Cow Country Reporter

May 2016 Volume 8 Issue 5

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News from your CEO

We have had the April showers so I guess we will be overrun by May flowers! Let's just settle for a bountiful forage supply and pray we can "make hay while the sun shines." The last two weeks of April the cattle market "tanked". Why, who knows. We had a positive April cattle on feed report, a favorable cold storage report and a bullish corn planting report. So what caused feeder cattle prices to be $500.00 to $550.00 per head cheaper than the same time last year? My guess, a dysfunctional CME Futures market. Let's hope the CME (Chicago Mercantile Exchange) can get its act together.

Louisiana enjoyed some recognition. Troy Thibodeaux of Church Point, LA, a CPL member, made history earlier this year as his Red Brahman cow, CT Lady Rhineaux Ray 8/9, earned the title of the number one Brahman cow in Louisiana and the number one cow in the American Brahman Breeders Association (ABBA) "Register of Renown" for the Brahman breed of the United States. What an honor for Troy and Louisiana. Another event, Superior Livestock Gulf Coast Classic was held April 22 in Natchitoches, LA for the first time ever. This event brought rave reviews from Superior Livestock Auction and the people who attended. Prices were very discouraging, however, the Louisiana cattle brought top market for that day. This sale could be an annual event. Thank you Rayburn Smith, Joel Smith, Benjamin Brewton, Jeremy and Laura Richerson, Huey Oglesby and James Cooper who were the Louisiana Superior Representatives and all the Louisiana ranchers who consigned the cattle. Now is not the time to be complacent in the cattle business. Stay informed about the market. Plan ahead with your forages. If you haven't culled those old cows do it sooner than later. Know your breakevens and use the CPL weekly market (1-800-528-6999 option 3) updated every Saturday. Enjoy the beginning of summer!

Dave Foster, CEO

What's Worse Than No Feeder Cattle Futures?

By: Derrell S. Peel Oklahoma State University Extension Livestock Marketing Specialist

A growing chorus of cattle producers are expressing frustration regarding feeder cattle futures markets. For many years, I have defended the value of futures markets and the role of speculators in making those markets possible. However, it is increasingly important to ask and deal with questions and concerns, or the alternative may be undesired.

Feeder futures have become increasingly volatile in ways that often appear unrelated to market fundamentals. Erratic futures price movements and increased basis volatility makes it difficult or impossible for the industry to use feeder futures for its two primary roles of risk management and price discovery. Producers have historically been quick to blame speculators for unwarranted influence in cattle markets but without speculators there would not be enough liquidity for most agriculturally-based futures markets.

Since their inception in 1971, feeder futures contracts have suffered from marginal levels of liquidity, which often limited the effectiveness of the contracts. Feeder futures (and especially options) have been thinly traded in the distant contracts making them difficult to use. Liquidity is required for traders to have orders filled quickly, completely and cost effectively. A question is, have changes in recent years have aggravated the problem and threaten the future viability of feeder futures?

Institutional changes in trading hours and daily price limits are all pieces of the puzzle. Have trading hours become too long for the amount of traders

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taking positions each hour or even each minute given modern technology? Daily trading limits have been expanded to allow markets to adjust faster and not be hamstrung. While this is necessary in a world of generally increased commodity market volatility and higher than historical price levels, it also allows larger futures price movements when no fundamental reason exists or when a "cooling off" period is warranted. Wider trading limits are not the cause of erratic futures market behavior and focusing on trading limits may be ignoring the underlying cause of volatility.

A growing proportion of the outside (non-hedging) liquidity in feeder futures is, by many accounts, from sources motivated primarily by portfolio management rather than actually speculating based on feeder cattle market fundamentals. Aided by computers and mechanical trading strategies, this type of activity tends to result in movements into and out of futures markets quickly and violently; resulting in increasing market volatility as underlying liquidity is exhausted. Often this type of trading includes broad-based commodity indexes of energy, precious metals and other commodities and of which feeder futures is a tiny proportion. Yet, if or when large amounts of money is directed at these commodity indexes or directly into feeder futures markets, often for reasons unrelated to cattle markets, feeder futures go along for the ride. Unfortunately, erratic futures markets have a very real impact on actual cash feeder markets with consequences that impact the entire industry and not only for direct users or potential users of the futures market. Just talk to producers or sit at most any cattle auction; it's obvious that participants are watching futures prices, both feeder and live cattle.

Finding solutions for these problems is, admittedly, a challenge. Futures markets cannot function without outside (speculative) liquidity. However, it is becoming increasingly apparent that they cannot function effectively with high proportions of liquidity that is not market effective. Perceptions are that the industry (feeder cattle producers and feedlots) are increasingly not willing or able to use feeder futures meaning that "non-fundamental" trading is responsible for more and larger price movements. This suggests that feeder cattle futures could be on a path to imploding and completely collapsing. Feeder cattle futures must be a useful and viable tool for the industry or it will not be useful or viable for anyone. In the meantime, erratic futures trading has significant detrimental impacts on cash feeder cattle markets. Increasingly, the tail is wagging the dog.

What's worse than no feeder cattle futures? The answer may be when we have what appears to be a dysfunctional feeder futures market that is not ignored by enough of the industry and thus messes up actual feeder markets. This is, or is close to, the situation today.

Independent Cattle Ranchers Sue Federal Dept of Agriculture Over Beef Checkoff Program

Group Says Ad Campaigns Improperly Use Tax Dollars to Undermine U.S. Beef

Billings, MT - The Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA) filed suit against the U.S. Department of Agriculture (USDA)today, alleging that the agency's Beef Checkoff tax, which collected more than $80 million in FY 2015, is being unconstitutionally used to promote international beef, to the detriment of U.S. beef products and producers. R-CALF USA, whose members are independent cattle producers across the United States, says that while its members must pay a $1per-head tax to the Checkoff program, funds from that tax are used to convince consumers that beef from R-CALF USA members' cattle - raised domestically and in compliance with rigorous standards concerning safety, treatment and quality - is no different than beef produced under far less stringent procedures abroad.

"The Checkoff's implied message that all beef is equal, regardless of where the cattle are born or how they are raised, harms U.S. farmers and ranchers and deceives U.S. citizens," said R-CALF USA CEO Bill Bullard. "Despite what we know to be clear evidence about the high quality of beef raised by independent U.S. cattlemen, we are being taxed to promote a message that beef raised without the strict standards used by our members is the same as all other beef, a message we do not support and do not agree with."

Under the Checkoff, all Montana cattle producers, including R-CALF USA's members, are required to subsidize the programs of the private Montana Beef Council, which is comprised of individuals closely aligned with some of the largest multinational, industrial cattle producers. In one promotion paid for by the Council, tax money was used to fund an advertising campaign for fast food chain Wendy's, in order to promote a product which could contain beef from 41 different countries. In addition, Checkoff funds have been used to advance the agenda of the National Cattlemen's Beef Association which promotes the idea that "beef is beef, whether the cattle were born in Montana, Manitoba, or Mazatlán."

"This is not only a battle to protect constitutional rights but a battle to ensure that our food supply is not corralled and constrained by multi-national corporations leaving independent farmers and ranchers as mere serfs on their own land," said Co-counsel for R-CALF USA J. Dudley Butler of Butler Farm & Ranch Law Group PLLC.

The group's suit, filed today in the U.S. District Court for the District of Montana, alleges the USDA's allocation of Checkoff funds violates the First Amendment by compelling R-CALF USA members to finance the private speech of the Montana Beef Council. The Council encourages a misperception among consumers that harms the business of independent producers. Those non-domestic beef products promoted by the Council, R-CALF USA says, are "less safe and less wholesome than those produced by the organizations' members and originate from cattle not raised using the U.S. cattle industry's rigorous animal husbandry practices" "Tax money being raised here in the U.S. is being used to

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Commentary: Pondering the many sides of sustainability

By Bill McKee

Sustainability—a big word these days. Hard to define and maybe harder to achieve, according to folks in some circles. As an American involved in agriculture, I am proud and somewhat amazed at the ability of farmers and ranchers to embrace more “sustainable” production methods.

Whether no-till or strip-till, pivot or drip, GPS or auto steer, EPDs, genomics or embryo transfer, we are stepping up to the plate. Although many things remain a constant—soil, seed, sun and water, bull and cow, grass and water—our grandfathers would be impressed at how we put these to good use. No big deal, we’re just feeding the world.

Profit, oh that’s a dirty little word to some folks. But I say you cannot define or achieve sustainability without profitability. With few exceptions, all the improvements in agricultural production have a profit motive. Produce more or better with fewer inputs or less time and cost.

Should we as consumers always reap the benefits of a farmer’s cost savings or should we be willing to pay a little more to assure him a profit?

Durability, now that’s a little harder to define. How long should we mortals expect anything or everything to last? I think a cell phone should last a lifetime but Apple makes sure mine wears out every year. A concrete ditch sure is durable when new, but in reality after 40 or 50 years, they are broken beyond repair in many areas. Is this sustainable? Where does the money to repair it come from?

Environmental compatibility is difficult to agree on in most cases. I think the cow is a perfect all terrain lawn mower with a four compartment gas tank and automatic fertilizer spreader. A person from Berkeley, Calif., hiking on a forest trail in flip flops, may disagree. However, are buffalo really any more compatible than cattle once they are fenced in? Are buffalo chips on the trail more compatible than cow chips?

How do we as a society do all we can to keep farmers and ranchers off the endangered species list and on the tractor? Is the inheritance tax a wise tax policy to support sustainability? The millions or billions we spend on lawyers, accountants and insurance could sure put a nice roof on the old barn, not to mention what Uncle Sam gets. Does our current regulatory environment support sustainability?

In the last year or two, we have seen a lot of people spend a lot of money trying to define the sustainability of agriculture. Are “big food,” “big ag” and “big biz” using this as the latest marketing scheme at the expense of farmers and ranchers? Will Gen X and millennial consumers demand carbon-free beef next year? What do we do then?

I am proud of many things, too numerous to mention, that farmers and ranchers do today to be more sustainable. I also understand the many reasons we are under the microscope to justify why we do what we do. I hope the time and effort is not spent in vain.

As a citizen with interest in agriculture and water in the arid West, I wonder if our elected officials have our sustainable self-interests at heart? While reading recent articles regarding the United Arab Emirates (UAE) and their growing farmland portfolio in the desert Southwest, it begs the question: is this sustainable? Is this wise long-term policy?

I support free markets and property rights; a fair price between willing buyer and willing seller is a good thing. That being said, I wonder if “mining” our water and soil for a mostly export commodity is sustainable? Should this be treated like other non-renewables such as coal, gas and oil with a severance tax?

It will be a hard sell in Colorado to spend a million dollars to pipe a ditch to save water and then send the saved water down the river so Arizona can send it overseas in a bale of hay. I would be the last person to say no, but is this sustainable policy? Who or how should we pay for water sustainability in the West? Better yet, maybe the UAE should raise hay in Ohio with 30 inches of moisture, learn how to rake and ted between rain and bale when it turns black. Just a thought.

Bill McKee is a rancher near Carbondale, Colo.

Missouri Votes Against Beef Checkoff

Director of Agriculture Richard Fordyce announced that the state will not establish a new beef checkoff. This announcement comes after the director approved a petition to conduct a referendum of Missouri cattle producers, at the request of the Missouri Beef Industry Council and pursuant to section 275.352 RSMo as amended, to establish a $1.00 per head state beef checkoff assessment on Dec. 23, 2015.

On April 4, 2016, ballots were mailed to the 8,480 Missouri beef producers who registered during the registration period. Of those, 6,568 valid ballots were returned to the Missouri Department of Agriculture postmarked no later than April 15. 1,663 producers (25.33%) voted for the checkoff and 4,903 producers (74.67%) voted against it.

Department staff counted the ballots and Williams Keepers, LLC, a CPA firm, reviewed the tabulation of ballots for third party verification.

Cattle producers were required to register in order to vote and were able to do so online or by visiting their county USDA-FSA office.

Source: Missouri Department of Agriculture

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advertise beef being raised under conditions that are not transparent and that our members have no control over," Bullard added. "We're a non-profit association of proud, independent cattle producers from 43 different states who are committed to the safety and quality of our products. Our ranchers shouldn't have to pay for advertising blitzes benefitting multinational operators that seek to turn our food supply over to huge corporations."

Public Justice, an impact litigation group, is also representing R-CALF USA. David S. Muraskin, a Food Safety and Health Attorney with the organization said that, "The Beef Checkoff program is using federal tax dollars to convince consumers that it does not matter where their dinner came from, or how it was raised. At a time of alarming food recalls and concerns about the health and safety of the food we eat, that's both irresponsible and troubling. This suit demands an end to that deception."

In addition to Butler and Muraskin, R-CALF USA is also represented by Montana attorney Bill Rossbach of Rossbach Law PC.

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