



# Beef Business

► A look at current events affecting the cattle industry

## USPB announces agreement to sell National

U.S. Premium Beef LLC (USPB) and National Beef Packing Co. LLC (National Beef) announced March 4 they have entered into a membership-interest purchase agreement with JBS S.A. (JBS) under which JBS will acquire all of the outstanding membership interests of National Beef. Under the terms of the agreement, JBS will pay the members of National Beef total proceeds of approximately \$465 million cash and \$95 million in JBS common stock. In addition, JBS will assume all of National Beef's debt and other liabilities at closing.

The sale will combine all of National Beef's operations and facilities, including National Carriers Inc. and its ownership in Kansas City Steak Co. LLC with JBS-Swift's beef operations. National Beef President Tim Klein will become president and chief operating officer (COO) of the joint National Beef/JBS-Swift beef operations.

John Miller, chief executive officer (CEO) of National Beef, said the combined operations will have the ability to better meet the growing needs of customers both domestically and internationally.

The transaction is subject to certain conditions and will require customary regulatory approvals.

## Pasteurella culprit for many BRD cases, survey suggests

Survey results released by Boehringer Ingelheim Vetmedica Inc. March 3 suggest a portion of the nation's bovine respiratory disease (BRD) cases caused by the bacterium *Pasteurella multocida* may be rising.

According to the survey of cattle pneumonia diagnoses reported by U.S. veterinary diagnostic laboratories, *P. multocida* — long considered a secondary, even minor, cause of BRD — could play a larger role in the cattle disease.

Data from 35 members of the American Association of Veterinary Diagnostic Laboratories show that although the proportion of isolates identified as *Mannheimia haemolytica* typically outnumber those associated with *P. multocida*, the gap between the two is rapidly closing.

Visit [www.bi-vetmedica.com](http://www.bi-vetmedica.com) for further information.

## State's additional TB case means status downgrade

The Minnesota Board of Animal Health announced Feb. 19 that a Beltrami County beef cattle herd tested positive for bovine tuberculosis (TB).

This is the fourth positive herd detected since October 2007, and the Minnesota board said it will likely result in the downgrade of Minnesota's bovine TB status from Modified Accredited Advanced (MAA) to Modified Accredited (MA), as required by the U.S. Department of Agriculture (USDA) Code of Federal Regulations.

Since bovine TB was discovered in a northwest Minnesota beef cattle herd in July 2005, the disease investigation has found 11 infected beef cattle herds, all in Roseau and Beltrami counties. At the Feb. 13 meeting of the Minnesota Board of Animal Health, members approved a motion to proceed with obtaining split-state status in order to allow the majority of the state to upgrade its status, while the counties surrounding the core area affected by TB would remain MA.

For more information on TB, visit [www.bah.state.mn.us](http://www.bah.state.mn.us).

## S. Korea president expected to resume beef trade

During a visit to Washington this month, South Korea's President Lee Myung-bak is expected to express his intention of easing import regulation on U.S. beef, according to [Meatingplace.com](http://Meatingplace.com).

At press time, a U.S.-Korea free-trade agreement pact had been submitted to South Korean lawmakers, [Meatingplace.com](http://Meatingplace.com) reported.

## Food prices a growing threat

Rising food costs fueled by growing demand, oil prices and global warming have sparked a growing threat of food shortage, a Feb. 27 *Time* article noted.

According to the article, several countries are struggling to feed their people. Hungry crowds rioted in at least one African nation mid-February, and protestors in India last fall burned food-ration stores after stockpiles ran out. Food relief organizations are finding it difficult to keep up with demand as food prices skyrocket and more hungry people no longer able to afford food seek relief.

## U.S. cattle on feed up 2%

Cattle and calves on feed for harvest in the United States for feedlots with capacities of 1,000 or more head totaled 12.0 million head Feb. 1, 2008. The inventory was 2% above Feb. 1, 2007, figures but 1% below Feb. 1, 2006, figures. This is the second-highest Feb. 1 inventory since the series began in 1996.

Placements in feedlots during January totaled 1.79 million, 6% above 2007 figures but 19% below 2006 figures. Net placements were 1.73 million head.

Marketings of fed cattle during January totaled 1.86 million, 1% above 2007 figures, and 3% above 2006 figures. Other disappearance totaled 60,000 head during January, 38% below 2007 figures and 28% below 2006 figures.

**Table 1: No. of cattle on feed, placements, marketings and other disappearance, 1,000+-head-capacity U.S. feedlots, Feb. 1, 2006-2008**

	No. of head (1,000 head)			2008 as % of	
	2006	2007	2008	2006	2007
On feed Jan. 1 <sup>a</sup>	11,804	11,974	12,097	102	101
Placed on feed during Jan.	2,199	1,690	1,787	81	106
Fed cattle marketed during Jan.	1,810	1,841	1,858	103	101
Other disappearance during Jan. <sup>b</sup>	83	97	60	72	62
On feed Feb. 1	12,110	11,726	11,966	99	102

<sup>a</sup>Cattle and calves on feed are animals for harvest being fed a ration of grain or other concentrates and are expected to produce a carcass that will grade USDA Select or better.

<sup>b</sup>Includes death loss, movement from feedlots to pasture and shipments to other feedlots for further feeding.

Source: National Agricultural Statistics Service.

### **Plant will likely close doors**

The Chino, Calif., packing facility responsible for the largest meat recall in U.S. history will likely shut down permanently, according to *Reuters*.

Westland/Hallmark Meat Co. general manager Anthony Magidow told *The Wall Street Journal*, "I don't see any way we could reopen." Especially if the USDA seeks payment for losses, Magidow added.

### **More synthetic drugs allowable for organic livestock**

The Agricultural Marketing Service (AMS) has published a final rule amending the National Organic Program's National List of Allowed and Prohibited Substances to allow some synthetic substances to be used in organic livestock production, the American Veterinary Medical Association (AVMA) reported.

According to AVMA, veterinarians may now use the following synthetic drugs, under certain restrictions, in organic livestock production: atropine, butorphanol, flunixin, furosemide, magnesium hydroxide, poloxalene, tolazoline and xylazine. USDA determined that the record supported the need for livestock medications in the interest of humane treatment, AVMA stated. In most cases, longer withdrawal periods are specified

for organic production vs. traditional methods.

### ***E. coli* vaccine one step closer to reality**

Bioniche Life Sciences Inc., a Canadian biopharmaceutical company, announced early February it received notice from USDA that "the latest data for its *E. coli* O157:H7 cattle vaccine meets the 'expectation of efficacy' standard and is eligible for a conditional license."

According to Bioniche, the conditional license, once granted, would provide the company with full access to the U.S. market. Two conditions must be met for that to occur: 1) At least one step in the manufacturing process must be performed in the U.S., and 2) Bioniche will not be permitted to use a trademark name for the vaccine.

According to a company release, the Bioniche vaccine would be "the world's first vaccine that may be used as an on-farm intervention to reduce the amount of *E. coli* O157:H7 shed by cattle."

### **Canada confirms its 12th BSE case**

A six-year-old dairy cow from Alberta has become Canada's latest case of bovine spongiform encephalopathy (BSE), the

country's animal health officials reported late February.

According to the Canadian Food Inspection Agency (CFIA), the cow's carcass was under government control as of press time, and no part of it entered the human food or animal feed systems. The age and location of the infected animal are consistent with previous BSE cases, CFIA officials said, and the finding isn't expected to affect Canada's controlled risk status recognized through the World Organization for Animal Health (OIE).

Canadian investigators are conducting an epidemiological investigation to identify the animal's herd mates at the time of birth and potential pathways by which it might have become infected. A report will be released once the investigation is completed, according to CFIA.

### **USDA raises 2008 ag exports forecast**

At the USDA Agricultural Outlook Forum, Agriculture Secretary Ed Schafer announced that U.S. agricultural exports are forecast to reach a record \$101 billion for fiscal year (FY) 2008, up \$10 billion from November's forecast and an unprecedented \$19 billion above 2007. This latest forecast

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builds off of unprecedented consecutive year-to-year record exports since 2004. Higher wheat, coarse grain and soybean prices account for just more than half of the revision since November.

Exports of animal and horticultural products are forecast to rise a combined \$3.5 billion in 2008 to record levels. The next quarterly report will be issued on May 31.

### **Smithfield cuts sow herd**

Smithfield Foods Inc. announced Feb. 19 plans to reduce its U.S. sow herd by 4%-5%, or 40,000 to 50,000 sows. According to Smithfield, this ultimately will result in production of 800,000 to 1 million fewer market hogs annually.

C. Larry Pope, president and CEO, cited increased grain costs as a reason for the reduction. The company will begin phasing in these reductions immediately, a company release stated. For more information, visit [www.smithfieldfoods.com](http://www.smithfieldfoods.com).

### **Researchers map corn genome**

Saint Louis, Mo., researchers led by Washington University have mapped the corn plant's genome and have posted

findings on the Internet, according to *The Associated Press (AP)*.

The findings are expected to have numerous effects on agriculture. Production of corn — a high-demand grain for food, feed and fuel outlets — could increase, with new varieties standing up to environmental stresses and producing more yield.

### **National Stocker Award applications due May 1**

Applications are now being accepted for the 2008 National Stocker Award, which recognizes stocker operators and backrounders for their contributions to the industry. The application form, which is available at [www.nationalstockeraward.com](http://www.nationalstockeraward.com), can be used for all three categories of recognition, including fall-winter stocker program, backgrounding/drylot program and summer stocker program. Completed forms are due Thursday, May 1.

### **USDA, DOE to invest up to \$18.4M for biomass projects**

Secretary Schafer and U.S. Department of Energy (DOE) Secretary Samuel Bodman announced that, combined, USDA and DOE will invest up to \$18.4 million over three years for 21 biomass research and development (R&D) and demonstration projects. These projects specifically aim to address critical barriers to making production of biomass more efficient and cost-effective. For a list of entities selected as grant recipients, visit [www.usda.gov](http://www.usda.gov).

## **Washington Watch**

### **Agriculture without a new farm bill**

A 14-page report prepared by USDA and approved by the Office of Management and Budget (OMB) analyzes the effect to current USDA programs should Congress extend the 2002 Farm Bill or fail to enact a new Farm Bill. At press time, lawmakers had not done either.

The report, which was released Feb. 29, was conducted at the request of senior House and Senate agriculture committee staff, USDA reported.

According to USDA, provisions of the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 would again become legally effective. Such a result would “dramatically narrow the universe of producers who receive support, and would do so in a way that most producers will view as irrational,” USDA reported.

Minimum price support rates would rise significantly for several commodities, and conservation and trade programs would be severely affected.

Although the basic farm loan program activities would continue, a number of farmers currently eligible for farm loan program loan guarantees would cease to be eligible, and beginning farmers and ranchers would no longer benefit from direct loan funds. (A link to the USDA document is available at [www.usda.gov](http://www.usda.gov).)

The report follows remarks made by Secretary Schafer and Deputy Secretary Chuck Conner Feb. 19 calling the Senate's latest Farm Bill proposal “a step away from passing a Farm Bill.”

“The Senate's most recent Farm Bill proposal recommends increases in taxes and significantly grows the size and scope of government while failing to implement much needed reform in our current Farm Bill programs,” Schafer and Conner stated. “We are disappointed that the Senate has not joined the House in proposing a package that seeks fiscal discipline and real reform while providing a true safety net.”

Although the President has stated he will not support a bill that raises taxes and uses taxpayer dollars, Schafer and Conner argue that this is what the Senate proposal does.

Schafer and Conner said they will continue to encourage the House and Senate to work together to quickly agree on a Farm Bill that the President can sign.

## USDA faces congressional grilling, lawsuit

Triggered by the Feb. 17 recall of 143 million pounds (lb.) of meat, lawmakers convened Feb. 27-28 to debate U.S. food safety regulations and question agriculture and food industry representatives.

During a Senate hearing Feb. 28, several Congressional leaders called for a complete ban on downer cattle from entering the food supply, according to AP. Secretary Schafer resisted the suggestions, however, telling *Reuters*, "I am convinced that the rules in place today are protecting the [food] supply. ... They broke the rules. It doesn't mean the rules are wrong."

Instead, Schafer said USDA must first discover what exactly happened at Hallmark/Westland Meat Packing Co. and determine if it's happening at other processing locations. In addition, Schafer said the agency will begin more random inspections of harvesting facilities and will perform immediate audits of 23 sites that provide beef for federal food programs.

American Meat Institute (AMI) President J. Patrick Boyle also testified, calling the actions at the Chino, Calif., plant a "shocking departure from both industry best practices and typical operations in federally inspected meat plants." Boyle expressed frustration with how The Humane Society of the United States (HSUS) handled the undercover video footage that first exposed the violations. He also called for a more thorough risk assessment from USDA in the future before requiring such a massive recall.

The Senate hearing echoed a House of Representatives Energy and Commerce subcommittee meeting Feb. 27, during which representatives urged food industry executives to do more to prevent recalls and unsafe products, according to *Reuters*. Although food companies like Dole Food Co. and ConAgra Foods have initiated steps to heighten food safety, lawmakers said the food industry hasn't done enough to prevent unsafe products from reaching consumers, *Reuters* reports.

In related news, HSUS filed a lawsuit against USDA Feb. 27 in an effort to ban downer cattle from entering the food supply.

## President signs Trade Extension Act

President Bush signed an interim measure late February while Congress continued to negotiate passage of the U.S.-Colombia Trade Promotion Agreement and implementation of the U.S.-Peru Trade Promotion Agreement.

Schafer said that once both chambers move forward with the agreement, the U.S.-Colombia Trade Promotion Agreement will replace one-way with two-way free and fair

trade by providing U.S. farmers, ranchers and businesses with duty-free access to that market.

## Industry Events



### NIAA Annual Meeting

April 1-3, Indianapolis, Ind.

The National Institute for Animal Agriculture (NIAA) 2008 annual meeting, themed "Animal Care and Well-Being: Facts Not Fiction," will host producers, animal health and management professionals, animal agriculture Extension specialists, and individuals involved in animal agriculture.

NIAA's 12 species-based and issues-based committees will meet after the opening general session on Tuesday afternoon, April 1, and Wednesday, April 2. Committees are open to all attendees. Thursday, April 3, will be devoted to a one-day ID.INFO Workshop.

A schedule of events for NIAA's annual meeting and the 2008 ID.INFO Workshop, meeting registration, list of NIAA committees and hotel information are all available at [www.animalagriculture.org](http://www.animalagriculture.org) or 270-782-9798.



### Ultrasound clinics for veterinarians

April 3-4, Cortland, N.Y.

Merial is sponsoring a series of bovine reproductive ultrasound classes for veterinarians. These classes will provide hands-on, in-depth instruction in the use of ultrasound for bovine reproductive exams.

The seminars include both classroom and on-farm curriculum. The classroom portion of the ultrasound course will cover what to look for when purchasing an ultrasound unit, practical tips for using ultrasound in the field, video demonstration of ultrasound imaging, current topics in bovine reproduction, and how ultrasound works. The on-farm portion includes identifying normal and abnormal ovarian and uterine morphology, early pregnancy diagnosis and fetal viability, fetal sexing, and twin diagnosis.

Attendees of the clinic can apply for nine hours of continuing education (CE) credits. For more information and to register, log on to [www.bovineservices.com](http://www.bovineservices.com) or call Jill Colloton at 715-352-2232. For more information visit [www.merial.com](http://www.merial.com).



### The Texas Challenge II

April 26, Franklin, Texas

Klaus and Bonnie Birkel, owners of Camp Cooley Ranch, Franklin, Texas, will again host and underwrite a celebration at the ranch on Saturday evening, April 26, at 5:30

p.m. featuring a *Certified Angus Beef*<sup>®</sup> (CAB<sup>®</sup>) dinner and live entertainment. All Texas Angus breeders and supporters are invited to attend.

After the overwhelming success of last year's event, an ultimate goal of raising \$1 million by Dec. 31, 2011, has been set, with Texas Angus breeders challenged to raise \$500,000.

All funds raised through The Texas Challenge II will count toward achievement of the nationwide fundraising initiative Vision of Value: Campaign for Angus, which aims to raise \$11 million by Dec. 31, 2011.



### Beef Leaders Institute

June 1-4, Saint Joseph, Mo.

The American Angus Association's first-ever Beef Leaders Institute (BLI) is set to facilitate discussion among participants and allow for tours of packing facilities and retail outlets. The BLI is limited to 20 participants annually, ages 25-45. Participation in the BLI is based on applications, which were due March 1.

For more information about the event or participation in future BLI's, contact Shelia Stannard at 816-390-7093 or [ssannard@angus.org](mailto:ssannard@angus.org); or Ty Groshans at [tgroshans@angus.org](mailto:tgroshans@angus.org).



### 2008 BIF meeting

June 30-July 3, Calgary, Alta., Canada

The 2008 Beef Improvement Federation (BIF) Annual Research Symposium and Annual Meeting will take place at the Hyatt Regency in Calgary, Alta., Canada.

The event is expected to attract more than 500 seedstock and commercial producers, feedlot operators, academia, industry experts and beef industry service providers. Symposium topics will include the most current genetic improvement research and innovation dedicated toward advancements in beef production.

Angus Productions Inc. (API) will once again host online coverage of this popular industry event at [www.bifconference.com](http://www.bifconference.com). Symposium and tour schedules, accommodations and travel information, and archived coverage will be available in the weeks preceding the event. During and following the symposium, proceedings, audio, photos, synopses of presentations, and committee coverage will also be available.

A tentative schedule and registration information is now available by clicking on the BIF meeting link at [www.canadianbeefbreeds.com](http://www.canadianbeefbreeds.com).

