producing beef, and an edgy new ad campaign using the moniker "*Nicely done, beef.*"

In development for 2018 is "Chuckbot," a verbal version of the *"Beef. It's What's for Dinner."* web content that will be compatible with Alexa, Google Home and other devices. Look for a Chuckbot prototype to be launched in July 2018.

- **Also under way, the consumer test kitchen at the NCBA office in Denver is being remodeled** to accommodate larger influencer, chef and media audience groups.

— by Kindra Gordon, field editor

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Editor's Note: Troy Smith is a freelance writer and cattleman from Sargent, Neb. Kindra Gordon is a freelance writer and cattlewoman from Whitewood, S.D. This article was written as part of Angus Media's coverage of the 2018 Cattle Industry Convention and is copyrighted. See additional coverage distributed through Angus Media channels including the Angus Journal, Angus Beef Bulletin, Angus Beef Bulletin EXTRA, The Angus Report *and online at* www.angus.org.