

2001 Was Tough, But Our Industry Will Endure

By R. Scott Stuart, NLPA President and CEO

A holiday thought...

Those in the livestock business understand adversity. From widely fluctuating markets to droughts; from ill-educated animal activists to disease; and from escalating operating costs to increasing regulations, they see it all.

But this year, perhaps, has been one for the record books. Just as demand and prices were improving in the industry, our nation came under a siege unlike any that had occurred on American soil previously. The cowardly and despicable murder of thousands of our peace-loving neighbors brought so many things to a halt. Our economy, already limping, nearly ground to a halt taking the livestock markets with it.

We are angry. We are angry that the very technology created to make our lives more efficient and convenient was used to obliterate the very fabric of trust in this nation. We are angry that biological agents can unconscionably be introduced into our mail system and lead to the senseless deaths of our neighbors. And we are angry that the freedoms our ancestors fought and died for are being jeopardized and limited.

Aristotle once said, "Anyone can be angry - that is easy. But to be angry with the right person, to the right degree,

Happy Holidays from the Staff at NLPA!



at the right time, for the right purpose, and in the right way - that is not easy."

Now is the time our country needs to be angry with the right persons and we can thankfully take comfort in the ability of this country's leadership to demonstrate that anger for the right purpose and in the right way.

With all that is wrong in the world today, a renewed realization of what is right has dawned. In our corner of the world, it is a great feeling to realize our members exemplify what made our country strong - integrity, cooperation, and the willingness to do what is right in spite of the challenges that result.

We are entering the 81st year of NLPA's existence. The challenges ahead are many, although not insurmountable. The opportunities are many, although not unlimited. This organization enjoys a very unique and valuable role in serving our cooperative livestock marketing and credit members. It is with their leadership and guidance that NLPA remains the organization that can best serve their representation, communication and facilitation needs.

We wish a most joyous holiday season to all of our friends and associates and pray for a peaceful and prosperous new year.

What's Inside?

NLPA to Hold 81st Annual Meeting in January . . .	2
Senate Committee Completes Farm Bill	3
Pennies on the Dollar - USDA Comparison	4
Two Pilot Insurance Programs Approved for Pork .	5
Market Commentary	6
USDA Biosecurity Programs Reviewed	7
News Highlights from November 2001	8

NLPA Plans 81st Annual Meeting, Jan. 17-19 in Orlando

Colorado Springs, CO (NLPA) -- The National Livestock Producers Association (NLPA) is planning its 81st Annual meeting Jan. 17 - 19, at the World Center Marriott in Orlando, Fla.

The NLPA Sheep & Goat Fund Committee will meet from 8 a.m. to 4 p.m. on Jan. 17th. Later that evening the Committee and NLPA's Board of Directors will enjoy a welcome reception sponsored by Mutual of Omaha.

On Friday, Jan. 18th, the Executive Committee will meet and then be

joined by the full board to conduct a regular business meeting, including the election of officers. Dr. Terry Barr, Chief Economist and Vice President of Agricultural and Trade Policy for the National Council of Farmer Cooperatives, will talk to the NLPA Board about the economic impact of the farm bill and other general world economic issues.

Also on Friday, spouses and guests will meet for brunch and plan the day's activities in order to take advantage of Orlando's many attractions. Spouses and guest will regroup with board members for a

reception and banquet to be held on Friday evening.

Saturday's activities will consist of a CEO Session and Directorate Session before the full board meets for a brief review of the meeting and discuss plans for the next meeting to be held in Colorado Springs, July 24-27.

If you have any questions or need assistance in regard to this meeting, please contact Scharee Atchison at (800) 237-7193.

We look forward to seeing everyone in Orlando!

U.S. Supreme Court Refuses to Hear Appeal in Lawsuit Challenging Constitutionality of Beef Checkoff

Denver, CO (NCBA) -- The U.S. Supreme Court Nov. 26 denied without comment Kansas cattleman and order buyer Jerry Goetz's request for appeal in his claim that he should not have to pay the \$1-per-head beef checkoff. Goetz alleges that the beef checkoff program is unconstitutional.

The Supreme Court's refusal to hear the case is the second time the high court has refused to hear Goetz's appeal from a 1998 determination by the U.S. Court of Appeals that found the beef checkoff program to be constitutional. Further, it lets stand the appellate court's April 2001 ruling that Goetz must pay past-due checkoff assessments, late fees and penalties for his intentional non-compliance with the beef checkoff law.

Goetz filed his latest request for appeal with the Supreme Court on Aug. 9, 2001, following previous rejections by the federal District Court in Kansas, the 10th Circuit and the Supreme Court in 1999. Goetz argued that the April 2001

ruling against him by the 10th Circuit Appeals Court should be vacated and reconsidered in light of the Supreme Court's June 2001 ruling in *United States vs. United Foods, Inc.* involving the Mushroom Promotion Act. The *United Foods* case considered the constitutionality of advertising conducted through the mushroom industry's checkoff program, which is written and administered differently than the beef checkoff program.

A hearing in LMA's lawsuit challenging the constitutionality of the beef checkoff program has been tentatively scheduled for Dec. 20 in Aberdeen, S.D.



NLPA Sheep & Goat Fund Applications are available online!

Visit the NLPA Web site at www.nlpa.org or call 1-800-237-7193



The National Producer

Monthly newsletter of the National Livestock Producers Association

Sam Philips
Chairman of the Board of Directors

John Frank
Vice Chairman of the Board

Staff:

R. Scott Stuart
President & CEO

Scharee Atchison
Director of Member Services
& Corporate Secretary

Melissa A. Schneider
Director of Communications

Contact Us At:

National Livestock Producers Association
660 Southpointe Court, Suite 314
Colorado Springs, CO 80906
Telephone: (719) 538-8843
Toll-free: (800) 237-7193
Fax: (719) 538-8847
Web site: www.nlpa.org
Email: maschneider@nlpa.org

Senate Committee Completes Farm Bill

AgricultureLaw.com, 11-16 -- The Senate Agriculture Committee on Thursday passed a five-year farm bill that increases most loan rates but otherwise has much in common with H.R. 2646, the farm bill passed by the House of Representatives. Arkansas Republican Tim Hutchinson joined all 11 of the committee's Democratic Senators in giving final approval to the bill, which now goes to the Senate floor.

Democrats turned back a Republican substitute by Sens. Pat Roberts (R-KS) and Thad Cochran (R-MS), then gave final approval to the omnibus farm bill by 12-9. During the morning, the committee also approved compromise conservation provisions.

Under the committee's bill, most marketing loan rates would rise – to \$2.08 for corn and \$3.00 for wheat, for example. The soybean loan rate would fall marginally to \$5.20. As under the current farm bill, there would be automatic direct payments regardless of price. These payments would decline over the life of the bill, but would be supplemented by a "safety net price," under which countercyclical payments would be made when prices fell. For the first time since 1985, payment yields would be updated, and payments would be made on all base acres. (Current payments are based on 85 percent of base acres.)

The bill establishes a new incentive payment program authored by Harkin, the Conservation Security Program (CSP), which is designed to improve farm income and increase agricultural conservation. Under the CSP farmers and ranchers who voluntarily maintain and adopt conservation practices on working

lands would receive incentive payments. The acreage limit for the Conservation Reserve Program (CRP) would be expanded to 40 million acres from the 36.4 million acre current limit. Acreage would be doubled for the Wetlands Reserve Program (WRP) by increasing the total acreage cap by 1.25 million acres. Funding would be increased for the Environmental Quality Incentives Program (EQIP), eventually rising to \$1.25 billion a year, more than six times the current funding level of \$200 million a year.

The committee approved a title to promote farm-based renewable energy sources such as ethanol, biodiesel, wind energy, biomass fuels and other forms of alternative energy. Included in the title are a grant and loan program to help establish new farmer-owned renewable energy co-ops; a complementary grant and loan program to provide assistance in the purchase of renewable energy systems such as wind-turbines, solar or energy-efficient heat pumps; an energy audit program to help farmers and rural Americans find ways to save money and assess their potential for generating renewable energy.

The bill's rural development title provides grant and loan programs to help create and expand businesses to provide jobs, and improve community facilities; creates a National Rural Cooperative and Business Equity Fund with matching government and private capital to create a national fund to boost equity in rural America and provides funding to expand broadband access for rural America.

A new dairy program was included that is designed to guarantee dairy farmers a minimum return for their

milk in every region of the country, similar to a controversial pricing system in the Northeast that expired in September. Money to ensure the return would come from fees levied against milk processors.

House Agriculture Committee Chairman Larry Combest (R-TX) issued a statement Thursday that said, "I am pleased the Senate Ag. Committee has taken further action today and hope that this action will move the process forward in producing a much needed farm bill this year.

"I am concerned, however, that the bill that passed the Committee appears to exceed the agreed upon budget allocation and thus cannot move forward as written. I am also concerned that the process in the Senate has digressed into partisanship, which is both an unproductive and unnecessary turn since the Bush Administration and Senate Republicans support passage of a farm bill this year that addresses the 2002 crop, that is consistent with the budget resolution, and that provides meaningful and needed countercyclical assistance to our nation's agricultural producers."

Members of the National Cattlemen's Beef Association were pleased that the Senate Farm Bill contains priorities for America's cattle producers.

"NCBA commends the committee for passing a Farm Bill that provides for significant increases in conservation funding; establishes a Grassland Reserve Program and focuses conservation programs on working lands" Jay Truitt, Executive Director of Public Policy for NCBA,

continued on page 4. . .

Pennies on the Dollar -- The Producer's Share of Retail Price

Washington, D.C. (USDA) -- Next time you go to the supermarket or the clothing store, take a look at the price of food or clothing made from natural fibers.

How much of that retail price actually goes into the pockets of farmers and ranchers who produced the raw material for those goods?

Most people are surprised to learn that, on average, only about 15 to 20 percent of a typical grocery bill finds its way back to food producers and far less goes to cotton growers.

Many products even fall far below this average. For instance, the average wheat farmer earns about 3 cents on every \$3.50 box of Wheaties and about a nickel on a loaf of bread.

Similarly, a corn farmer earns around 10 cents for every \$2.00 box of corn flakes and a little bit more for a pound of fresh corn.

The difference from farm to market comes from a variety of factors: costs associated with processing, transportation, and marketing agricultural products.

Even more, the farmer's percentage does not even include their own expenses for seed, fertilizer and operating costs to grow the crops that find their way to your store.

Product	Retail Price	Farm Value	% of Retail
Box of Wheaties	\$3.50	3 cents	> 1%
Corn flakes (18 oz)	\$1.98	10 cents	5%
Tomatoes (whole #303can)	56 cents	4 cents	7%
Bread (1 lb loaf)	87 cents	5 cents	6%
Flour (5 lb bag/wheat)	\$1.51	38 cents	25%
Chicken (1 lb broiler)	\$1.00	53 cents	53%
Apples (1 lb)	91 cents	19 cents	21%
Potatoes (10 lbs)	\$3.56	60 cents	17%
French fries (1 lb/frzn)	94 cents	10 cents	11%
Potato chips (1 lb bag)	\$1.95	33 cents	17%
Oranges (Calif. 1 lb)	61 cents	12 cents	20%
Beef (choice / 1 lb.)	\$2.80	\$1.37	49%
Pork (1 lb)	\$2.32	81 cents	35%
Men's denim jeans	\$40.00	\$1.46	3.7%
Men's dress shirt	\$35.00	41 cents	1.1%
Terry bath towel	\$14.00	45 cents	3%

Senate Committee Completes Farm Bill continued from page 3. . .

said. "We are particularly pleased that the bill contains a Conservation Title that will assist livestock producers in complying with local, state and federal environmental laws."

Specifically the Conservation Title includes a stepped up increase in funding for the Environmental Quality Incentive Program (EQIP), representing a seven-fold increase. Producers will also be able to use EQIP to complete mandatory comprehensive management plans.

"The Grassland Reserve Program is the only new conservation program in both the House and Senate

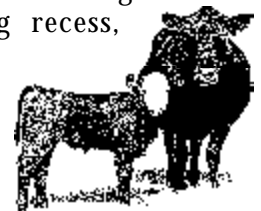
versions of the Farm Bill," said Truitt. "The program will assist producers in keeping grasslands in grass and assist producers pressured by urban sprawl by keeping working lands working."

Another key part of the bill is reauthorization of the Private Grazing Land Initiative, also known as GLCI. The bill will provide for technical, educational and related assistance through the Natural Resources Conservation Service and third-party providers.

"NCBA will continue to engage in the development of mandatory

country-of-origin labeling and the rescinding of the USDA grade stamp on imported carcasses that were approved by the committee as part of the Miscellaneous Title," Truitt said.

The Senate version of the Farm Bill is similar to the House version, with the exception of the Commodity Title. The Senate is expected to take up the Farm Bill following Thanksgiving recess, with final passage possible prior to the end of the year.



USDA to Allow Educational Process Before Enforcing New Identification Requirements for Sheep and Goat Producers

Bowling Green, Ky. (National Institute for Animal Agriculture) — Enforcement of new identification requirements for most U.S. sheep and goats that went into effect Nov. 19th will be lenient during the first several months, according to indications from officials with USDA's Animal and Plant Health Inspection Service (APHIS).

As part of the new federal program to eradicate scrapie in the United States, beginning today, most sheep and some goats 18 months and older are required to be officially identified. In addition, breeding sheep and goats must be accompanied by a Certificate of Veterinary Inspection (health certificate) to move into interstate commerce.

With producers and markets still learning about the new requirements, and some states still implementing a premises identification system, USDA inspectors will be more involved with education than enforcement in the coming months. The relaxed enforcement period will have its limitations, however. Willful disregard of the regulations would likely be the exception to any leniency during the first several months.

"Consistent with APHIS policy in the initial days of a new regulation, the emphasis will be on education," said Dr. Cindy Wolf, a small ruminant specialist at the University of Minnesota and chair of the National Institute for Animal Agriculture's (NIAA) Sheep Health Committee.

"APHIS has indicated that it will do everything possible to educate producers and the industry about the new requirements before compliance takes full effect," Wolf said. NIAA is the organization selected by APHIS to inform and educate producers and the industry on the eradication program.

Sheep and goat producers with questions about the new rules should contact their local veterinarian, or the agency managing the scrapie program in their state. By calling 1-866-USDA-TAG (873-2824), producers or veterinarians will be put in contact with either the State Veterinarian's Office or the local APHIS office. Information is also available on the Internet at www.animalagriculture.org/scrapie.

Two Pilot Insurance Programs Approved for Pork Producers

AgricultureLaw.com -- USDA's Federal Crop Insurance Corporation (FCIC) approved two pilot insurance programs for Iowa swine producers to protect them from lower hog prices. The new programs, which will begin in 2002, were authorized under the Agriculture Risk Protection Act of 2000 (ARPA).

Until ARPA, federally backed insurance plans providing livestock protection were prohibited by law. These types of livestock insurance programs, if successful, should provide livestock producers risk management tools for reducing their price risks. Livestock products represent about one-half of the total farm cash receipts.

The "livestock gross margin" (LGM) pilot, submitted by Iowa Agricultural Insurance Innovations,

provides coverage to swine producers from price risks for six months and up to 15,000 hogs per period. The product protects the gross margin between the value of the hogs and the cost of corn and soybean meal.

Prices are based on hog futures contracts and feed futures contracts. LGM protects producers if feed costs increase and/or hog prices decline. Coverage levels range from 85-100 percent.

A "livestock risk protection" (LRP) pilot, submitted by the American Agri-Business Insurance Company, protects against a decline in hog prices. Swine, can be insured for 90, 120, 150, or 180 days, and up to a total of 32,000 animals per year. Unlike traditional crop insurance policies, which have a single sales closing date each year, LRP will be

priced and available for sale continuously throughout the year. The policy LRP protects producers against declining hog prices if the price index specified in the policy drops below the producer's selected coverage price. Coverage levels range from approximately 70-95 percent of the daily hog prices.

During the next six months, program materials will be developed and agents will be trained. The LRP sales are scheduled to begin next April. LGM insurance product is scheduled for sale in July 2002 for the Aug. 1-Jan. 31 insurance period. Both products will be available from private insurance agents. The length of the pilot programs will be determined by farmer participation, and the financial performance of the programs.

Market Commentary



Nov. 28, 2001 Report

by Travis Holt, Director of Commodity Marketing
Equity Cooperative Livestock Sales Association

CATTLE

The Cattle Complex shook off a negative *Cattle on Feed Report* to trade sharply higher to start this Thanksgiving shortened week. Bullish news out of Afghanistan, aided by signs of a higher wholesale beef market, pushed futures limit-up in both the Live and Feeder Cattle pits. For these gains to remain intact for the remainder of the trading week, cash cattle prices need to trade at least \$1 to \$2 higher. Weekend rains were well received in the drought stricken southwest, but it may be too late to help the weakened winter wheat crop. If conditions improve enough to warrant cattle grazing, feeder cattle prices should receive a much-needed boost.

HOGS

Lean Hog Futures have been showing why they are so difficult to trade with many triple digit days to both the up and down side. Cash hogs seem to be finding some

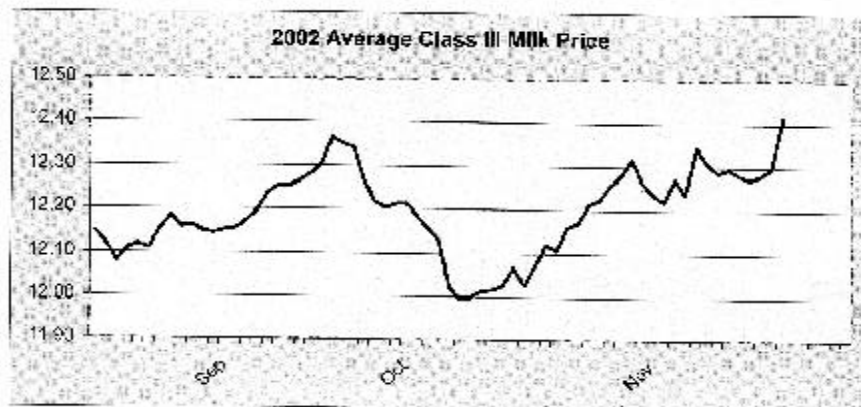
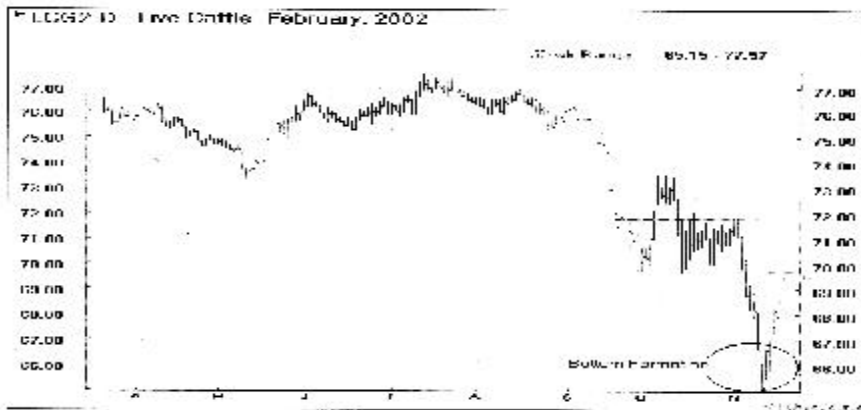
support at \$30, well under where most in the industry thought the fall lows would be. Last Saturday's mammoth kill of 185,000 hogs easily put the week's total over 2 million head. With most plants slowing for the Thanksgiving holiday, the streak of 2 million plus kills will end, but next week will go a long way to determine if the industry will see \$40 hogs again during 2001. A sharp reduction in supply, like that seen during 2000, will push prices up in a hurry due to outstanding export demand.

DAIRY

Class III Milk Futures for 2002 have surpassed the \$12.40 level for the first time, led by higher summer and fall contracts. This most recent increase has been caused by continued declines in cow numbers, combined with a steady to slightly stronger cheese market. Producers need to be preparing marketing plans for 2002 as consumer demand, along with producer efficiency improvements, remain wildcards in relation to price discovery. Current futures prices will give most producers a mailbox price of \$14, or better.

GRAIN

Grain Futures have finally started their post-harvest rally, reacting from what should have been a negative supply and demand report. Most analysts feel that getting this report out of the way was more of a market mover than the actual report. That seems to be the case, as both corn and soybeans have moved to recent highs and are now preparing to test resistance levels. Corn Futures have the most significance of the two, with the March contract trying to break through the \$2.20 mark for the first time since early October. Upside potential may be limited, however, as a price move to \$2.25 will close the gap left after the October *USDA Crop Report*.



USDA Biosecurity Programs and Authorities Reviewed

Washington, D.C. (US House Agriculture Committee)—Chairman Larry Combest (R-TX) and members of the House Agriculture Committee convened Nov. 15th, to review the biosecurity programs and authorities of the United States Department of Agriculture. (USDA). The September 11th attacks have reinforced the Committee's desire to ensure that the nation's food supply is protected from potential terrorist attacks.

"Obviously, the events of September 11th have caused the agencies of USDA to increase their vigilance, but we are very fortunate to have them," Chairman Combest said. "Not unlike our firefighters and police, they do a difficult job every day—a job we appreciate even more during these troubled times."

"It is important to realize that the Department of Agriculture has been in the food safety business for almost 100 years since the passage of the original federal meat inspection legislation in 1906," explained Deputy Secretary James R. Mosley, who testified on behalf

of USDA. "Over the course of that time, our responsibilities have been expanded and our systems have improved."

Since September 11th, USDA has been working to increase border protection. The Animal and Plant Health Inspection Service (APHIS), which is in charge of monitoring U.S. borders, has worked within the veterinarian community to increase awareness of security issues to ensure the prevention of harmful plant and animal diseases from entering our country. Further, the USDA has recently organized the Food Threat Preparedness Network, which links the FDA, CDC, FSIS, and others to focus on activities that would proactively protect our nation's food supply.

USDA also has a Food Emergency Rapid Response and Evaluation Team (FERRET) in place as a result of legislation Chairman Combest shepherded through Congress, the Agricultural Research, Extension, and Education Reform Act of 1998. FERRET is very active in

ensuring the necessary USDA-wide coordination of food safety activities.

"Since September 11, our nation has rightly focused increased attention toward efforts to secure our agricultural industry from terrorist threats. Maintaining the safety and abundance of the U.S. food supply is not a new task for this committee or for the USDA. However, during these times, it is imperative that we carefully consider how to improve upon these practices and to better support and coordinate our efforts," Charlie Stenholm, the Committee's Ranking Member, said.

Chairman Combest noted "fortunately, the USDA has been in the biosecurity business for a very long time. I expect the USDA to take the lead in conducting the analysis of how these various legislative proposals impact farmers, ranchers, processors, retailers, and ultimately, consumers."

Comment Period on Lamb Checkoff Completed

More than 200 producers and industry members commented on the proposed lamb checkoff order as of the Nov. 20th comment deadline. The order was published by the U.S. Department of Agriculture (USDA) in the Federal Register on Sept. 21.

The checkoff calls for producers to contribute one-half cent per pound and packers 30 cents per carcass with provisions for any producer to request a full refund. USDA will now begin a review of the comments, which is expected to last 60 days. An official announcement regarding a lamb checkoff is expected sometime early next year.



**The holidays are coming!
Order a Cattleman's
Calculator today!**

If you are interested in purchasing one of these handy tools or would like more information, call the National Livestock Producers Association at (800) 237-7193 or email Melissa Schneider at maschneider@nlpa.org.



News Highlights for November 2001

American Farm Bureau Federation, 11-12-01 – The American Farm Bureau Federation hailed the formal accessions of China and Taiwan to the World Trade Organization when trade officials at the WTO Ministerial Conference in Doha, Qatar, endorsed WTO membership for China and Taiwan.

“China and Taiwan’s membership in the WTO is an important victory for U.S. agriculture,” AFBF President Bob Stallman said. “Taiwan is the fifth and China is the sixth largest customer for U.S. agricultural goods today. We expect to see our food and agricultural exports grow annually by \$2 billion to China and \$500 million to Taiwan as a result of their membership in the WTO.” Last year, the United States shipped more than \$2 billion of farm goods to Taiwan and more than \$1.7 billion to China.

The farm leader said the key is that U.S. exporters can now “depend on more certainty in their trade relationships” with the two nations. “When ratification of their WTO accessions in China and Taiwan is complete later this year, these countries will be subject to the same trade rules as 142 other countries.”

American Sheep Industry Association, 11/1 – The American Sheep Industry Association (ASIA) is one of 13 groups urging the U.S. Senate to support a bill that would provide \$3.5 billion over the next 10 years to prepare for and respond to threats of terrorism against America’s agriculture industry.

The legislation, sponsored by Sen. Pat Roberts (R-KS), would update and modernize USDA facilities, implement stiff security procedures at USDA research facilities, fund training and implement a rapid response strategy through a consortium of universities, USDA and industry groups.

The bill also would fund grants to agriculture universities and researchers to develop diagnostic methods, vaccines, antidotes and other means to prevent, detect and eradicate animal and plant diseases such as Foot and Mouth Disease, as well as any other diseases that have been cultivated for use in bio-warfare.

