



# Beef Business

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

## Delacon and Cargill announce strategic equity investment

Delacon and Cargill have agreed to a strategic partnership that will advance the market presence of natural, plant-based feed additives on a global scale, and meet changing consumer preferences of what animals are fed and how food is produced. The deal includes a minority equity investment from Cargill. Terms were not disclosed.

The partnership will connect Cargill's deep expertise in applied nutrition and global presence with Delacon's know-how and market experience in phyto-genic feed additives, a category that uses natural ingredients, including herbs, spices, other plants and their extracts, such as essential oils, to improve animal performance and secure animal health for sustainable, wholesome food production.

The agreement also will allow the companies to expand their technical and go-to-market capabilities to meet customers' needs around the world as they pursue the joint mission of growing the phyto-genic feed additives category.

For Delacon, the partnership will give access to countries worldwide, where it does not have a market presence today. For Cargill, the investment expands its presence and capability in the additives space, with a focus on select markets outside the United States. Delacon's successful distribution and partnership network will be retained, and developed further to make plant-based feed additives more available around the globe.

"Our agreement with Cargill represents an opportunity to accelerate growth and invest in Delacon's future and the future of phyto-genic feed additives, as our customers are looking for solutions delivered in a natural, efficient and sustainable way — from feed to food," said Markus Dedl, CEO, Delacon. "Phyto-genics are one of the most promising groups of feed additives, and are turning from a niche market into a mainstream need. We are entering a new era of phyto-genic feed additives, and the next five

years are decisive for the developments in this growing market."

This strategic partnership builds on the successful collaboration that Delacon and Cargill have built during the last several years.

By centralizing these efforts with a strategic partnership, the companies are expanding their focus, presence and reach in the micro-nutrition space.

"Delacon has a strong reputation, recognizable brand, and a deep commitment to scientifically driven customer solutions that focus on healthy animals, feed efficiency and performance in a sustainable manner," said Chuck Warta, president, Cargill Premix and Nutrition. "Cargill and Delacon share common

values — a commitment to our customers, science-driven innovation and high product quality. We also value a positive and safe work environment for our employees, sustainable and responsible business practices and deep ties to our communities."

*Source: Delacon and Cargill Animal Nutrition.*

## Secretary travels to China to mark return of U.S. beef

U.S. Secretary of Agriculture Sonny Perdue traveled to China the week of June 26, joining with U.S. Ambassador to China Terry Branstad, to formally mark the return of U.S. beef to the Chinese market after a 13-year hiatus. In events in Beijing and Shanghai on Friday, June 30, 2017, and Saturday, July 1, 2017, Perdue met with Chinese government officials to celebrate the return of American beef products to the enormous market after shipments were halted at the end of 2003. On Friday in Beijing, Perdue and Branstad cut prime rib that originated in Nebraska and was shipped by the Greater Omaha Packing Co.

"I will be proud to be on hand for the official reintroduction of U.S. beef to China," Perdue said. "This is tremendous news for the American beef industry, the agriculture community and the American economy in general. We will once again have access to the enormous Chinese market, with a strong and

growing middle class, which had been closed to our ranchers for a long, long time. There's no doubt in my mind that when the Chinese people taste our high-quality U.S. beef, they'll want more of it."

President Trump, Commerce Secretary Wilbur Ross, Treasury Secretary Steven Mnuchin, officials with the U.S. Trade Representative, and Perdue announced the deal brokered to allow the return of U.S. beef to China on May 11, 2017, as part of the U.S.-China 100-Day Action Plan. The first shipment of U.S. beef arrived in China on June 19, 2017. China has emerged as a major beef buyer in recent years, with imports increasing from \$275 million in 2012 to \$2.5 billion in 2016. The United States is the world's largest beef producer. In 2016 it was the world's fourth-largest exporter, with global sales of more than \$5.4 billion.

Earlier in June, the USDA announced the final details of a protocol to allow American companies to begin shipping beef exports to China. As of late June, producers and processors in Nebraska and Kansas are eligible to ship beef products to China, having followed requirements set forth in the USDA Export Verification Program and according to USDA's Food Safety and Inspection Service (FSIS) export requirements. USDA maintains a public list of companies that are eligible, and will continue to update it as more companies complete the export documentation requirements.

*Source: USDA.*

## New insurance plan for triticale available in seven states

The USDA Risk Management Agency (RMA) announced June 23 a new insurance plan option for the crop triticale. Triticale is a cross between wheat and rye and can be covered through this new plan.

The triticale plan derived from the Federal Crop Insurance Act's 508(h) process, which allows private parties to develop insurance products that are: (1) in the best interests of producers, (2) follow sound insurance principles and (3) are actuarially appropriate.

"This plan for triticale demonstrates the kind of expertise, involvement and commitment those in the private sector have for understanding what types of risk management insurance products farmers

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need. By raising this need up to the Federal Crop Insurance Corporation, together we are making a stronger farm safety net," said RMA Acting Administrator Heather Manzano.

Insurance for triticale is now available in select counties in California, Idaho, Kansas, Oklahoma, Oregon, Texas and Washington, and will be effective for the 2018 crop year. The plan provides coverage for damage resulting from naturally occurring events. It is similar to other individual yield-based insurance plans and uses a producer's Actual Production History to establish the insurance guarantee.

Triticale crop provisions, handbooks and actuarial information are now available on the RMA website.

Crop insurance is sold and delivered solely through private crop insurance agents. A list of crop insurance agents is available at all USDA Service Centers and online at the RMA Agent Locator. The sales closing date is Sept. 30, 2017.

Learn more about crop insurance and the modern farm safety net at [www.rma.usda.gov](http://www.rma.usda.gov).

*Source: USDA Risk Management Agency.*

### **U.S. cattle on feed up from last year**

Cattle and calves on feed for the slaughter market in the United States for feedlots with capacity of 1,000 or more head totaled 11.1

million head June 1, 2017. The inventory was 3% above June 1, 2016.

Placements in feedlots during May totaled 2.12 million head, 12% above 2016. Net placements were 2.05 million head. During May, placements of cattle and calves weighing less than 600 pounds (lb.) were 400,000 head; 600-699 lb. were 315,000 head; 700-799 lb. were 529,000 head; 800-899 lb. were 550,000 head; 900-999 lb. were 235,000 head; and 1,000 lb. and greater were 90,000 head.

Marketings of fed cattle during May totaled 1.95 million head, 9% above 2016. Other disappearance totaled 70,000 head during May, 5% below 2016.

*Source: USDA NASS.*

### **Record-high total red meat and pork production for May**

May 2016 contained 22 weekdays (including one holiday) and four Saturdays. May 2017 contained 23 weekdays (including one holiday) and four Saturdays.

Commercial red meat production for the United States totaled 4.28 billion lb. in May, up 7% from the 4.00 billion lb. produced in May 2016.

Beef production, at 2.16 billion lb., was 6% above the previous year. Cattle slaughter totaled 2.75 million head, up 9% from May 2016. The average live weight was down 26 lb.

from the previous year, at 1,307 lb.

Veal production totaled 6.3 million lb., 6% above May a year ago. Calf slaughter totaled 39,300 head, up 11% from May 2016. The average live weight was down 11 lb. from last year, at 276 lb.

Pork production totaled 2.10 billion lb., up 8% from the previous year. Hog slaughter totaled 9.95 million head, up 8% from May 2016. The average live weight was down 1 lb. from the previous year, to 282 lb.

Lamb and mutton production, at 11.8 million lb., was down 9% from May 2016. Sheep slaughter totaled 180,300 head, 3% below last year. The average live weight was 131 lb., down 9 lb. from May a year ago.

January to May 2017, commercial red meat production was 21.0 billion lb., up 4% from 2016. Accumulated beef production was up 5% from last year, veal was down 2%, pork was up 3% from last year, and lamb and mutton production were down 5%.

*Source: USDA NASS.*

### **USDA authorizes emergency grazing in drought-stricken Montana, North Dakota and South Dakota**

Secretary of Agriculture Sonny Perdue June 23 authorized emergency grazing on Conservation Reserve Program (CRP)

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lands in Montana, North Dakota and South Dakota. All or parts of these states are experiencing severe or extreme drought conditions — indicated as categories D2 and D3 on the U.S. Drought Monitor.

“Due to reduced availability of forage, ranchers in the hardest-hit locations have already been culling their herds,” said Perdue. “Without alternative forage options like grazing CRP lands, livestock producers are faced with the economically devastating potential of herd liquidation.”

CRP is a voluntary program administered by USDA's Farm Service Agency (FSA) available to agricultural producers to help them safeguard environmentally sensitive land and, when needed, provide emergency relief to livestock producers suffering the impacts of certain natural disasters.

Emergency grazing is authorized to begin immediately and extends through Sept. 30, unless conditions improve. Producers must work with the Natural Resources Conservation Service (NRCS) to develop a modified conservation plan that is site-specific, including the authorized grazing duration to reflect local wildlife needs. FSA state committees will monitor emergency grazing implementation at the local level to

mitigate adverse impact on nesting areas and established CRP vegetation.

“If the drought continues, and pasture recovery becomes less likely, feed supplies will decline, the quality and quantity of hay is reduced, and stock water becomes scarce — considerable stressors for both the livestock and our producers,” said Perdue. “If opening up grazing lands reduces even some of these stressors for these ranchers, then it's the right thing for us to do.”

Eligible CRP participants can use the acreage for grazing their own livestock or may grant another livestock producer use of the CRP acreage. There will be no CRP annual rental payment reductions assessed for acres grazed.

To take advantage of the emergency grazing provisions, producers should contact their local USDA Service Center. To find your local USDA Service Center visit [offices.usda.gov](http://offices.usda.gov).

*Source: USDA.*

### **Industry organization commends USDA decision to authorize emergency grazing**

The USDA June 23 authorized the release of CRP land in Montana, North Dakota and

South Dakota for emergency haying and grazing. The announcement came just days after a number of elected officials, National Farmers Union (NFU), and several Farmers Union state divisions urged USDA to address severe drought conditions in the Upper Great Plains. In response to the decision, NFU President Roger Johnson issued the following statement:

“We have been hearing from our members in all of North Dakota and parts of South Dakota, Montana and Minnesota that feed supply is rapidly dwindling. Many producers have already been forced to make the difficult choice to downsize their herd. Without relief, many more would have to make the same decision. Such significant herd downsizing, especially in the context of a flooded market and low prices, threatens the long-term viability of many of these ranches.

“NFU applauds the USDA's decision to listen to the requests of family farmers and ranchers and authorize emergency grazing on CRP land. Providing immediate assistance will prevent further downsizing, and will ultimately protect producers' livelihoods should the drought persist in these three states.

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“We also ask that USDA continue to monitor the drought conditions in Minnesota and revise this authority accordingly.”

*Source: NFU.*

### **Livestock producers applaud withdrawal of WOTUS rule**

National Cattlemen’s Beef Association (NCBA) President Craig Uden and Public Lands Council President (PLC) Dave Eliason June 27 issued the following statements regarding the announcement that the Environmental Protection Agency has filed an official proposal to withdraw the 2015 *Waters of the United States* (WOTUS) rule:

“This is another great step in the right direction, and the [Trump] administration

deserves a great deal of credit for injecting some much-needed common sense into our nation’s environmental policies,” NCBA’s Uden said. “It’s important to remember, though, that this rule isn’t dead yet. The rulemaking process continues, and NCBA will submit and solicit additional comments on behalf of America’s cattle producers so that they finally get the sanity and clarity they need on land use policy.”

“We applaud President Trump and Administrator Pruitt for their leadership in repealing the 2015 WOTUS rule,” Eliason added. “Ranchers in the West are already subject to an elevated level of regulatory overreach, and the WOTUS rule as written would have only made the problem worse. It is reassuring to see the steps that this

administration is taking to relieve some of that regulatory burden and provide certainty for our producers.”

*Source: NCBA.*

### **Livestock industry supports WGA**

On June 28, Dave Eliason, Utah rancher and president of the PLC, and Craig Uden, Nebraska cattle producer and NCBA president, issued the following statements regarding the recommendations stemming from the Western Governors Association (WGA) Species Conservation and Endangered Species Act Initiative:

“The process that has unfolded over the past few years is an example of what can be accomplished when we put our differences aside and come together to tackle complex

problems,” said Eliason. “WGA, and Governor Mead in particular, deserve a lot of credit for their leadership on this issue. These recommendations were developed through engagement with diverse stakeholders, and we urge Congress to use this as a roadmap to modernize the *Endangered Species Act*.”

“*The Endangered Species Act* impacts cattle producers across the United States,” said Uden. “We were pleased to have been involved in this process from the beginning and stand ready to remain engaged with the Western Governors Association and lawmakers moving forward.”

*Source: NCBA.*

### **Cattle industry organizations react to ban on fresh Brazilian beef**

The USDA June 22 announced the suspension of all imports of fresh beef

from Brazil due to food safety and animal health concerns. The announcement came on the heels of a scandal in which Brazil’s largest food-processing giants, JBS and BRF, were raided by government authorities for allowing rotten meat to be distributed in Brazil and exported to Europe. In response to the decision, NFU President Roger Johnson issued the following statement:

“We’ve long had concerns about the importation of fresh beef from Brazil. Since the 2015 repeal of country-of-origin labeling (COOL), food-safety scandals can undermine consumer confidence in the entire beef industry, harming American producers’ bottom line. This incident underscores the importance of COOL to protect American beef producers and consumers alike.

“We applaud the USDA’s decision to

suspend the importation of fresh Brazilian beef, and we urge them to avoid similar circumstances in the future by following more rigorous importation standards.”

NCBA also showed support for the action. NCBA President Craig Uden the same day said, “NCBA supports the action taken by Secretary Perdue to suspend fresh beef imports from Brazil. This action is the result of USDA’s strong, science-based testing protocol of imported beef and this proves that our food-safety system works effectively. NCBA supports USDA’s commitment to science-based trade and its commitment to keeping our food supply as safe as possible.”

*Sources: NFU and NCBA.*

