



LIVESTOCK NEWSLETTER

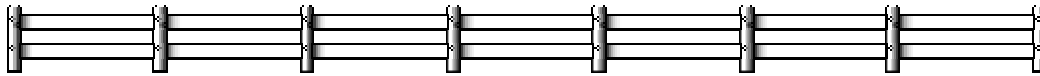
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November 2008

Dates to Remember

January 30 — Cattlemen's Western Party



Public Comment Period Extended to December 1, 2008

The Northwest Power and Conservation Council has extended the public comment period for the draft amendments to the Columbia River Basin Fish and Wildlife Program (CRBFWP) to December 1, 2008. The CRBFWP website (www.nwcouncil.org/amend) has the instructions necessary to make comments.

Seven (7) years ago 10% or \$0.10 of every dollar spent on power by Pacific Northwest Power users was directed to fish and wildlife efforts. Fish hatcheries, private land purchase, wildlife habitat mitigation for property that has been submerged by the hydroelectric dams, and the wildlife department funding through "habitat credits" and management fees are some areas where your power bill money has been going. The new amendments to the CRBFWP are an increase in their program. Fully, 30% or \$0.30 cents of every dollar of everyone's power bill will go to fish and wildlife projects if the program is approved as drafted. This is a huge amount of money and will add to rising power bills.

Use the CRBFW website if you want to make a public comment, they are asking for input.

Article Contends Reduction in Meat Consumption Would Reduce Global Warming

According to a recent widely publicized research report, beef production was reported to have a terrible "carbon footprint" and it recommended reducing red meat consumption to reduce global warming. I read the article first in the "Wellness Letter" published by the University of California, Berkeley, which has been a fairly good newsletter. The study was done by Carnegie Mellon University in Pittsburgh, which didn't get many of the facts straight. Unfortunately, a bunch of publications, including Time magazine, did publish the article without doing background checking to see if it was accurate.

The article states that red meat is more energy-intensive to produce than other foods, largely because it takes so much fossil fuel to grow, transport and process the feed that cattle consume. It states that an average family consuming chicken, fish and eggs instead of red meat and dairy products for one day a week for a year, saves the carbon equivalent of driving 760 miles.

Well, the study is one sided on the carbon emissions. It does not take into consideration

any grazing, the by-products being fed, carbon sequestering and fixation of the crop, range and pasture and it makes you believe poultry, swine, and fish consume feeds that are “friendlier” than cattle. They failed to recognize that during the greatest portion of the beef cycle the animal goes to the feed without need of transport, and the feed does not require processing. Hey, Carnegie Mellon University, have you ever heard of grazing? Grazing irrigated pasture actually sequesters or fixes 8 tons (16,000 pounds) per acre of carbon annually. American beef and American lamb can have close to neutral carbon footprints. American lamb normally has a very positive carbon footprint. The closer industries get to grass-fed the better the carbon footprint.

Meat, Livestock Groups Blast USDA Aid Program

Officials with the nation’s leading meat and livestock associations have signed and sent a letter to Agriculture Secretary Ed Schafer, questioning the agency’s plans to guarantee loans to ethanol plants that struggled to pay for high-priced corn this past year.

“Such a program would be a startling new development that discriminates in favor of one segment of American agriculture,” the eight organizations said in the letter, pointing out that livestock producers and meat processors also struggle with the risks associated with betting on future prices for corn.

“We in animal agriculture are particularly concerned that you would consider adding one more level of support for the corn-based ethanol industry,” the groups said, noting the Renewable Fuel Standard mandate and the blender’s credit that already support the ethanol industry.

But USDA Press Secretary Keith Williams told *Meatingplace.com* the groups are mischaracterizing the Business and Industry Loan Guarantee Program as a cash grant to ethanol, explaining that the program has been in existence providing loan guarantees

to any rural business since 1974. “It is not targeted to ethanol businesses,” he said.

The eight groups are the American Meat Institute, National Cattlemen’s Beef Association, National Chicken Council, National Meat Association, National Milk Producers Federation, National Pork Producers Council, National Turkey Federation and United Egg Producers.

Source: *Meatingplace.com*

Washington Feedlot Owner Fights COOL

A feedlot owner in Eastern Washington is suing USDA in an effort to change regulations requiring country-of-origin labeling (COOL) for beef products.

Cody Easterday, owner of Easter Ranches Inc. Pasco, WA, contends that COOL already is lowering prices for beef from Canada and Mexico, and U.S. beef isn’t fetching a premium price according to the *Associated Press*.

USDA declined to comment.

U.S. Beef Exports to South Korea Surge in September

U.S. beef exports to South Korea surged in September due to consumer demand for premium sirloin and rib cuts, Korean media reported, citing a report by the Agro-Fisheries Trade Corp.

The government-run corporation said U.S. beef imports totaled 7,030 tons, which was nearly 35 percent of the total amount of beef that Seoul imported in the one-month period. The value of U.S. imports during September was just shy of \$44 million, accounting for 43 percent of the value of all imports as U.S. cuts fetched higher prices than those imported from Australia and New Zealand.

South Korea imported 20,253 tons of beef worth \$103.1 million in September.

U.S. beef imports rose 126 percent in terms of value and 136 percent in terms of quantity

compared with August (2,984 tons valued at \$19.5 million).

“There is a steady increase in demand for beef ribs that are sold at restaurants,” an Agro-Fisheries Trade official was quoted as saying.

Imports of Australian beef, for example, fell to 10,501 tons worth nearly \$50 million in September. That figure represents some 50 percent of all imports, but Australia had 70 percent market share in May.

Cattle Markets Caught Up In Financial Crisis

U.S. agriculture is caught in the web of uncertainty being created by the financial crisis of 2008. The cattle industry is no exception, as both domestic and foreign demand for beef is related to consumer incomes. Where the U.S. and world economies go is expected to plot the direction for cattle prices. As a consequence, beef supply fundamentals seem less important to prices, at least for now.

It is no mystery that concerns over a downturn in the U.S. and world economies has been the headline news from Wall Street to Main Street to RFD America in the past three weeks. The stock market, as measured by the S&P 500 index, was down 23 percent from September 26 to October 17. The impact on the cattle market was robust as well, with December live cattle futures falling 10 percent and the price of finished cattle falling \$8.50 per live hundredweight.

The recent financial losses for the cattle industry were particularly large for feedlots that did not have finished cattle forward sold, especially those who had purchased high priced calves and high priced feed this past summer. The most likely group in this category is small farmer feedlots as many large commercial feedlots have a greater tendency to have cattle forward sold. The negative financial impacts on cow-calf producers has been somewhat less in recent weeks as November feeder cattle futures fell only 7 percent.

Looking forward, the current decline in feed prices has been a huge advantage in reducing costs of finishing cattle and helped to keep the declines in calf prices more moderate. Feed prices have fallen by a much larger percentage than have cattle futures. During the last three weeks, December corn futures fell by 25 percent, with December soybean meal futures down 20 percent.

Beef demand and cattle prices are directly impacted by consumer incomes. The current financial crisis may reduce those incomes and therefore cattle prices. The magnitude of the decline in incomes will influence the magnitude of decline in cattle prices. The last two recessions in the U.S. were very mild. This recession may be more severe, more like the recessions of 1974 and 1975 and again in 1981 and 1982, when real Gross Domestic Product (GDP) dropped near 3 percent. A drop of that magnitude this time could have a \$4.50 to \$5.00 per hundredweight negative impact on live cattle prices, not as much as prices have already dropped.

This would suggest that the live cattle futures decline of \$10.25 per hundredweight over the past three weeks is too much. That probably is true if real GDP drops only 3 percent or less in a coming downturn. However, as many supposed experts have stated to the media, “this is the worst financial crisis since the Great Depression.” These statements suggest the possibility that the downturn will be much greater.

The leading indicator for the cattle sector right now is probably the stock indexes. If there is a general improvement in global financial concerns, those will be quickly reflected in stock prices. Indicators today say that the credit crisis is easing somewhat and money flow between banks is beginning to improve somewhat. The odds of a financial collapse are now somewhat lower as the governments of the world’s major economies have pledged to make sure the collapse will not occur.

What should people in the cattle industry do now? The first message always is not to panic. Odds favor a recession and not a depression. Understanding of the magnitude of the recession is unfolding now as the impacts of the past few weeks affect consumer spending, business investment decisions, and trade. Markets often anticipate the worst, and if the worst does not occur, there is some recovery. That may well be the direction for the cattle markets as well. If so, this would enable cattle prices to recover several dollars per hundred, but feed prices would be expected to rise as well.

Buying feed at this time is a consideration with both harvest and a financial crisis weighing on grain prices. But that has to be done with a view to the risk bearing ability of the individual firm. In these uncertain times, locking in feed costs without pricing output leaves one in a vulnerable position if the recession is worse than anticipated. Taking positive margins by establishing both input and output prices is always the more comfortable strategy in uncertain times.

For cow-calf operations, a similar no-panic attitude is probably the best path. The feed price highs are probably behind the industry, at least for now, and the world economic

crisis may not come to fruition. The world's governments have administered a huge amount of stimulation to economic activity both by infusions of capital and in monetary policy. The large stimulation will probably have the result of moderating recessionary pressure now, but also in stimulating more inflation in commodity prices over coming years.

Recovery in finished cattle prices to the low-to-mid \$90s would seem to be the most likely possibility in coming months. A recovery of \$5 to \$7 per hundredweight might be appropriate to expect for feeder cattle and calf prices as well.

Source: *Chris Hurt, Extension Economist, Purdue University*



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A handwritten signature in black ink that reads "W. Frank Hendrix".

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