



TEXAS CATTLE FEEDERS ASSOCIATION

NEWSLETTER

5501 I-40 WEST

AMARILLO, TEXAS 79106

806 / 358-3681

Volume 44, Number 15

April 9, 2010

Possible Imports Of Brazilian Beef To The U.S. were hotly debated this week when the issue was made part of U.S. government efforts to resolve a long-standing cotton trade dispute with Brazil.

TCFA and NCBA quickly informed USDA that we expect them to take all necessary measures to protect U.S. cattle health, including assurances that OIE guidelines and U.S. standards for regulating imports on a regional basis and assessing disease risk within defined regions are applied on a consistent and scientific basis. OIE guidelines are intended to instruct countries on how they can safely trade animal and animal products while also ensuring that disease risk between countries is not increased because of such trade. TCFA and NCBA support rigorous science-based animal health guidelines and procedures to ensure that U.S. cattle health is not jeopardized.

In particular, TCFA and NCBA will continue to evaluate the risk assessment and upcoming proposed rule to see how USDA will ensure animal health regulations and international guidelines will be met by Brazil. The risk assessment and proposed rule on the state of Santa Catarina have been in process for roughly two years. While it is the understanding of TCFA and NCBA that USDA's intent was to inform Brazil that the FMD rule was close to completion, we are extremely concerned whenever there is a suggestion that science-based international standards for sanitary and phytosanitary risks in agricultural product trade are not observed or are being bargained on the trade negotiation table. And if this rule becomes finalized, we will also engage our government to ensure Brazil meets all USDA and international food safety requirements.

Last year, the World Trade Organization ruled that U.S. subsidies to cotton growers violate global trade rules and authorized Brazil to impose sanctions. But this week, immediately prior to sanctions taking effect, the U.S. and Brazil reached agreement on a settlement. According to USDA press releases, one component of this agreement facilitates the possible export of fresh beef from Santa Catarina. According to OIE, the state currently has FMD-free status without vaccination and is the only state in Brazil with this designation. Brazil's access to the U.S. market for beef is currently restricted to cooked beef products due to the presence of FMD in some areas of the country.

No Breakthroughs In Japan, But We're Still Talking: Ag Secretary Tom Vilsack visited Japan this week to promote stronger ties between the United States and Japan in the area of agriculture. A key topic of discussion was beef trade.

In a news release following his meeting with his Japanese counterpart, Hirotaka Akamatsu, Vilsack said the two leaders had a "useful exchange" of views and agreed to continue the dialogue through a series of senior and working level meetings in order to establish a mutually agreeable framework for the import conditions for U.S. beef. Vilsack also underscored his commitment to pursue a framework that is consistent with science and international standards.

"While, as expected, there was no major movement on beef trade this week, the meetings were a good first step in laying the groundwork for future dialogues," said Gregg Doud, NCBA chief economist. "It is not cliché to say that the foundation of international trade is based upon solid relationships between trading partners. We're very pleased with the Secretary's efforts and strategy to advance relations with Japan and open a dialogue to improve market access for U.S. beef into Japan. NCBA will continue working with Secretary Vilsack and USDA to advance this top priority issue for U.S. beef producers."

However, all post-meeting niceties aside, it is probably instructive to consider comments Akamatsu made while Vilsack was still en route to Japan. According to the international news agency *AFP*, Akamatsu said he had "no plan to ask the government's food safety commission to review U.S. beef" even if the U.S. were to demand it. "Asking for a review by the food safety panel would mean Japan was heading in the direction of changing its trade restriction," Akamatsu told a news conference. "Honestly speaking, I don't expect to do so."

Japan's restrictions on U.S. beef limit imports to product from cattle under 21 months of age, despite the fact that OIE has classified the United States as a controlled-risk country for BSE – the same designation as

Japan. Japan's unscientific trade restrictions cost American producers about \$1 billion in lost exports each year.

Corn Prices Could Soar Back To The \$7 Per Bu. Range if yields are affected by weather complications that have a 10% chance of occurring in any given year. So says a study by the University of Illinois, the authors of who argue for more flexibility in renewable biofuels policies to protect against price shocks and undersupplies.

The study's authors write: "There appears to be growing confidence within the corn production industry that corn yields are 'bullet proof.' As the yield shortfalls of the 1970s, 1980s, and early 1990s appear further in the rearview mirror, less concern is expressed about such risks in the future. The general lack of concern about a weather-induced shortfall in U.S. corn production suggests that market participants and policymakers may be ill-prepared to cope with such a shortfall should it occur, somewhat like the price spike of two years ago that caught participants off-guard."

"It is imperative," according to the authors, "that a process be initiated now to determine how to deal with such situations rather than putting our figurative heads in the sand and hoping it does not occur. History suggests it is not a question of whether or not a shortfall in corn production will occur, but instead the questions are: When? And how severe?"

To read the full study, go to <http://www.meatami.com/ht/a/GetDocumentAction/i/58473>.

NCBA Is Challenging Recent Action By EPA. In an effort joined by the Coalition for Responsible Regulation, Inc., NCBA filed a Petition for Review in the D.C. Circuit Court of Appeals opposing EPA's recent rule, which reconsidered the so-called "Johnson Memo" interpreting when greenhouse gases (GHG) become subject to the federal Prevention of Significant Deterioration (PSD) permit program. The final rule, announced March 29, is the latest step in EPA's phased-in approach to GHG regulation. Under EPA's decision, facilities would be required to get PSD permits for GHG emissions starting in January 2011 when the first national rule controlling GHG (from cars) takes effect, and would be required to do so without EPA undertaking the deliberate rulemaking process required by the Clean Air Act (CAA).

"While EPA touts its decision to hold off on regulation until next year as a 'common sense' plan to give industry time to comply, this is nothing more than a smokescreen in an attempt to distract the public from the fact that EPA is circumventing the normal, required rulemaking process for such regulation. Under the CAA, the EPA must adopt a National Ambient Air Quality Standard for a pollutant prior to regulating it under the PSD program. No such rulemaking has been undertaken. As we have said many times, the consequence of GHG regulation will be economic devastation for American businesses," said Tamara Thies, NCBA chief environmental counsel. "Before imposing very-real, long-term negative impacts on the entire U.S. economy, the EPA should at least follow Congress' strict instructions for regulating pollutants under the PSD program."

The rule also strictly prohibits "grandfathering," meaning that any project not actually issued a final PSD permit by Jan. 2, 2011, will be subject to GHG emissions reviews prior to such permitting. Inevitably, a number of projects will be held up until GHG-based reviews can take place. These projects will be left with little recourse once the compliance deadline takes effect. Furthermore, while EPA will not grant sufficient time for states to amend their permitting-programs prior to the imposition of federal GHG regulations, states will not be allowed to issue valid permits after January 2011 without GHG reviews.

Texas BioEnergy Study: Texas Ag Commissioner Todd Staples announced this week that the Texas Department of Agriculture, in cooperation with the Comptroller's State Energy Conservation Office, is requesting proposals from entities to conduct a comprehensive bioenergy study to identify the state's needs and investigate opportunities within the renewable energy industry. Specifically, the study must examine various feedstocks, the logistical challenges related to the production and transport of biomass and the integrations of bioenergy to meet the state's energy demands. "Diversifying the state's energy mix is a critical component to the economic future of Texas," Commissioner Staples said. "Creating a renewable fuels strategy that does not abandon market principles puts us on a path to energy independence while offering job growth and opportunities for rural economic development.

TCFA supports the development of renewable energy sources and strategies that will provide greater energy diversification, create economic opportunities in rural areas and more efficiently dispose of waste products – as long as they are not artificially supported by the government.

For more information about the study, please visit <http://www.TexasAgriculture.gov/bioenergy>.

Taiwan Has Now Approved 13 Categories of U.S. Beef Offal Items For Import. The U.S. Meat Export Federation (USMEF) says this marks the first time since December 2003 that U.S. beef products other than muscle cuts have been allowed into Taiwan.

Kevin Smith, USMEF director of export services for the Asian markets, says Taiwan's latest expansion of access for U.S. beef is very positive news for the industry. Last year Taiwan set a new value record for imports of U.S. beef at \$141.2 million – up 11% from 2008 – despite some controversy over the inclusion of bone-in beef cuts for the first time since 2003. The market has also been off to a strong start in 2010.

To read more about beef trade with Taiwan, go to http://www.usmef.org/TradeLibrary/News10_0405w.asp.

FDA Has Issued An Update On Enforcement Activities Regarding The Ruminant Feed Ban. FDA says, as of March 6, 2010, it had received over 76,000 inspection reports since 1997. Approximately 72% of inspections were conducted by state feed control officials, with the remainder conducted by FDA officials.

Inspections conducted by FDA or state investigators are classified to reflect the compliance status at the time of the inspection based upon the objectionable conditions documented. These inspection conclusions are reported as Official Action Indicated (OAI), Voluntary Action Indicated (VAI), or No Action Indicated (NAI). A firm's compliance status and whether the firm handles prohibited material are based on its most recent inspection.

Here is what FDA reported on the results of inspections:

Licensed Feed Mills

- Number of active firms inspected – 1,041
- Number of active firms handling materials prohibited from use in ruminant feed – 485 (47% of those active firms inspected)
- Of the 485 active firms handling prohibited materials, their most recent inspection revealed that:
 - 1 firm (0.2%) was classified as OAI
 - 2 firms (0.4 %) were classified as VAI

Feed Mills Not Licensed By FDA

- Number of active firms inspected – 5,276
- Number of active firms handling materials prohibited from use in ruminant feed – 2,705 (51% of those active firms inspected)
- Of the 2,705 active firms handling prohibited materials, their most recent inspection revealed that:
 - 0 firms (0%) were classified as OAI
 - 21 firms (0.8%) were classified as VAI

Other Firms Inspected (includes such firms as ruminant feeders, on-farm mixers, pet food manufacturers, animal feed salvagers, distributors, retailers and animal feed transporters)

- Number of active firms inspected – 24,675
- Number of active firms handling materials prohibited from use in ruminant feed – 8,285 (34% of those active firms inspected)
- Of the 8,285 active firms handling prohibited materials, their most recent inspection revealed that:
 - 1 firm (0%) was classified as OAI
 - 106 firms (1.5%) were classified as VAI

A High-Protein, Low-Carbohydrate Diet Can Safely And Effectively Help Severely Obese Teenagers achieve weight loss in medically-supervised efforts, according to a new study published in the *Journal of Pediatrics*.

NCBA and the National Institutes of Health provided funding for the study. According to *Reuters*, researchers randomly assigned a high-protein, low-carb diet to 24 severely obese teenagers while 22 matched teens consumed a low-fat diet instead. Over a 13-week period those on the high-protein, low-carb diet lost an average of 29 lbs.; those on the low-fat diet lost 16 lbs. Both groups kept the weight off nine months after the study.

Iowa Egg Farm Manager Thinks HSUS Video Was Staged: HSUS has released videos from four egg farms in Iowa where they claim animals were abused. Their videos allegedly show chickens being pulled dead through wire cages and birds cramped in small cages. One of the videos was shot at Rose Acre Farms in

Winterset near Des Moines, which has 1.2 million birds and produces 900,000 eggs per day. Farm Manager Kevin White said his company doesn't tolerate inhumane practices and trains their employees in good animal welfare techniques. To hear more of what White had to say, click to this audio excerpt from South Dakota radio station WNAX: <http://wnax.com/lowa-Egg-Farm-Manager-Thinks-HSUS-Video-Was-Staged/6761356>.

White says they don't house a large number of birds in single cages at their facility.

Meanwhile, HumaneWatch.org continues its advertising campaign to expose the hypocrisy of HSUS' fundraising effort – as in less than 1% of the hundreds of millions of dollars HSUS raises every year actually goes to hands-on pet shelters. To see examples of the ads HumaneWatch.org has put together, check out the bus shelter mock up at http://www.tcfa.org/Newsletter/bus-shelter_mockup.pdf, the *New York Times* ad at http://www.tcfa.org/Newsletter/humanewatch_NYT.pdf and the *USA Today* ad at http://www.tcfa.org/Newsletter/usa_today_ad_03-29.pdf.

Thanks To The Beef Checkoff, The Upcoming Boston Marathon Will Be A Showcase for the marvelous power of beef. The Checkoff is sponsoring 12 runners who will promote their favorite protein by wearing special BEEF jerseys as they compete in the grueling April 19 event. The Checkoff is currently backing hundreds of runners in various events around the country. To read the testimonials of marathoners who say beef plays a big part in helping them get ready to race, go to <http://www.beefboard.org/news/100405BostonMarathonRelease.asp>.

Former U.S. Ag Secretary Clifford Hardin Passed Away April 4 at the age of 94. Hardin was the secretary from 1969 to 1971 in the Nixon Administration. Hardin also served as the chancellor of the University of Nebraska from 1954 until being selected to lead USDA, *Brownfield* reports.

Please note: All links are still available at <http://www.tcfa.org> under This Week's Newsletter links.

Texas Cattle Feeders Association

April 9, 2010