

NCBA Members Pass Policy Resolutions

Grassroots policy process yields resolution to advance trade opportunities for U.S. beef.

International trade, cattle payment efficiency and herd health were among the key policy issues members of the National Cattlemen's Beef Association (NCBA) honed in on during the 2012 Cattle Industry Convention and NCBA Trade Show in Nashville, Tenn., Feb. 1-4. Outgoing NCBA President Bill Donald said the grassroots policy process was put into action the week of the convention as policy resolutions, which originated in local and state cattlemen's organizations, advanced through committees and were passed by NCBA members during the annual convention.

"NCBA's policy is not developed in a board room in Washington, D.C. It's developed, debated and deliberated on by cattlemen and women. This process is and always has been the strength and backbone of the organization," Donald said. "From the health of the herd, economic profitability, international trade and more, NCBA members worked this week to ensure a successful and sustainable U.S. beef industry."

Donald said NCBA members keyed in on international trade, specifically the Trans-Pacific Partnership (TPP), during the convention. He said a resolution was passed

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— Bill Donald

that codified NCBA support of a TPP that removes tariff and non-tariff trade barriers for U.S. beef to participating countries, which include Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam. Donald said NCBA insists all participating countries, as well as any countries that join the TPP in the future, must fully abide by guidelines set by the World Organization for Animal Health (OIE).

Trade was not the only issue considered by NCBA members. NCBA Vice President of Government Affairs Colin Woodall said a resolution was passed to encourage a more efficient payment system for fed cattle. Woodall said at a time when it takes more capital to feed cattle and when cattle feeders

want to buy replacement cattle in a timely manner, a recent announcement from the U.S. Postal Service that first-class mail delivery will slow in the future will cause problems for the efficient delivery of payment for cattle. He said NCBA will work with the packing sector of the industry to develop a more efficient and expeditious payment system for fed cattle.

Donald, who is a Montana rancher, said the current management of bison on federal lands by the Department of the Interior (DOI) has cattlemen concerned about the health of the cattle herd. While commingling of bison and other native wildlife with cattle is unpreventable, Donald said the relocation of the Greater Yellowstone Area (GYA) or other federally-owned bison is a liability cattlemen aren't willing to bear. NCBA members passed a resolution opposing the relocation of any bison outside the current GYA management area, the expansion of that area and any increase in the currently authorized GYA bison population.

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Editor's Note: This article was provided as a news release by the NCBA.

Conservation concerns part of Ag Policy Committee discussion

Wayne Honeycutt, deputy chief for science and technology with the Natural Resources Conservation Service (NRCS), provided an update of how the future Farm Bill could impact conservation programs during the Ag Policy Committee meeting Feb. 3 at the Cattle Industry Convention in Nashville, Tenn.

"Many of you are hearing that Congress is focused on deficit reductions for the next Farm Bill, and it is likely conservation programs will be impacted," Honeycutt said as he addressed committee members.

"There will be an increased need to do more with less and an increased need to streamline initiatives," he said of future conservation programs.

But along with that Honeycutt emphasized, "We know our budget climate is going to present challenges, but we know conservation works." He cited the Conservation Effects Assessment Project (CEAP), which has quantified the beneficial impacts conservation has had on cropland, grazing land, wetlands and wildlife.

Specifically, Honeycutt pointed out that conservation practices on the land have helped reduce erosion 40% during the last 30 years. Plus, crop yields have doubled to quadrupled during the last 60 years. Honeycutt acknowledged some of that is due to better crop genetics, but said conservation has played a role in boosting yields, too.

Honeycutt also mentioned the Sage Grouse Initiative being put forth in several western states by NRCS and said, "This ain't just about saving the bird. It's about keeping ranchers ranching."

Honeycutt said they do not want this to become another spotted owl — in which an entire industry was shut down. Rather, he said, "We are trying to take a proactive approach. Research has shown ranching and grazing can benefit sage grouse populations."

For 2012, Honeycutt reported that existing NRCS programs "made out pretty well" considering the budget climate. He said EQIP and CSP both received funding increases over 2011, while the WHIP and RRLP (Rental Recovery Loan Program) both received some funding cuts.

He concluded, "We are hopeful the next Farm Bill will allow us to continue to make these conservation programs available to help us (NRCS) help you."

— by Kindra Gordon

Editor's Note: This article is part of the event coverage posted to www.4cattlemen.com by Angus Productions Inc. (API). Visit the newsroom at www.4cattlemen.com for comprehensive coverage of the event. For API coverage of other industry events, visit www.api-virtuallibrary.com.

Defining a bad day

"I'm not here to recruit — just tell a story that can give you some perspective on what a really bad day is."

With that introduction, decorated former Navy SEAL Marcus Luttrell shared his personal war story with an audience gathered for the first general session of the 2012 Cattle Industry Convention, in Nashville, Tenn. Now a motivational speaker, the author of *The New York Times* bestseller *Lone Survivor* talked about preparing to join the special operations force and his part in the ill-fated Operation Redwing, from which only he returned.

According to Luttrell, long before joining the U.S. Navy, he and his twin brother, Morgan, aspired to serve among the military elite. At just 14 years of age, the ranch-raised boys began unofficial training under a Vietnam-era veteran from their East Texas hometown. Jokingly calling him "a little bit crazy," Luttrell said their mentor fostered the foundation of physical endurance and mental toughness that prepared both brothers to enter and complete Navy SEAL training.

Jumping ahead in time to 2005, Luttrell told about service in Afghanistan and the mission that led to his "worst day ever." Luttrell's four-man team was sent to capture or kill a high-ranking Taliban leader. While conducting reconnaissance, the team was ambushed. All received multiple wounds while engaged, for over two hours, in a running battle through the mountain foothills. Luttrell's three teammates were eventually killed, as were 16 men aboard a helicopter shot down while responding to the team's distress call.

Though wounded, Luttrell fought off Taliban fighters while intermittently walking and crawling some 7 miles to evade capture. He was given aid and protection from the Taliban by Afghan villagers, one of whom walked 20 miles to a U.S. military base with word of Luttrell's whereabouts. After his rescue and multiple surgeries, requiring nearly a year of hospitalization, Luttrell returned to active duty until another injury to his knee forced an end to his SEAL career.

"I was encouraged to tell my story to others, to show that challenges can be met and overcome," Luttrell told the convention audience. "You never know what you can do, until you have to — if you have courage and determination, and never give up."

— by Troy Smith

Live Cattle Marketing

MF Global, Eastern Livestock Co. top discussion at Live Cattle Marketing Committee; CME announces protection fund.

Story & photo by **Troy Smith**

The National Cattlemen's Beef Association (NCBA) Live Cattle Marketing Committee met Friday, Feb. 3, during the 2012 Cattle Industry Convention in Nashville, Tenn. Committee chairman and Texas cattleman Paul Colman led discussion regarding impacts to cattle producers stemming from the recent bankruptcy of the commodity brokerage firm MF Global and last year's disintegration of cattle broker Eastern Livestock Co.

Colman introduced Bryan Durkin, COO for CME Group, which provides oversight of brokerage firms and had audited MF Global prior to its bankruptcy in October 2011.

According to Durkin, the audit provided no indication that MF Global was not in compliance with regulations. It is suspected, however, that MF Global did not maintain funds in its "segregated accounts" for deposits by clients, including cattle producers. It is further suspected that MF Global may have lost deposit funds through failed investments.

Durkin said the MF Global bankruptcy trustee has returned about 72% of customers' money. Clients are still owed about \$100 million of the estimated \$1.2 billion missing from MF Global accounts. CME Group is cooperating with federal investigations, which he believes will lead to "refinement of regulations."

"A holistic solution is in order to prevent another MF Global (situation) from ever happening again," stated Durkin. "All recommendations for a viable solution are up for consideration."

Protection fund announced

Durkin also announced CME Group's launch, effective March 1, of a \$100 million fund to protect farmers and ranchers who use grains and livestock futures markets in the future. Sort of an insurance plan, the protection fund would provide up to \$25,000 for each eligible farmer and rancher and up

to \$100,000 for cooperatives.

Establishment of the protection fund, as a means of restoring confidence in the futures trading system, was received with some skepticism by NCBA committee members. Recognizing the lack of clear understanding of how brokerage firms may or may not invest funds held in clients' segregated accounts, committee members advanced a directive calling for NCBA to research and



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provide members with an explanation of applicable Commodity Futures Trading Commission (CFTC) regulations, including changes already scheduled to become effective Feb. 15, 2012.

Also advanced was a directive calling for Congressional investigation of the Packers & Stockyards

Act, as to why the Grain Inspection Packers & Stockyards Administration (GIPSA) has not audited the failed Eastern Livestock Co. since 2005. Also approved was a directive seeking improvement to the quality and usefulness of mandatory price reports. The measure calls for an NCBA working group to develop recommendations that could include creation of a weighted average price for steers and heifers in reports for all grades of cattle, and a rolling update of net prices for formula cattle.

Also discussed during the meeting was the increased use of contracts and formula-based marketing agreements, along with the associated decline in cash market volume. The questionable value of cash price information, on which formula pricing and contracts are based, was said to justify exploration of alternative forms of price discovery.



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An Issue for Every One

Tax and Credit Committee addresses death tax.

Story & photos by **Troy Smith**

According to its chairman, Nebraska cattleman Dave McCracken, the work of the Tax and Credit Committee seems pretty dull to many National Cattlemen's Beef Association (NCBA) members. However, its work affects all cattle producers. The Nebraska cattleman offered that reminder as the Committee met during the 2012 Cattle Industry Convention in Nashville, Tenn.

McCracken also reminded attendees that eliminating a threat to farm and ranch succession — the so-called "Death Tax" — is an NCBA task for which the Committee plays a leading role.

"The association has been and still is working for 100% elimination of federal estate taxes for farmers and ranchers," said McCracken. "That's NCBA policy developed in this committee."



▶ According to Kent Bacus, at least 29 pieces of legislation addressing estate taxes have already been proposed by House and Senate members.

The meeting agenda included a report from Kent Bacus, associate director of legislative affairs in NCBA's Washington, D.C., office. According to Bacus, members of Congress are plenty interested in taxes. For them, it's a "hot-button issue."

Bacus noted President Obama's proposal for reducing the federal deficit through tax increases for wealthy Americans whose incomes exceed \$1 million. NCBA is concerned that more than "wages" would be counted as taxable income, including capital gains and dividends. As such, explained Bacus, the proposal could mean big tax increases for small businesses, including agricultural operations.

However, Bacus said the Death Tax may be the most burdensome to multi-generational family farms and ranches, threatening the ability of heirs to keep intact

the assets necessary to a viable agricultural operation. According to Bacus, at least 29 pieces of legislation addressing estate taxes have already been proposed by House and Senate members. Looking for "the devil in the details," Bacus said NCBA staff and leadership will study all proposed legislation related to this issue. However, he expects little meaningful activity in Congress until election year campaigning ceases and voting is over.

"I'm very skeptical about the chances for any movement on tax issues until November," stated Bacus. "It could make for a very large tax package to deal with at the end of the year."

The only bright spot is that, meanwhile, NCBA has time to prepare a solid argument, including information to share with lawmakers about actual families that have experienced the effects of the Death Tax. Bacus asked for help in identifying people willing to tell about their experiences.

The only new policy action during the meeting was advancement of a resolution seeking change to the Internal Revenue Service (IRS) tax code. The resolution calls for changes in IRS rules to allow costs of replacing fences destroyed by natural disaster to be expensed and deducted in the same year the costs were incurred.

Also on the committee agenda was attorney Allie Devine, who shared tips for avoiding



▶ "The association has been and still is working for 100% elimination of federal estate taxes for farmers and ranchers," said Tax and Credit Committee Chairman Dave McCracken.

"pitfalls" associated with dealer or broker contracts and other livestock transactions. Devine's advice came as part of an NCBA education response to Eastern Livestock Co. and MF Global bankruptcies. Devine advised producers to become familiar with the Uniform Commercial Code, which serves as law for business transactions and sales.

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NCBA readies plan to pursue permanent estate tax relief

"The estate tax kills small business and jeopardizes the future of our family farms and ranches throughout the country," said Kent Bacus, National Cattlemen's Beef Association (NCBA) associate director of legislative affairs. "2012 will be the year where permanent relief is within reach."

Bacus addressed attendees of the 2012 Cattle Industry Convention and NCBA Trade Show in Nashville, Tenn. He said the estate tax is top of mind for many cattlemen, especially young farmers and ranchers hoping to take over family-owned cattle operations.

As a result of a last-minute fix passed through Congress in December 2010, the current estate tax exemption level is \$5 million per individual and \$10 million per couple with a maximum tax rate of 35%. However, Bacus said, if Congress and President Obama fail to take action by the end of 2012, the tax rate will revert back to pre-2001 levels at a "mere" \$1 million exemption level with a 55% tax rate.

"This is not a tax on the wealthy elite. The wealthy are more likely to find a way to weather the storm. Small business owners and family farmers and ranchers will be forced to make difficult decisions. In many cases, ranchers are forced to sell off all or part of their estate just to pay for this outdated tax. Often times, land doesn't stay in food production, but instead is sold into development," Bacus said. "As the global population continues to grow, it is paramount we keep farms and ranches intact. We have to be able to feed people."

Editor's Note: This article was provided as a news release by NCBA.