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Ag Weekly

What you need to know about agriculture today

Beef prices, and production, are rising

December 19, 2017
By: Christine Haughney
Source: Politico

With Helena Bottemiller Evich, Doug Palmer, Sarah Ferris and Maya Parthasarathy

A RECOVERY IN BEEF PRICES: After a few financially wrenching years for the cattle industry, prices and production seem to be improving. A Pro Ag article today details how strong these numbers have become: In November, retail prices rose 1 percent, and wholesale prices per 100 weight jumped 12.7 percent.

Projections show that consumers are expected to eat, on average, 56.6 pounds of beef by the end of 2017, up from 55.4 pounds the year before.

IN THIS ISSUE

All these figures are estimates by Derrell S. Peel, Oklahoma State University's Breedlove professor of agribusiness, who spoke with yours truly about the trends.

Something for everyone: Rising prices also seem to be helping all parts of the cattle industry, including cow-calf producers, feeders, packers and distributors. "We lost a lot of money in 2015 and 2016," said Craig Uden, a Nebraska cattleman who also owns a feed yard and is the departing president of the National Cattlemen's Beef Association. "This year, everybody is making a little money."

A few bad years: Much of the last 18 years have been rough for cattle operations, Peel said. "The bottom line was we were getting smaller," he said.

Then, just as the industry seemed to have adjusted, a major drought in 2011 and 2012 spread mainly through Texas and Oklahoma forced the industry to slaughter cattle it could no longer care for. By 2015, Peel noted, beef production dropped to its lowest level since 1993. Prices started rising in 2016, but the industry wasn't rushing back.

"We had not gone through an expansion and an increase in beef production like this in 20 years," said Peel. "So the industry was really nervous about how bigger beef supplies were going to impact the market."

Still a tough industry: Many ranchers, especially younger ones, still have a lot of catching up to do. Colter DeVries, left his job in banking in December 2014 to start a ranching business. But the first two years were especially rough.

DeVries, who has 185 cattle over the 8,000 acres he leases near Billings, Mont., said he had a long way to go. "I'm still so far under water and I can barely pay back my operating line of credit," he said.

HAPPY TUESDAY, DEC. 19! Welcome to Morning Ag, where your host has also become captivated by the tale of Esther the Wonder pig — who loves to play dress up and thinks she's a dog. Her owners have fallen in love with her so much that they've become vegan. Got any wonderful animals, or wonderful news tips to share? Please send them to chaughney@politico.com and @chaughney. Follow the team at @Morning_Ag.

OVERSEAS MARKETS LOVIN' U.S. BEEF: It's not just the domestic market that seems to be giving the American beef industry a happier holidays.

Data released on Monday from USDA's Economic Research Service show that increased demand from China has partly led USDA to raise its overall beef export forecast by 15 million pounds. And exports to Japan continue to increase, despite Tokyo raising its tariff this year to 50 percent, from 38.5 percent.

Year-over-year U.S. beef exports were up 13.1 percent to 260 million pounds in Oct. 2017, the data show, and there were higher U.S. shipments to all five major destinations: Japan, Mexico, Canada, Hong Kong and South Korea.

But it is the boost from China has been most welcome by some policymakers because the country just started allowing beef imports from the U.S. in June after a nearly 14-year ban, as POLITICO reported this year. Following an April meeting between President Donald Trump and Chinese President Xi Jinping, both countries agreed to a 100-day plan that included putting in place China's decision to reopen its borders to American beef.

At the start of the July 4th weekend, USDA Secretary Sonny Perdue flew over to China to cut prime rib from Nebraska, shipped by the Greater Omaha Packing Company, to celebrate with U.S. Ambassador to China Terry Branstad.

Weekly sales have risen from 6 tons in late June, after the reopening was announced, to as high as 338 tons in the week ending Sept. 21. But compared with other more established markets, volume remains low. As of Dec. 7, China had bought 2,038 tons of U.S. beef for delivery this year, compared with Japanese purchases of 251,653 tons, according to USDA statistics.

WELFARE GROUPS BITE BACK AFTER ORGANICS LOSS: Animal-welfare groups are particularly upset about USDA's decision last week to completely scrap a rule to set new animal-welfare standards for organic livestock production. And they're planning to push back, alongside the organic industry and other farm groups that backed the standards.

"We will continue to explain the importance of this comprehensive set of animal welfare regulations to the Trump administration and members of Congress," said Marty Irby, a senior adviser at Humane Society Legislative Fund, the political arm of the Human Society of the United States. Irby said his group would urge consumers and producers to weigh in during the USDA's comment period.

Comments, again: Indeed, members of the public will have 30 days to express opinions, but it doesn't appear that the feedback matters all that much in this particular case. As organic and welfare groups said last week, the previous comment period was overwhelmingly in support of the standards USDA had come up with. The department decided to scrap them anyway.

A premium on perceived welfare standards? As Civil Eats put it Monday, there remains plenty of confusion and assumption in the marketplace: "The animals behind your certified organic meat, eggs, and dairy may have been treated more humanely than their conventional counterparts. But the odds are just as high—especially if you're buying them from a large producer at a relatively low price—that they haven't been."

OTA to keep it up in court: The Organic Trade Association pledged to keep fighting USDA. "We're already suing USDA over its derailment of the implementation of the rule, and this latest action does not change that lawsuit," Maggie McNeil, a spokeswoman for OTA, wrote in an email on Monday to MA. McNeil says that the group will file a motion for summary judgment and then the USDA is expected to file a motion to dismiss the complaint. The deadline for both of those actions is Jan. 15, she said.

USDA INCLUDED IN DISASTER AID BILL: The House released late Monday a staggering $81 billion disaster aid package, the largest single funding request for natural calamities in U.S. history, Pro's Sarah Ferris writes.

The bill contains money for FEMA and block grant programs as well as for reconstruction projects by the Army Corps of Engineers. About $1.4 billion is listed to fix damage to federal highways.

House GOP leaders plan to take up 184-page package this week -- either as part of a stopgap funding bill or as a standalone bill. If passed, it would bring the total disaster aid approved this year to a record $132.75 billion, outpacing the total amount of aid after both hurricanes Katrina and Sandy.

USDA's share: The package includes $3.8 billion for the USDA for disaster recovery from hurricanes, wildfires, and crop loss, according to a release from House Appropriations Chairman Rodney Frelinghuysen. Most of that money will go toward agriculture disaster assistance. About $540 million is for watershed and flood prevention efforts and $400 million will be for emergency conservation efforts to decrease future disaster risks.

ROW CROPS:

— Munchies Merger Monday: To keep up with an increasing consumer preference for healthy foods, Hershey is acquiring Amplify Snack Brands, which makes SkinnyPop popcorn, and Campbell Soup Co. is spending almost $4.9 billion in cash to buy Cape Cod chips-maker Snyder's-Lance Inc., Reuters reports. (Headline hat tip: @peterlattman)

— Land grants concerned about banned words at CDC: The Association of Public and Land-grant Universities said Monday that it was worried about reports that the Centers for Disease Control and Prevention had banned the use of certain words such as "transgender," "fetus," evidence-based" and "science-based" as it draws up a fiscal 2019 budget proposal. Pro Health Care's Michael Stratford has more on the reaction.

— Tax bill talks: Trump has been selling the GOP tax overhaul to Republican lawmakers, and Secretary Sonny Perdue has joined in places with strong farming regions, such as upstate New York. More from POLITICO's Nancy Cook here.

— Greece's 'green gold': Greece has competitive advantages when it comes to olive oil production. But producers are either unable or unwilling to invest in making branded varieties rather than bulk olive oil. That's costing the country about $294 million in lost revenue per year, The Wall Street Journal reports.

— 'Brexodus' hurts British ag: The anti-immigration Brexit vote appears to be leading migrants to avoid Britain in favor of other European nations. Labor in British agriculture fell by as much as 40 percent during the peak season this year compared with last year, and farmers worry that the production of fresh produce could shift to other nations, or that supermarkets will increasingly rely on imports, The New York Times writes.

— DOJ reaches discrimination settlement: The Justice Department has reached a settlement with an agricultural business, Crop Production Services, which was accused of discriminating against U.S. citizens in favor of hiring temporary foreign workers through the H-2A visa program. The business will pay civil penalties and lost wages. More from Pro's Ted Hesson here.

—Inside gastric bypass: Vox chronicles a young girl's struggle with obesity and her weight-loss journey after bariatric surgery. Read that feature here.

—The beltway of culinary intrigue: Zagat has ranked Washington, D.C., as the sixth most-exciting food city -- ranking it higher than culinary destinations such as New York and San Francisco. Bon appétit to those in the Beltway bubble!

— Revolving door: Bette Brand has been appointed as the administrator of the USDA Rural Development's Rural Business-Cooperative Service. She will manage a portfolio of more than $6 billion in loan, grant and loan guarantee programs for rural areas. She previously was at Farm Credit for 35 years.

Agriculture roundup: Support agriculture when shopping

December 18, 2017
Source: Abilene Reporter News

New trends in cotton production, plus a policy update from the National Cotton Council, will be part of the Blackland Income Growth Conference cotton session Dec. 13.(Photo: Texas A&M AgriLife Extension Service photo by Blair Fannin)

When making out your Christmas shopping list, or buying something for yourself, consider something made from cotton or mohair.

“Take a minute to check the tag, because each time we purchase cotton products, we’re helping the success of our industry,” says Steve Verett, executive vice president of Lubbock-based Plains Cotton Growers.

Likewise, Mary Hartgrove, executive director of San Angelo-based Mohair Council of America, says, “Mohair – known as the diamond fiber – lives up to its name especially at Christmas time. It’s the fabric of choice particularly in Texas when it comes to everything from socks, sweaters, scarfs, throws, blankets to rugs and carpet.”

Crop report takes vacation

The Texas A&M AgriLife Extension Service crop and weather report, which is published weekly in the Reporter-News and on reporternews.com, is taking its annual winter hiatus.

It will resume the first week in March.

The report breaks the state up into 12 regions, with Big Country counties scattered in four of them — West Central, Rolling Plains, Central and South Plains.

Agriculture calendar

Jan. 8-13 – Brown County Youth Fair, Brownwood

Jan. 11-13 – Runnels County Junior Livestock Show, Ballinger

Jan. 11-13 – Callahan County Junior Livestock Show, Cross Plains

Jan. 12-Feb. 3 – Fort Worth Stock Show & Rodeo

Jan. 13-15 – Coleman County Junior Livestock Show, Coleman

Jan. 17-20 – Taylor County Livestock Show, Abilene

Jan. 18-19 – Fisher County Junior Livestock Show, Roby

Jan. 19-20 – Coke County Junior Livestock Show, Robert Lee

Jan. 24-Feb. 18 – San Angelo Stock Show & Rodeo

Mar. 23-25 – Texas and Southwestern Cattle Raisers Association annual convention, Fort Worth

Ag committee chairman: Dairy needs united front

By: Heidi Clausen
December 18, 2017
Source: The Country Today

Tough times in production agriculture and a less-than-rosy outlook for dairy, in particular, in 2018 should be good motivators for Congress to write the new farm bill on time, House Agriculture Committee Chairman Mike Conaway, R-Texas, told American Dairy Coalition members via teleconference during their annual business meeting Dec. 13.

"We've spent the past three years preparing, holding 113 hearings and six listening sessions around the country. We recognize what's at stake. We're working on getting the policy right ... ," he said. "We're ready to go, and I think we should be able to go sometime at the end of January, February in the committee and House."

Conaway said the new farm bill is scheduled to take effect Oct. 1, 2018. The dairy industry has some good allies and advocates on Capitol Hill, and dairy producers should support their efforts.
"As we move into the farm bill, we need a united front from dairy rather than fragmented," he said.

Conaway also said they hope to pass an immigration bill soon that will prove beneficial to dairy farmers who hire employees. Immigration reform needs to advance, but nothing will happen before the end of the year, he said. U.S. Rep. Bob Goodlatte, R-Va., is working on a workable guest worker program and "has us in a good spot to get it done."

Unfortunately, Conaway said, this is not a "stand-alone issue." Broader immigration reform and programs such as E-Verify and Deferred Action for Childhood Arrivals also are in the mix and complicate matters. He encourages the dairy industry officials to "keep the message going" and share their anecdotal evidence with members of Congress of how important immigration reform is to their businesses and why it's so necessary.

Tonya Van Slyke of the Northeast Dairy Producers Association said that region's dairy industry, especially in New York, is getting some push-back from worker advocates trying to conduct so-called "worker safety trainings" on farms. Van Slyke said they're concerned about what workers are being told and that the Occupational Safety and Health Administration helps fund these advocates.

"It seems like a huge misuse of taxpayer funds," she said.
Conaway agreed this is concerning and said it would be looked into.
Regarding trade and the North American Free Trade Agreement, Conaway said the milk lobby in Canada is "stronger than any lobby in the U.S." and will continue to make trade negotiations difficult for the U.S. dairy industry, but "we need to get NAFTA done quickly."

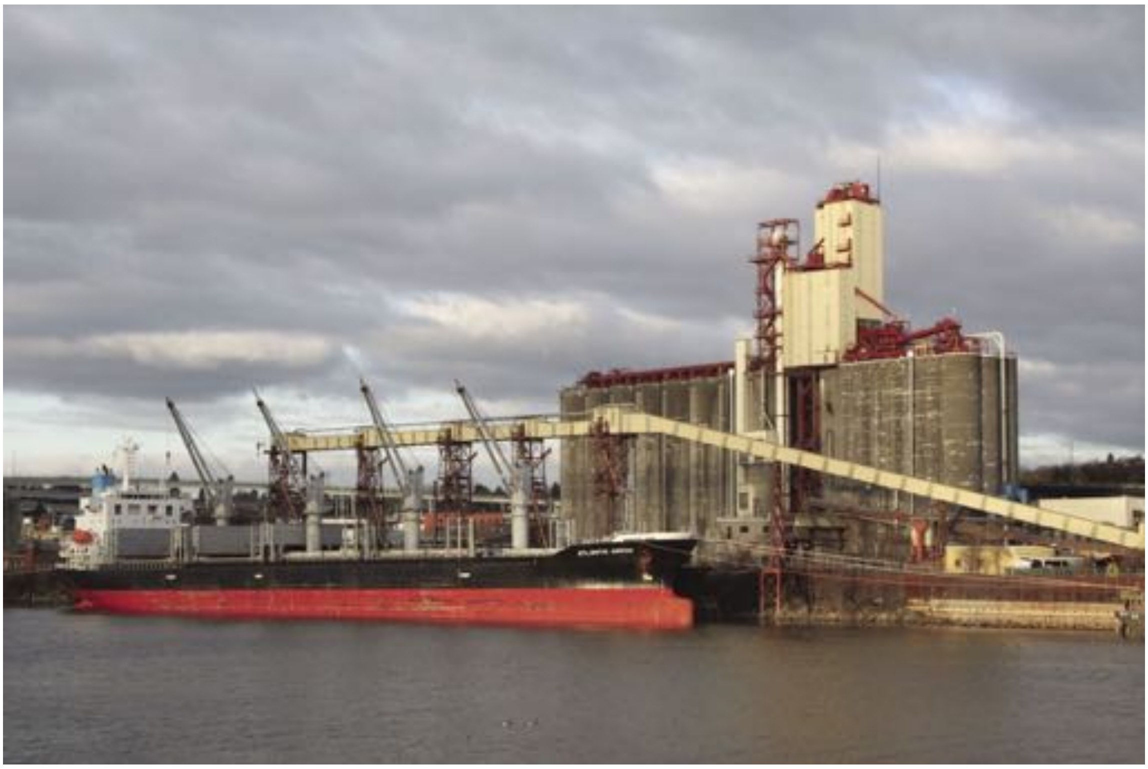
Minnesota dairy farmer Greg Jans told Conaway that the risk-management programs available to help farmers eke out a profit need some work. While all dairy farms are different, "all have been on the breakeven side of dairy for the last couple years, and next year doesn't look any more promising."

Jans said the Margin Protection Program "needs some tweaks to make it more palatable for producers." The Livestock Gross Margin insurance program is underfunded and the $20 million cap needs to be changed. Meanwhile, the American Farm Bureau has been floating around a new milk revenue program. Conaway said they hope to lift the LGM cap by the end of this year and "work some magic" with MPP as part of the next farm bill. U.S. Rep. Collin Peterson, D-Minn., a longtime friend of the Upper Midwest dairy industry, is again taking the lead on dairy policy.

The House Agriculture Committee last week launched a new online resource about the 2018 Farm Bill. The landing page, at https://agriculture.house.gov/farmbill, is designed to provide updates and information related to the new farm bill.

Welch gives wheat market outlook for 2018

By: Jennifer M. Latzke
December 18, 2017
Source: High Plains Journal



Mark Welch, grain marketing economist for Texas A&M AgriLife Extension Service, presented his wheat market outlook for 2018 at the Texas Wheat Symposium, Nov. 29, in Amarillo, Texas. The price U.S. growers may receive in 2018 boils down to continuing world consumption to move through the large carryover on the world market. Also, our ability to continue to hold onto our market share among buyers to keep cargo ships like this one in Portland, Oregon, moving our product overseas. (Journal stock photo by Jennifer M. Latzke.)

Mark Welch, grain marketing economist for Texas A&M AgriLife Extension Service, presented his wheat market outlook for short and long term at the 2017 Texas Wheat Symposium, Nov. 29, in Amarillo, Texas.

Welch began by reviewing what he said in conclusion at the same meeting in 2016.

“I showed this last chart here a year ago, when we saw wheat prices in the $5.50 range drop to $4.50 in October, November,” he said. “I stood up here and said with world wheat acres down for the 2017 crop, and demand still increasing, if we had even normal yields we would see carryover go down and to a degree offer us price support and I projected a futures-based price of $5.50 per bushel.”

A Texas A&M University study released in September 2016 — before the most recent mergers — said the mergers would lead to higher crop prices due to lower competition. The study predicted the price of cottonseed would increase by about 20 percent if the mergers happened — a dramatic increase for farmers in a state that dominates national cotton production.

The European Commissioner for Competition is investigating the merger and doesn't plan to rule on it until at least next year. Activists and members of Congress have called on the U.S. Department of Justice to conduct a similar investigation. Mark Abueg, a Justice Department spokesman, said in an email the department does not confirm or deny if a matter is under investigation.

Dee Vaughan, chairman of the Texas Corn Producers' Issues Committee and a Dumas-area farmer, said he is concerned research and development will stagnate without "competition forcing them to stay innovative." He added that less competition will increase seed prices and could prompt firms to start charging for services that are currently free, like delivery.

Ultimately, farmers may be priced out of the profession, he said.
"We have to buy seeds; they have us in a situation where we have to buy their product," Vaughan said. "But they still have the ability to go even higher on their prices."

Bayer spokesman Chris Loder said in a written statement that the market will remain competitive after the buyout and that the merger will increase research and development opportunities by consolidating the firms' resources. The statement said Bayer has cooperated with regulators and is confident the merger will go forward.

"As we've said from the beginning, this opportunity is about combining highly complementary businesses and bringing new innovative solutions to our customers," the statement said.

However, Welch continued, while wheat acres were down, they weren't down by much and globally—particularly in large wheat-growing countries—there were record yields that raised global wheat yield averages and in fact the number of days of use on hand of wheat went up and continued to pressure prices United States farmers saw at the elevator. And, while the drought in the northern High Plains helped rebound the price for some, from $3.89 a bushel in 2016 to about $4.60 in 2017, it may not be a sustainable bounce, Welch said.

That was then. Looking forward, Welch said if world wheat acres go down like he thinks they will, and demand and consumption increases according to trends, and we have anything close to normal yields, wheat carryover should drop and that means he is fairly bullish on wheat prices for 2018. But he cautioned there are still many volatile contributing factors that must line up for better prices and farmers will need to be able to capitalize on the opportunities when they come. The good news for U.S. farmers in the coming year is the world per capita grain use figures.

“There is continued growth in grain consumption, not an increase in demand,” Welch said. This strong growth trajectory from the 2000s in consumption, he said, is based on the increase in disposable income in several significant emerging economies such as Brazil, Russia, India, Indonesia, China and Mexico. And U.S. wheat farmers benefit when those emerging economies continue to grow their middle classes, because middle classes consume more and higher quality grains and commodities.

“Look at the economic growth in those developing economies, separate from the rest of the world in 2002, 2003, 2004,” Welch said. “As they grew and exploded in growth categories it’s good for what we do, and to develop our price outlook.” The catch is that U.S. wheat farmers have to compete on a world stage.

“Though the world wheat production was somewhat lower for the 2017 crop, it wasn’t by much,” Welch said. There have been four record world wheat crops in a row, and you have to go back to 1960 to see that. Major wheat producing areas, like the former Soviet Union countries, have had outstanding crops the last four to five years, and that has turned the export community on its ear, Welch said.

The carryover picture on the world market reflects the tripling of wheat yields since 1960.

“Demand is consistent and growing, but we’ve outpaced it with production,” Welch said. “What will we do with a 132-day supply instead of the average 110-day supply?” He showed the production trend line for wheat at about 51 bushels per acre for 2018, which would be another record crop if just that trend is matched. That doesn’t bode well for the price outlook, he surmised.

“The season average U.S. price for 2018, based on harvested area, yield projection and demand and consumption should be about $4.18 to $4.20 a bushel, that’s coming off of $4.60 last year,” Welch predicted. “Nothing is putting us off the path without significant change.”

One answer is to reduce global wheat acres, Welch explained. And while harvested acres have come down to the last couple of years and are expected to be at 540 million acres in 2018, there are some competing countries using minimum price supports to maintain their wheat acres when economics would suggest farmers should switch to other commodities, he said. As of now, U.S. Department of Agriculture is predicting planted wheat acres around 45 million, and that's farmers responding to the economics and switching to something else if they can, he said.

Carryover will be a critical factor in determining if U.S. wheat prices get to $5 or $6, Welch said.

"We have been in the 130-day range the last couple of years," he said. "To get to $5 or $6 wheat we have got to get the days down to 120. And to get up to $6 or $7 wheat, we have to get the days of use below 110. Major significant changes will have to happen in global wheat production to create that environment, but it's certainly possible."

"We export about 1 billion bushels from the United States," he said. But, he countered, the nations of the former Soviet Union have excellent crops and cheap currency and it's inexpensive on the global market and the quality is pretty good for coming out of that part of the world. The bulk of global wheat importers is based in northern Africa and the Middle East, as well as the Asian community, Welch said. Meanwhile the 12 countries of the former Soviet Union account for 32 percent of global exports and if they continue to grow their market share that changes competition for our production, Welch said.

"We need relationships and agreements and cooperation with our trading partners," he said. "One of the most dynamic volatile components of our price of grains is exports and the degree to which exports make up a percentage of our production." Particularly wheat and grain sorghum, he added.

"Access to markets based on favorable trading arrangements and good credit terms are very important with those commodities," Welch said. "With expanding competition with other producers around the world for those markets it raises the stakes even more."

If we lose market share to other countries willing to enter into trade agreements, will U.S. wheat growers get it back? And, will they get it back quickly? That, Welch said, is the real question. Forefront of many growers' minds is the Trans-Pacific Partnership withdrawal and the renegotiation of the North American Free Trade Agreement, and Welch cautioned that when you lose market share, or you fail to maintain relationships with trading partners, it can be very difficult to get it back.

"We are seeing many of our competitors deliver a very high quality product at times of the year offset to when our production is available and we have to be very careful of becoming the residual supplier," Welch said. "Particularly, if our prices are higher and our quality is just equal. But there are some things that set us apart. For U.S. wheat, number one is that we are a consistent high quality supplier of wheat and people can count on us. When we say it's a certain grade, or quality, it is. And we can preserve that quality from one cycle to the next."

Bottom line, in the current long-term lower price environment, Welch advised growers to do their financial homework and really work on cutting their costs by as little as 5 percent to give them the edge.

Now, he said, is the time to do the financial homework and be familiar with your cost of production and at what price works for you.

"If we've done our homework and we know what price works, when the market hands that to you are you able to take advantage of it?" Welch asked. "This is the time to figure out what works for you and when it shows up, grab it."

USDA Withdrawing Organic Livestock and Poultry Practices Rule

By: Chris Clayton
December 15, 2017
Source: DNT

The National Pork Producers Council praised an announcement by USDA that it is rescinding another rule by the Obama Administration setting standards for organic livestock and poultry practices.

Other groups said Friday they were dismayed by the decision, including the Organic Trade Association and National Farmers Union.

The Organic Livestock and Poultry Practices (OLPP) rule required a certain amount of space -- both indoors and outside -- for animal or poultry products to meet the National Organic Program guidelines. The rule also details handling rules for transport and slaughter as well. The National Pork Producers Council had vowed last January to work with the Trump Administration to overturn the rule. The rule was put on hold as soon as the Trump Administration got into office and the president issues a regulatory freeze.

USDA will officially propose a withdrawal in Monday's Federal Register. People on either side of the issue will then have 30 days to comment on USDA's proposal to withdraw the rule.

USDA states in its Federal Register posting that department's Agricultural Marketing Service now no longer believes the Organic Foods Production Act authorizes USDA to set the welfare provisions laid out in the final Organic Livestock and Poultry practices rule.

"USDA believe that the Department's power to act and how it may act authoritatively prescribed by statutory language and context; USDA believes that it may not legally regulate outside the boundaries of legislative text."

Citing the growth of the organic industry, USDA also stated that the livestock and poultry rules could run the risk of stunting market growth.

The National Pork Producers Council also stated the welfare standards set in the rule were not based on science. The rule also would have a greater economic impact than was originally stated.

"We'd like to thank Sec. Perdue and the Trump administration for listening to our concerns with the rule and recognizing the serious challenges it would have presented our producers," said NPPC President Ken Maschhoff, a pork producer from Carlyle, Ill.

National Farmers Union had a little different take on the situation. Rob Larew, senior vice president of public policy, said NFU members were disappointed in the decision.

"Currently, we have too much inconsistency in how organic certifiers apply animal welfare standards to farming and ranching operations. This, in turn, endangers the organic label's integrity and leads to consumer confusion. The OLPP rule would have helped mitigate these concerns by standardizing organic livestock and poultry practices for the voluntary National Organic Program," Larew said.

He added, "We urge USDA to find a solution that provides certainty to family organic producers and integrity to the organic label. Family farmers, ranchers, and consumers all benefit from thorough, accurate and consistent food labeling."

The Organic Trade Association said USDA's announcement Friday was a "groundless step" done against nearly universal support among organic businesses and consumers. The original rules had been fully vetted, the group stated. Further, of 47,000 comments filed before November on how to handle the rule, only 28 comments supported withdrawing it.

"It is against this overwhelming public input that USDA ignores growing consumer demands for food transparency. Consumers trust that the Organic seal stands for a meaningful difference in production practices. It makes no sense that the Trump Administration would pursue actions that could damage a marketplace that is giving American farmers a profitable alternative, creating jobs, and improving the economies of our rural areas," The OTA stated. "Most striking is the administration's continued confusion that organic standards are mandatory rather than voluntary. Farmers, ranchers and businesses choose to be in the organic marketplace, and Congress intended that industry and consumers work together to develop organic standards. This action undermines that goal."