

# Cow Country Reporter



April 2021

Volume 13 Issue 4

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The month of March ended with the "fat cattle" market finally moving higher after seven weeks at \$114.00 cwt. Feeder and stocker cattle prices have increased most of the month of March. We had an early April Fool scare with USDA, NASS Crop Planting Intention Report showing both corn and soybean acreage estimated lower which sent the CME Feeder Cattle Futures market lower on March 31. We will have to wait and see what happens. Check in with Superior Livestock Video Auction, Gulf Coast Classic, April 8 & 9 in Natchitoches, LA. where there will be over 150 loads of Louisiana yearlings and calves selling. Many of our Louisiana auction markets have featured special replacement

cow and heifer sales with good demand and higher prices. Check with your local auction market for upcoming replacement sales in April. Total cattle numbers are down in the US and calf numbers are lighter than last year. This fact coupled with good demand for Summer-grass stockers should result in higher prices for our good Louisiana calves this year. PLEASE, check with your marketing rep. today to get posted on the market. I know many of Louisiana cattlemen are still reeling from the hurricanes last year and the snow and ice storm this year, so keep those calves alive and growing and don't miss out on the market. Enjoy the Spring weather, green grass and blue skies.

*Dave Foster, CEO*

## NAMI JOINED BY 20 STATES IN CHALLENGING CALIFORNIA'S PROP 12

WASHINGTON – The North American Meat Institute (NAMI) has been joined by 20 other states in challenging the constitutionality of California's Proposition 12. The 20 states filed an amicus brief with the US Supreme Court challenging the law.

"The governments of nearly half the states agree," said Julie Anna Potts, president and chief executive officer of NAMI. "If California is allowed to apply its laws to conduct in other states, a single state will dictate policies in all others, encouraging a patchwork of regulations and threatening the free flow of interstate commerce."

California residents voted to pass Prop 12 in 2018. The law requires veal calf producers to provide the animals with at least 43 square feet of usable floor space per calf.

The brief was filed by Indiana, joined by Alabama, Alaska, Arkansas, Georgia, Iowa, Kansas, Louisiana, Missouri, Montana, Nebraska, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Texas, Utah, West Virginia, and Wyoming.

"It (Prop 12) freely permits California to impose regulations directly on out-of-state commercial conduct and thereby fosters inconsistent state regulatory obligations and enables tit-for-tat state regulatory conflict," the states said. "The ultimate result may be transformation of America's current integrated national market into a patchwork of regulatory regions."

Late in February 2021, NAMI filed a petition for a writ of certiorari – a type of writ by which an appellate court decides to review a case at its discretion – asking the Supreme Court to review an earlier ruling from a lower court.

The association said that the question is whether California can extend its power beyond its borders by banning the sale of wholesome pork and veal products sold into California unless out-of-state farmers change their facilities to meet animal-confinement standards dictated by California.

A NAMI brief asked the US Supreme Court to review the decision and stated, "Ninth Circuit's decision conflicts with the decisions of other federal courts of appeals on the question whether the Constitution limits a State's ability to extend its police power beyond its territorial borders through a trade barrier dictating production standards in other States and countries

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## **NAMI JOINED BY 20 STATES IN CHALLENGING CALIFORNIA'S PROP 12**

and insulates in-state farmers from out-of-state competition, while imposing crushing burdens on out-of-state farmers and producers who have no political voice to shape the regulations that California has unilaterally determined to foist upon their operations outside of California."

Beginning in 2022, sows will need a minimum of 24 square feet of usable space per animal and laying hens will be cage-free. Prop 12 builds on Proposition 2, approved in 2008, which mandates cages for egg-laying hens must be large enough for the birds to stand up, lie down and extend their wings. Meat, poultry and eggs not produced under these standards cannot be sold in California.

## **HOUSE PASSES FARM WORKFORCE MODERNIZATION ACT**

WASHINGTON – The US House of Representatives recently passed the Farm Workforce Modernization Act giving seasonal workers a program to earn legal status if they are continually employed in the agriculture sector.

The bill was co-sponsored by Congresswoman Zoe Lofgren (D-Calif.) and Congressman Dan Newhouse (R-Wash.) The vote passed 247-174 with 30 Republicans in favor of the legislation.

"Stabilizing the workforce will protect the future of our farms and our food supply," Lofgren said. "The Farm Workforce Modernization Act accomplishes this by providing a path to legal status for farmworkers and updating and streamlining the H-2A temporary worker visa program while ensuring fair wages and working conditions for all workers. I look forward to working with Senators on both sides of the aisle to get this bipartisan legislation that serves the best interests of our country to the President's desk."

The bill permits workers to apply for temporary status as "Certified Agricultural Worker" only if they worked at least 180 days in the agriculture sector in the last two years.

Qualified applicants are provided 5-year renewable agriculture visas. Individuals can renew their 5-year visas by working at least 100 days in agriculture each year.

Legal Permanent Resident or green cards can be applied for by workers who have worked in agriculture for at least 10 years and finish four more years of farm work to be eligible. People with less than 10 years would need to work eight more years in the sector.

"By creating a viable and desperately-needed agriculture labor program, we are removing opportunities to work illegally in the United States, strengthening our border security, and ensuring we have a reliable, legal workforce for our farms and ranches for years to come," Newhouse said. "Today's passage marks an important step forward for farmers, ranchers, and farmworkers. I look forward to working with my colleagues in the Senate to get it to the President's desk and deliver historic and meaningful reforms for American agriculture."

The law would also establish a mandatory, nationwide E-Verify system for all agricultural employment. The National Pork Producers Council shared its thoughts on the legislation earlier this month.

"We look forward to working with Congress to enact meaningful labor reform that both opens the H-2A program to year-round labor without a cap and provides legal status for agricultural workers already in the country," said Jen Sorenson, president of the National Pork Producers Council earlier in March. "Though changes to the current proposal will be necessary to meet those needs, we're confident Congress will find a solution that works for all parties."

## **CASH CATTLE MARKETS FINALLY MOVE HIGHER**

By Greg Henderson

The last seven weeks of winter produced a sideways trend in the cash cattle market with little aggressive action from packers. The first week of spring saw changing attitudes and packers willing to take on more volume with prices from \$1 to \$3 higher.

Trade in the South was called moderate to active at \$115 to \$116. Trade in the North occurred at mostly \$116 with a few at \$117, and \$184 to \$185 dressed, \$1 to \$3 higher.

A noted change was found with packers willing to bid earlier in the week and take on more volume.

April live cattle futures closed up \$0.55 on Friday at \$120.10 and June cattle gained \$0.70 to close at \$121.775. For the week June live cattle rose \$3.10. May feeder cattle futures on Friday rose \$0.75 at \$149.875 and on the week rose \$5.20.

Boxed beef prices rose throughout the week. Choice boxed beef closed Friday at \$238.40 per cwt., \$8.31 higher than the previous Friday. Select boxed beef closed at \$229.09 per cwt., \$8.98 higher.

Estimated cattle slaughter was 646,000 head, compared with 684,835 head last year. Total year to date was 7.75 million head, down 3.5% compared with last year.

Stocker and feeder cattle prices traded steady to \$4 higher.

## **USTR'S TAI TELLS EU ANTITRUST CHIEF SHE WANTS "MORE POSITIVE" TRADE TIES**

By Reuters (Reporting by David Lawder; Editing by Leslie Adler)

Washington (Reuters) - U.S. Trade Representative Katherine Tai on Monday told the European Union's competition commissioner, Margrethe Vestager, that she has a "strong desire to develop a more positive and productive" trade relationship with the EU, USTR said.

USTR said in a statement Tai and Vestager agreed to work together on priorities such as climate change, the digital economy and strengthening U.S.-EU cooperation to deal with large, non-market economies such as China.

The statement did not say whether the two officials discussed Tai's decision on Friday to proceed with preparations for potential tariffs against goods from Austria, Britain, Italy, Spain, India and Turkey over digital services taxes imposed by those countries.

Vestager has long been an advocate for Europe to be a leader in ensuring that technology giants such as Google, Facebook and Apple pay their fair share of taxes in the region.

USTR investigations launched by the Trump administration found that digital taxes imposed by the six countries and France discriminate against the U.S. tech firms. Tai said on Friday that her move to seek public comments on potential tariffs would preserve U.S. options in case a global consensus on taxes could not be reached.

The Biden administration has pledged renewed efforts to negotiate a global solution on international taxes through the Organization for Economic Cooperation and Development. USTR said Tai and Vestager agreed to "regular engagement" in the future.



## POTENTIAL DROUGHT IMPACTS ON CATTLE MARKETS

By Derrell Peel - Oklahoma State University

As April arrives, the current drought situation looms larger and potential impacts on cattle markets are increasing with each passing week. The latest Drought Monitor shows that 43.55 percent of the continental U.S. is in some degree of drought (D1-D4), including 18.06 percent in Extreme and Exceptional drought (D3-D4). Additionally, another 20.66 percent of the country is abnormally dry (D0), which means that only 35.79 percent of the U.S. is free of drought conditions. At the beginning of March one year ago, over 76 percent of the U.S. was drought free.

Along with the pandemic, the current drought began advancing in early March 2020. The rapid progression of the drought this past year is faster than any drought in more than 20 years, since the Drought Monitor began. An aggregate annual index of drought conditions is currently at the highest level (worst drought) since 2014. The growing season is just beginning from south to north, and with two-thirds of the country abnormally dry or already in drought, the threat of warm weather and persistent or advancing drought is a major concern for forage production.

As droughts develop regionally, affected producers endure growing management challenges and increased costs. Drought conditions necessitate a sequence of producer actions including modified pasture and water management, increased supplemental feeding, additional feed purchases and perhaps relocation or liquidation of part or all of the herd. As producers recognize and anticipate drought conditions they must assess and evaluate their resource situation, nutritional and health requirements of the herd and the economic considerations of input costs and the liquidation value of animals. At this level, producer decisions may have little or no impact on broader market values, except perhaps in localized situations. If a drought is severe enough, over a big enough region, and lasts long enough, broader market values may be affected resulting in lower prices for cattle and higher prices for feeds and other inputs. This can result in additional challenges for drought impacted producers as well as impacts on producers outside the drought region.

Expanding drought conditions in 2020 impacted many producers regionally. The impacts were centered in Colorado where the beef cow inventory decreased by 14.5 percent last year along with a 16.1 percent year over year decrease in beef replacement heifers. The cow herd reduction in Colorado was 112,000 cows. Drought conditions plagued much of the desert southwest in 2020 but cow herd liquidation in Nevada, New Mexico and Utah totaled just 34,000 head. As bad as they were, these cow herd losses were not enough to cause significant general cattle market impacts. Significantly higher hay prices were noted in 2020 in the western drought region.

What does the current drought situation suggest about possible market cattle market impacts in 2021? Recent rain and snow has alleviated some of the previous dryness in Kansas, Nebraska and eastern Colorado with enough moisture to ensure at least some spring growth. Oklahoma has generally adequate moisture at this time. However, drought is forecast to redevelop eastward into the central plains. Arguably the most concerning areas now are North and South Dakota and Texas. Persistence or expansion of drought in these areas (which have large beef cattle numbers), in conjunction with ongoing drought in Rocky Mountain and desert southwest regions could result in levels of herd liquidation/movement that broadly impact cattle markets. If the drought preempts spring forage growth in these regions, market impacts could develop rapidly in the next three to five months. Conditions in the coming weeks may have significant cattle market impacts on producers in drought regions, producers in regions where drought is or could develop, as well as producers outside of drought areas.

## LEGISLATION INTRODUCED TO SUPPORT SMALLER MEAT LOCKERS IN IOWA

By KATIE JAMES

There's new legislation in the works, known as House File 787, to support building additional meat lockers in Iowa and provide training to those who want to set up or work in one of those lockers. Representative Chad Ingels (R-Iowa) joined AgriTalk this week to discuss the measure.

"It creates basically an incentive program to expand, improve or build new meat lockers in Iowa. We're really focused on the smaller mainstreet-type lockers, but maybe also something a little more innovative, direct-to-consumer locker type. Or in a bigger city with some connection to farmers as well," Ingels explains. "Another part of the bill is job training. How do we best set up a job training program for the people that either want to run a locker or work in a locker? It's a different skill than working on a meat processing line at a big facility."

Ingels says it also sets up a task force of people in the meat industry, including farmers, community colleges, and even Iowa State University, to figure out what the best program design will be, whether it's in-person, or a mix of online and in-person training and apprenticeship. But they're looking to experts to help decide what the program needs.

It won't only be for freezer beef, the program will be available for pork and lamb as well, as the need was made known during the backlog of the pandemic where locker space wasn't available.

"It's been percolating for two or three years, but here a year ago when the pandemic hit and people were having a tough time getting the animals processed, lockers got packed up for a year and now, they're out and over a year into 2023," Ingels says. "For somebody that wants to start selling direct to consumers, that's delaying them. It's like, 'Hey, we want to sell to you. But there's no way we can get beef or hog processed for you for a year and a half.' And that's tough. And consumers want to work with farmers directly and get some of that all across the state."

Ingels says there's been fantastic support for the measure, which will run through the Economic Development Committee in the House, and it's close to being brought to the floor.

"We've had ag people interested, and even hunters are interested. They asked for a seat at the table on our task force, so they can be involved because they understand that the deer and wildlife they harvest needs to be processed as well," he says. "We're just trying to find the dollar level that we can put on it. Our budget targets are going to be coming out. We're trying to find out how we can fund it, but it's had great support."



## ADDITIONAL CFAP 1 PAYMENTS AND FUTURES MARKET UPDATE

By: Josh Maples, Mississippi State University Extension

On Wednesday, March 24th, USDA announced updates to the Coronavirus Food Assistance Program (or CFAP) and these updates directly affect cattle producers. For background, there were two rounds of CFAP during 2020 that provided direct payments agricultural producers including cattle producers (you can find previous newsletters on CFAP 1 and CFAP 2 [here](#) and [here](#)).

With the latest updates, previous applicants will receive additional payments for inventory submitted on their CFAP 1 applications. The additional payment rates are shown in the table above. USDA is implementing an increase in CFAP 1 payment rates based on the number of cattle in inventory between April 16, 2020 to May 14, 2020. Cattle producers with approved CFAP 1 applications will automatically receive these payments.

Additionally, USDA will reopen acceptance of new and modified CFAP 2 applications on April 5, 2021. The application period for CFAP 2 previously ended on December 11, 2020. This reopening likely won't affect the many producers who already submitted and received CFAP 2 payments. However, if you did not submit a CFAP 2 application, this will be another chance to do so. The program is advantageous to cattle producers. The payment rate is \$55 per head for a producer's owned inventory of eligible beef cattle (excluding breeding stock) on a date selected by the producer from April 16, 2020, through August 31, 2020. More information is available from USDA by clicking <https://www.farmers.gov/cfap2/livestock>

### Futures Market Update

Trading of CME feeder cattle futures contracts pushed prices higher last week after declines two weeks ago. The May 2021 contract started last week around \$145. Increases each day last week and in trading today pushed the contract price above \$152 which is the highest level seen for that particular contract month and year.

Similar strength occurred in the fall contracts with many topping \$160 per cwt today. For context, this is the first time any feeder cattle futures contract has closed above \$160 since April 2019 when the fall contracts traded above \$160 for a few weeks. Prior to that, you'd have to go back to 2017 to find a daily closing price above \$160.

There remains optimism for cattle markets this year. As Kenny wrote a few weeks ago, the strong fall feeder contract prices suggest a relatively attractive price forecast for heavy feeders this fall and more aggressive bidding on calves to be placed in grazing programs this spring. High feed prices remain a point of concern and cattle markets will be paying attention to corn crop progress this year. The annual Prospective Plantings report will be released this week on March 31.

CFAP 1 Additional Payment Rates

Eligible Commodity	Payment Rate
Feeder Cattle: Less than 600 Pounds	\$7.00/head
Feeder Cattle: 600 Pounds or More	\$25.50/head
Slaughter Cattle: Fed Cattle	\$63.00/head
Slaughter Cattle: Mature Cattle	\$14.75/head
All Other Cattle	\$17.25/head

For cattle in inventory between April 16, 2020, to May 14, 2020.

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