



Beef Business

► A look at current issues affecting the cattle industry. Compiled by *Shelby Mettlen*, assistant editor

August outlook indicates lower fed-cattle prices, higher commercial beef supplies

According to a report released by the USDA Economic Research Service (ERS) on Aug. 18, the USDA has announced that fresh and frozen cuts of Brazilian beef are eligible for export to the United States. Increases in second-half 2016 total beef imports and first-half 2017 beef imports partially reflect the expectation of larger volumes of beef flowing into the United States from Brazil.

During July, fed-steer prices were quoted approximately 21% below the previous year and between 22% and 30% below July 2014 levels. Fed-cattle prices experienced a strong correction during the last half of 2015, and prices have continued to trend lower through much of 2016. Volatile futures markets may have contributed to some of the fluctuations in fed-cattle prices, but relatively large supplies of cattle on feed and higher cattle marketings from the previous year have kept fed-cattle prices in check through much of 2016.

In addition, packers have not had much incentive to bid fed-cattle prices higher because of lower cutout values through much of the summer. The expectation of higher cattle marketings during the second half of 2016 is expected to keep fed-cattle prices under pressure. The outlook for 2017 is for lower prices, as well. It is expected that continued expansion in domestic cattle inventories will result in higher slaughter and beef production in 2017 than is forecast for 2016.

Commercial beef production for the first half of 2016 was about 5% above the previous year at just more than 12 billion pounds (lb.). This year's ample supply of beef is primarily driven by year-over-year increases in commercial cattle slaughter and heavy dressed weights. First-half commercial cattle slaughter was estimated about 4% higher than the previous year's slaughter, while dressed weights averaged about 7 lb. heavier than first-half 2015 dressed weights. Lower overall feed costs are expected to encourage feedlot operators to feed animals longer and to heavier weights.

Forecasts for third-quarter 2016 total cattle slaughter was raised on expectations of larger marketings and slaughter rates of steers and heifers, but the fourth-quarter forecast remains unchanged. Forward projections show a continued gain in beef production

into 2017 as the increased availability of slaughter-ready cattle and generally heavier carcasses result in more beef. Annual beef production is forecast to reach 25 billion lb. in 2016, up 5.3% from last year. Total commercial beef production in 2017 is forecast 3.4% higher at nearly 26 billion lb.

U.S. beef exports in June were modestly lower (-0.5%) than the previous year at 213 million lb., but were down 3% from levels reported in May. Strong growth continues in Japan, with exports up 20% from June 2015. In June, beef exports to South Korea increased only 1%, while beef exports to Mexico grew approximately 6% on a yearly basis.

Noticeable declines in exports to Canada (-8%), Hong Kong (-32%) and Taiwan (-21%) partially offset increases in total beef exports in June. January through June, total U.S. beef exports were 2% higher than a year earlier. Though beef exports appeared lackluster through June, shipments abroad are expected to gain momentum, increasing approximately 22% and 7% over a year earlier in the third and fourth quarters, respectively, of 2016. Total U.S. beef exports are forecast at 2.5 billion lb. in 2016, up about 8% over 2015. Beef exports in 2017 are forecast at 2.6 billion lb., up 5% relative to 2016.

Beef imports were reported at 284 million lb. in June, down about 16% relative to a year ago. Through June, total imports were down 13% as a result of dramatically smaller volumes of beef imported from Australia and New Zealand. Beef imports from Brazil, Uruguay and Nicaragua have also been sluggish through June, but the scenario of declining beef imports from Brazil will likely reverse later in the year.

USDA Food Safety and Inspection Service (FSIS) has approved the import of fresh/frozen beef from Brazil, while Brazil approved the import of U.S. fresh/frozen beef. Fresh/frozen beef from Brazil will add to the volumes of thermally cooked and processed beef currently accepted into the United States. Imports of fresh/frozen beef from Brazil can enter the United States at a reduced duty under the "Other" countries tariff rate quota. Increases in the forecasts of second-half 2016 total beef imports (+35 million lb.) and first-half 2017 beef imports (+50 million lb.) largely reflect the expectation of larger volumes of beef flowing into the United

Commercial beef production for the first half of 2016 was about 5% above the previous year at just more than 12 billion pounds. This year's ample supply of beef is primarily driven by year-over-year increases in commercial cattle slaughter and heavy dressed weights.

States from Brazil. The 2016 beef import forecast is 3 billion lb., down 12% on a yearly basis. Beef imports are expected to decline even further in 2017 to 2.6 billion lb.

To view the full report, visit <http://www.ers.usda.gov/media/2130059/ldpm-outlook-august-2016.pdf>.

Source: USDA ERS.

NFU supports bipartisan effort to encourage participation in USDA conservation programs

Recognizing the importance of fostering conservation and sustainability practices, the National Farmers Union (NFU) announced it was pleased by the introduction of bipartisan legislation that would ease burdensome requirements for landowners participating in voluntary USDA conservation programs.

The *Improving Access to Farm Conservation Act of 2016* (S.3288) was introduced by Senators Amy Klobuchar (D-Minn.) and John Boozman (R-Ark.).

"Improving conservation practices in agriculture production benefits family farmers, ranchers and rural communities. USDA conservation programs encourage producers to implement sustainable practices in their operations, and we applaud any effort to incentivize taking part in these programs by removing restrictive regulatory barriers that might discourage participation," said NFU President Roger Johnson.

Similar to the bill's counterpart introduced earlier this year in the U.S. House of Representatives, S.3288 would exempt

recipients of USDA conservation assistance from needing to register with the System for Award Management (SAM) and obtain a Data Universal Numbering System (DUNS) number — a requirement in order to receive financial assistance from federal agencies.

The legislation will help “remove government red tape that is standing between small and beginning farmers and the conservation programs that will help protect their farmland and the environments within their communities,” Klobuchar explained in a statement.

“NFU looks forward to working with both the Senate and House to move this legislation forward,” Johnson concluded.

Source: NFU.

NFU says farmers and ranchers stand to lose most from Bayer/Monsanto deal

An announcement made on Sept. 6 that the proposal by Bayer AG to purchase Monsanto Co. is progressing toward an agreeable deal perpetuates the alarming trend of consolidation in agriculture, according to the NFU. In response to the latest merger talks, Johnson issued the following statement:

“A Bayer/Monsanto deal represents the latest in a wave of consolidation in the agricultural inputs sector, including the recently approved acquisition of Syngenta by ChemChina, and the proposed mergers between Dow and DuPont and Potash Corp. and Agrium. NFU will continue to express concern that these industry megadeals are being made to benefit the corporate boardroom at the expense of family farmers, ranchers, rural communities and consumers.

“Aggressive consolidation is changing the landscape for agriculture and rural communities. Specifically, the onslaught of consolidation in agricultural inputs can impair research and development efforts and create barriers for independent crop input companies, as well as for independent producers at a time when low commodity prices and high input costs are straining the farm economy. This, in turn, leads to fewer family farmers on the land, fewer innovators in the lab, and rural depopulation.

“We were pleased to see the U.S. Department of Justice file an antitrust lawsuit to prevent a proposed merger of John Deere and Precision Planting LLC, and we ask that they reject any pending and future deals that would further cripple marketplace competition.”

Source: NFU.

Environmental groups hamper endangered species conservation

On Aug. 23, the Center for Biological Diversity along with other radical

environmental groups threatened to sue the Department of Interior and Fish and Wildlife Service (FWS) to force action on 417 proposed listings under the *Endangered Species Act* (ESA), all stemming from a massive lawsuit settlement brokered behind closed doors and without stakeholders at the table.

Ethan Lane, executive director of the Public Lands Council (PLC) and National Cattlemen’s Beef Association (NCBA) Federal Lands, said the behavior of these groups has hampered species recovery by placing arbitrary listing-decision deadlines that leave no time for sound research and science-based decisions.

“This is precisely why the *Endangered Species Act* is broken,” said Lane. “Groups like the Center for Biological Diversity are attempting to force their agenda on FWS through litigation abuse. Substantive ESA reform is needed now to allow FWS the autonomy necessary to prioritize species conservation according to need, rather than political agenda.”

During the nearly 40 years since the ESA was passed, the Act has a recovery rate of less than 2% and has more than 2,000 domestic species listed.

“Attention should be placed on creating real recovery goals and delisting species when they are no longer considered endangered, rather than overwhelming the agency with paperwork,” said Lane.

Source: NCBA.

Industry groups ask High Court to review Clean Water Rule appeal venue

Organizations seeking to vacate the Environmental Protection Agency’s and U.S.

Army Corps of Engineers’ expansive “*Waters of the United States*” rule are asking the U.S. Supreme Court to review whether the 6th Circuit Court is the appropriate court to hear challenges to the rule. The 6th Circuit earlier dismissed arguments that legal challenges to the rule should be brought first in federal district court and not courts of appeal.

“This petition to the Supreme Court is not related to the merits of our case and we are confident that eventually the 6th Circuit and the Supreme Court will agree that the rule is unlawful,” said Ellen Steen, general counsel of the American Farm Bureau Federation (AFBF). “The petition was filed because the jurisdiction question is one that repeatedly arises in challenges to *Clean Water Act* actions. The time is ripe for the Supreme Court to resolve confusion among lower courts as to where jurisdiction lies, so that the American Farm Bureau Federation and others can stop wasting time and resources arguing with the federal government over where to file these important legal challenges.”

Federal courts of appeals are divided on how to interpret a provision of the *Clean Water Act* mandating that certain types of legal challenges be filed directly to courts of appeals. When pressed to decide this question, the three-judge panel of the 6th Circuit issued three separate opinions with only a single judge concluding that jurisdiction was lawfully in that court, making this question ripe for clarification by the Supreme Court.

Source: AFBF.

