



The

National Producer

National Livestock Producers Association

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NLPA Board to Meet in San Diego, Jan. 11-13

Colorado Springs, CO (NLPA) - The National Livestock Producers Association will hold its annual meeting Jan. 11-13 at the Marriott Hotel & Marina in San Diego.

A welcome reception will be held on the evening of Thursday, Jan. 11th. The meeting will kick-off Friday morning with a Networking Breakfast, which will allow members to become better acquainted with the functions and services of NLPA. The breakfast will include information on NLPA, the NLPA Sheep & Goat Fund, National Producers Service Company, National Feeder Finance Corporation, Ceridian Retirement Plan Services, Mutual of Omaha, Merrill Lynch, Cattleman's Calculator, and NLPA's involvement with the National Cattlemen's Beef Association and the National Council of Farmer Cooperatives. The breakfast will be followed by closed board meetings to conduct general business.

Over lunch on Friday, Shushan Wu, CEO of FarmChina, Inc., will give a tele-presentation from Beijing, China. The representatives from FarmChina are eager to learn more about NLPA and ways the two organizations can work together in light of the recent changes in China's trade situation.

Featured speaker for Friday is Anne Dunford, Senior Market Analyst, of Canfax, which is the market information and analysis division of the Canadian Cattleman's Association in Calgary. Dunford will discuss trade patterns, current issues and policies, and the structure and current state of the Canadian cattle industry (such as numbers, production, prices and demand).



Anne Dunford

A dinner and reception will be held Friday evening. Saturday will begin with CEO and Executive Committee sessions and will wrap up with a final board meeting.

If you would like more information about the meeting, please call Scharee Atchison, 1-800-237-7193.

Tyson Announces Intent to Purchase IBP

Omaha, NE (PLMA) --The sale of Iowa Beef Processor (IBP) took an interesting twist on Dec. 4 when poultry giant Tyson Foods Inc. entered the bidding war for IBP.

Tyson Foods, Springdale, Ark., the world's largest fully integrated producer, processor and marketer of chicken, announced an offer of \$4.2 billion for IBP, one of the nation's largest beef and pork processors. Tyson was worth \$3.1 billion recently with 1999 net income of \$230 million on \$7.3 billion in revenue.

Tyson has 7,400 contract poultry growers and 250 contract swine growers.

Tyson offered \$26 per share for IBP with 50 percent cash and 50 percent in Tyson Class A common stock. IBP shareholders would receive a minimum of 1.688 to 2.068 shares of Tyson stock, depending upon the price at closing if the deal is completed.

"This is a rare point-in-time opportunity to acquire a company that will make us the world's leading marketer of beef and pork, in addition to chicken," John Tyson, Tyson's chairman, president and chief executive officer, said.

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Equity's Internet Auction Yields Substantial Results

Baraboo, WI (Equity) -- When Brad Bader from Carousel Farms, Monroe, Wis., consigned 300 head of feeder cattle to Equity Cooperative Livestock Sales Association's Internet auction, he felt confident he would do well, but was ecstatic with the results. In less than five minutes his three lots sold as follows: 585 pounds crossbred steers brought \$105.75; 600 pound crossbred heifers brought \$95.50; and 500 pound crossbred steers brought \$103.

When asked the reason behind these exceptional prices, Bader responded, "I believe the cattle and the timing...we had a new buyer this year that without the Internet we might not have had access to."

One of the major benefits of marketing livestock through Equity's Internet auction is the capability to bring many buyers to one market place. Cattle are photographed and descriptive listings are posted ahead of time. Buyers can peruse the catalog, ask questions, contact the representative, view the livestock and determine their interest prior to the sale. Once the sale starts, they can sit in their office or home, whether it is

in Wisconsin or Texas, and place competitive bids. The auction is completed within a matter of minutes.

"Yes, definitely," Bader confidently agreed about consigning cattle to the Internet sale again. "Next year they (Equity) will have two or three times as many people watching...it is just going to continue to get larger and larger," Bader said.

"We see this marketing venue as a successful alternative for our patrons."

*--Greg Beck, CEO
Equity Cooperative
Livestock Sales
Association*

Throughout 2000, Equity Cooperative Livestock Sales Association held four Internet feeder cattle sales. As more sellers become interested, the growth opportunities are endless. The cooperative routinely holds three lamb auctions and four grade and yield Internet auctions each week. "We see this marketing venue as a successful alternative for our patrons," President and CEO Greg Beck said.

It was Fritz Argall, Field Representative, who brought the Internet auction option to Bader's attention. As long-term Equity Cooperative Livestock Sales Association patrons, Bader was eager to get involved. For the past several years Bader has worked with Argall in marketing approximately 500 feeder cattle annually. "Fritz has always kept us on the very top of the market...we have a good working relationship," Bader said.

Carousel Farms comprises three operations in Monroe,

Wis., a commercial beef operation with 550 cows; in Orangeville, Ill., a registered Holstein dairy farm with 150 cows; and in Mineral Point, Wis., a purebred Limousin operation with 250 cows. Additionally, they operate 11,000 acres; growing corn, soybeans, alfalfa, irrigated vegetables, and popcorn.

"Our 2001 goals include improvement and expansion of the Internet auction," Beck said. If you are interested in consigning livestock to an Internet auction or would like additional information, please contact Tod Fleming at 800-362-3989.



The National Producer

Monthly newsletter of the National Livestock Producers Association

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NLPA Member Spotlight

Tri-State Livestock Credit Corporation with Jack Caubin, President

Tri-State Livestock Credit Corporation was formed in 1931 during the Depression for the sole purpose of providing a source of credit for western livestock producers when credit was generally unavailable. Tri-State's basic purpose remains the same today.

The Tri-State name was derived from the original three-state territory of Arizona, California, and Nevada, plus a small portion of southern Oregon. Tri-State's territory now includes nine western states, including: Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas and Wyoming.

Tri-State will service loans for any qualified cattle, dairy and/or sheep producers within its service area. Tri-State will provide customers with short-term credit for a variety of operating costs, which may include: livestock purchases, feed, fertilizer, seed, chemicals, vet supplies, taxes, insurance and labor.

In 2001, Tri-State will celebrate its 70th anniversary of providing financing to the cattle, dairy and sheep industries in its nine-state territory. Jack Caubin, chief executive officer and president, has been with Tri-State for 18 of those years.

Caubin said that one of Tri-State's biggest advances in the past couple of years was when it joined with Producers Livestock Association (now United Producers Inc.) in Columbus, Ohio to expand into participating loans. This expansion, which occurred in 1994-1995, allows Tri-State to handle loans that are too large for its lending limit by selling most of the loan to larger lenders.

"This system helps to build our portfolio, because we share clients back and forth with the bigger lenders and

we can retain these borrowers as we grow," Caubin said. "It allows Tri-State, and Ohio to keep larger clients longer."



Jack Caubin

is originally from California, but he was raised in Colorado. He has a Bachelor's degree in Agronomy from Colorado State University in Fort Collins, Colo. and is a graduate of the School of Banking, University of Colorado, in Boulder, Colo. Before joining Tri-State he worked for Farmland Industries, Adolph Coors, Co., First National Bank, Colorado National Bank and Western Farm Management Co.

Although he was not raised on a farm, Caubin said he worked for many ranchers, feeders and farmers when he was a kid. He went into banking in the late sixties.

"Back then the banking community figured out it was easier to train agricultural people the banking business than trying to teach bankers about agriculture," he said.

He said that the best part of his job at Tri-State is helping people through the hard times.

"We often meet customers when they are trying to weather through a bad market, or droughts," he said. "It is very satisfying to see them make it through the hard times and succeed, especially when it helps them to pass their business on to the next generation."

Caubin said that one of the biggest challenges facing agriculture today is figuring out how to pass it on to the next generation.

"Kids are leaving the country life to find higher paying, high tech jobs," he said. "Providing the continuity of financial stability is very important to supporting the next generation. Our goal is to continue to help our clients maintain good, solid credit and to build a base of long-term, solid families as clients."

Caubin has been a livestock lender (sheep included) since 1967 in Colorado, Wyoming, Idaho, Oregon and California. Caubin uses his extensive knowledge of financing ewe/lamb and feeder lamb operations as a member of the NLPA Sheep and Goat Fund Committee.

"I hope to make a difference in the sheep/goat industries by providing financing to viable, ongoing projects that provide innovation, increased efficiency, and/or increased marketing opportunities."

As a board member for NLPA, Caubin said he hopes NLPA can keep challenging its members and work to define its place in this changing industry.

"It is a big challenge to pull it all together, but we have to in order to make it work," he said. "We have to keep providing services that are beneficial to its users and keep up with change."

Caubin and his wife, Lauralee, have been married for 36 years and they have three grown children. Caubin said he enjoys sailing, fishing and skiing and he and his wife are very involved in their church and as well as with the Boy Scouts of America (both are merit badge counselors).

To learn more about Tri-State Livestock Credit Corporation, call 1-800-778-8734.

NLPA Joins Rally Against Hours-of-Service Rules

Colorado Springs, CO (NLPA) – The National Livestock Producers Association joined with several other agricultural organizations in signing a letter of concern in regard to the Department of Transportation's (DOT) May 2, 2000, proposal on Hours of Sleep of Drivers; Driver Rest and Sleep for Safe Operation.

The letter notes that, "Agriculture is different from most other industries, particularly many of those otherwise affected by the aforementioned rules. Most farmers, agricultural retail outlets, and operators of related businesses engage in DOT-regulated truck transportation for reasons incidental to their primary business rather than as their primary business. We are concerned about additional regulatory burdens imposed on these small businesses when there has been no demonstration by DOT or the petitioners for this rule that this type of transportation has presented any danger to the general public.

The letter recommends that the rule be withdrawn until a new proposal can be drafted for consideration that (1) contains recommended safety improvements based on documented

need; and (2) accommodates the unique transportation needs of American agriculture. Concerns in particular:

- Significant loss of perishable goods such as milk and significant increases in animal suffering and mortality are anticipated during nonexempt transport of livestock and poultry to market due to proposed new hours of service restrictions on driving between midnight and 6 a.m.
- An agricultural mileage exemption to at least a 150 air-mile radius should be included since consolidation of rail, distribution outlets, and produce purchasing points has greatly increased driving distances between farms and markets or suppliers. Also, the addition of a 56-hour "weekend" period adds more time that animals may stay trapped in parked trucks.

The shortage of qualified drivers and the proposal's restricted hours of service threaten the livelihood of farmers, who depend on timely delivery of their crops for processing and/or storage following harvest. If the ag exemption is restricted to farmers only and is no longer available to the farm service section that processes and stores crops, few farmers will be able to take on these service functions and serious financial losses could result.

EPA Proposes New Controls on Animal Waste

AgricultureLaw.com -- The Environmental Protection Agency proposed strict new controls designed to protect public health and the environment from what it claims is one of the nation's leading causes of water pollution -- animal wastes from large, industrial feedlot operations.

The new requirements would apply to as many as 39,000 concentrated animal feeding operations (CAFOs) across the country. Today, only an estimated 2,500 large and small livestock operations have enforceable permits under the Clean Water Act. A CAFO is currently defined as having 1,000 or more cattle or comparable "animal units" of other livestock. Smaller operations may also be CAFOs if they are a threat to water quality.

EPA proposed two options for a new CAFO definition. One could include

livestock facilities with more than 500 cattle or other animal units and the other would require operations with 300-1,000 cattle to have a permit if they meet certain risk-based conditions.

In addition to stricter permitting requirements, the proposal includes several new strict controls: 1) poultry, veal, and swine operations would be required to prevent all discharges from their waste storage pits and lagoons where wastes are collected; 2) the proposal eliminates potential exemptions from permits presently used in some states; as a result, EPA expects that all large livestock operations will now have to acquire permits; 3) under this proposal, EPA and the states will issue co-permits for corporations and contract growers to ensure financial resources exist to meet environmental requirements; 4) the spreading of manure on the land owned

by livestock facilities would be limited to protect waterways.

In March 1999, EPA and USDA issued a "unified national strategy for animal feeding operations" in response to public concern about contamination of rivers, lakes, streams, coastal waters and ground water from livestock manure. This recent proposal is part of that strategy.

Many agricultural groups, including NLPA, have challenged key parts of EPA's approach, questioning both the agency's legal authority and specific proposals.

EPA will take public comment for 120 days and will hold public meetings around the country on the Dec. 15 proposal. Additional information is available on EPA's Office of Water web site at: <http://www.epa.gov/owm/afo.htm>.

Cattle Producers Look Forward to New Administration and New Congress

Washington, D.C. (NCBA) – Cattle producers look forward to working with a Bush Administration and the new Congress to solve issues important to the future of family farms and ranches across the country, according to the National Cattlemen's Beef Association.

"President-Elect Bush and Vice President-Elect Dick Cheney share many views with American beef producers such as elimination of the death tax, local control of environmental policies and making sure that trade laws are fair, protect U.S. producers, and continue to open new overseas markets for U.S. beef," said NCBA President George Hall, a cattle producer from Mustang, Okla.

"However, the narrow majorities in the House and 50-50 split in the Senate, combined with an entirely new administration, makes it imperative that cattle producers mobilize like never before to keep our industry moving forward," Hall said.

"NCBA is proud of the strong, bipartisan relationships we have developed over the years in both the House and Senate," said Hall. "We look forward to continuing those relationships in the next Congress to make gains in issues important to family farms and ranches."

As the new administration works to fill its cabinet positions, NCBA will urge that consideration be given to individuals who understand the complexities of the cattle business. NCBA is prepared to move ahead with such issues as:

- death tax repeal and other tax relief measures,
- opening new overseas markets to U.S. beef producers,

- maintaining a free market system and a free flow of market information so that cattle producers can use their ingenuity to continue to develop beef products that meet consumer demands,
- continued efforts to develop innovations to solve food safety issues, and
- developing common sense environmental policies to maintain open spaces across the country.

Sam Philips, NLPA's Chairman of the Board, said he attended the Iowa Cattlemen Convention in Des Moines, Iowa, earlier this month. Chuck Grassley spoke at one of the sessions and expressed concern about the possibility of a Gore administration -- mostly in the area of environmental law.

"With Bush as the victor, those concerns will be moved to the back burner according to Senator Grassley," Philips said. "I think items where Bush will gain our support will be: international trade, expanded conservation practices with farm programs and a general control of federal government growth."

Scott Stuart, NLPA President and CEO, added this to Philip's response to the new administration.

"It should be heartening to all of agriculture to see an administration which should, based on campaign communications, be active in trade policy arenas while being more realistic about environmental policy," Stuart said. "Perhaps more important is the fact that both Houses of Congress remained under Republican control and the congressional and staff contacts NLPA has cultivated over the past several years remain in place."

Why Is China's Beef Export Difficult?

Beijing, China (FarmChina Report) -- China is a large beef and mutton producer whose production ranks the first and the third, respectively, in the world. However, its per capita consumption is 5.9 kg, much lower than that of the world level.

Insiders point out that there is little potential for China's mutton and beef exports in the next few years. There are following reasons:

First, disease prevention problem. Some diseases cannot be eliminated so that the EU member countries refuse China's mutton and beef export. Japan and the South Korea decline, too. Since Russian food is assisted by the United States. It reduces a large quantity of mutton and beef import from China.

Second, agrochemical, animal remedy and hormone residues were over the standard, which pollutes the quality of mutton and beef.

Third, with regard to sheep and cattle slaughter, processing and environmental protection, China's central government has not established meat hygiene inspection criterion geared to the overseas market. In addition, the slaughter spots always pollute the surroundings. If the above problems cannot be solved well, China's mutton and beef exports will be more difficult.

Last, meat export competition is fierce. Some exporters adopted "a low price strategy" so that the importers benefited from the price war.

Market Commentary

December 12, 2000 Report

by John Nelson, Producers Livestock Marketing Association in Omaha, Nebraska

CATTLE

Last week's cattle kill was 668,000 hd., unchanged from the previous week and up 1 percent from the same week last year. Weights continue to drop, which is not uncommon this time of year. Carcass weights dropped 2 lbs. to 745 lbs., compared to 741 lbs. last year. Live weights remained unchanged at 1233 lbs., compared to 1227 lbs. last year. Total beef production was down slightly from the previous week but up 1 ½ percent from the same week last year. Boxed beef prices continue to surge higher, up over \$3.50/cwt. over the past week at \$122.42.

HOGS

Total hog kill of 1.995 million head last week was down 1 ½ percent from the previous week but unchanged from the same week last year. Average weights remained unchanged last week, with carcass weights at 197 lbs., compared to 194 lbs. last year. Live weights were at 266 lbs., compared to 263 lbs. last year. Total pork production last week was down 1 ½ percent from the previous week but up 1 ½ percent from the same week last year. As with beef, pork cutouts have been strong as well, up nearly \$4.00 over the past week at \$62.53.

LIVESTOCK FUNDAMENTAL COMMENTS

CATTLE

Cash cattle prices continue to work higher, as southern yards sold cattle \$2 higher last week at \$75-75.50, with northern yards up \$2 at \$118. Numbers remain adequate, as last week's slaughter was up slightly over last year, and showlists are

estimated slightly larger this week. But the real strength is coming from the demand side, as boxed beef prices are \$5.00/cwt. higher than this time last year, when "millennium" demand was supposedly so strong. The extreme winter weather is also benefiting prices, as packers scrambled to secure enough numbers. In addition, the cold temperatures are also impacting feedlot gains as weights continue to drop.

HOGS

Hog prices have been strong as well, as the seasonal tendency of cash strength in mid-December is remaining true to form. Last week, 51-53 percent lean hogs were up \$3-4 at \$43-45 live. Some of the upswing was brought on by the severe winter weather, as extreme cold temperatures and up to a foot of snow hit the Midwest. But pork cutouts were strong as well, allowing packers to be aggressive for numbers. There are some early hog report estimates are starting to surface, with most numbers from steady to 2 percent larger than last year. If true, it would be the second report in a row that has reflected very modest expansion plans by hog producers.

LIVESTOCK MARKETING RECOMMENDATIONS

CATTLE

Cattle futures remain very strong, well supported by the cash market. Feeder cattle futures have also been strong, as feeder cattle made new all-time highs on Dec. 12 at \$91.45. We continue to recommend modest hedging in February and April, for 25-50 percent of estimated marketings, as decent profits can be locked in for most feeders. Weather could continue to be a factor, so higher prices may very well be in store during the first quarter of 2001.

HOGS

Lean hog futures have slipped some, but are still near their contract highs. We continue to recommend some hedging at these levels, for up to 50 percent of estimated marketings. We would not discourage locking some hogs in for all of next year, as the upcoming hog report will shed more light on producer expansion plans. Slaughter capacity for the fourth quarter of next year could be a problem.

Information contained herein is based on what is believed to be the most reliable resources available at the time of publication. Trading commodity futures or options involves risk, and past performance does not indicate future results.

Tyson Announces Intent to Purchase IBP -- Continued from page 1 . . .

On Nov. 12, Smithfield Foods Inc. made a \$4.1-billion offer equal to \$25 per share. Smithfield Foods has had average annual returns to shareholders of 33 percent during the 1990's. If successful in acquiring IBP, Smithfield would control about 37 percent of the pork slaughter market.

Also trying to purchase IBP is the investment firm Donaldson Lufkin & Jenrette acting for several groups, including Archer Daniels Midland.

The chairman of Smithfield Foods came to Iowa on Nov. 27 to garner support for a merger with IBP. Instead, he met skepticism from farmer delegates at the annual meeting of the Iowa Farm Bureau.

Smithfield has 700,000 sows producing hogs for its slaughter plants. About 1,700 producers raise hogs under contract. Some in Iowa are produced for Stoeckers, formerly Murphy Family Farms, which was one of the nation's largest pork producers that was purchased by Smithfield.

If necessary, Joe Luter III, Smithfield's chief executive officer, said the firm will sell one or two slaughter plants in Iowa. If that occurs, the level of concentration in the pork slaughter industry will remain unchanged from today's levels.

"All of you will be better off if Smithfield owns IBP," Luter told county Farm Bureau voting delegates in an overture of courtship. He warned that if an offer from Donaldson Lufkin & Jenrette, which also seeks IBP, is accepted, it will be heavily leveraged. This will mean lower wages to employees and lower prices to producers as the firm strives to pay debt and increase returns.

The Iowa Farm Bureau said it will not support an unrestricted

merger.

Luter said IBP's plants and processing facilities are sought to give Smithfield's greater diversity and to enable them to better compete in consolidating food service and retail markets.

"We're moving into a global economy whether you like it or not," he said. Key to survival for Smithfield, according to Luter, is producing enough hogs of the same genetics to give a consistent product for consumers.

"If we remain small, fragmented, fighting among ourselves, pork will remain Number 3 as the choice of meat among consumers."

--Joe Luter, Smithfield CEO

"We think we have the clout to deal with the Wal-Marts of the world," Luter explained, saying the additions would allow them to expand into more brand and case-ready markets.

"If we remain small, fragmented, fighting among ourselves, pork will remain Number 3 as the choice of meat among consumers,"

he said.

The pork industry today has adequate pork slaughter capacity, Luter said. He is not in favor of pork producers building their own plant or buying an existing plant. "It's not the kind of business that can be run by a committee of lots of people," he told media.

The merger faces stiff federal examination by the U.S. Department of Justice for antitrust law conflicts. Aiding Smithfield will be Joel Klein, the former assistant U.S. attorney general for antitrust.

*** This article was submitted by Rick Keith, CEO of Producers Livestock Marketing - Omaha, and Theresa Halvorsen, of the Iowa Farm Bureau Federation.**

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News Highlights for December 2000

U.S. House Committee on Agriculture (12-15-00) — After four years of examination and legislative preparation, Congress moved to finalize "The Commodity Futures Modernization Act of 2000" (H.R. 5660) with votes in the House and Senate that will modernize the existing regulatory framework for exchange-traded and over-the-counter derivatives, and to allow exchange-traded single stock futures. Although unseen and unfamiliar to most Americans, the economic potential of swaps and derivatives in the commodities and futures markets is hampered by a regulatory structure that has not kept pace with the rapid changes in the world. The House and Senate consensus legislation removes outdated prohibitions against single stock futures, streamlines the regulation of U.S. futures exchanges, and limits the jurisdiction of the Commodity Futures Trading Commission. By eliminating the sources of legal uncertainty that impede innovation in product development and the use of electronic trading and clearing facilities, the legislation addresses the systemic risks of a papered-over system.

AgricultureLaw.com (12-05-00) — Pork checkoff referendum ballots were counted Nov. 29 in local Farm Service Agency (FSA) offices around the country, the National

Pork Producers Council said. According to the rules for the referendum, the ballots will be sent to state FSA offices by Dec. 1 and by Dec. 8 be sent to USDA in Washington. Sometime following the receipt of the ballots, Agriculture Secretary Dan Glickman will announce the results. While the county vote counts remain confidential, NPPC said it "continues to be cautiously optimistic that the final vote will reflect continued support for the checkoff and its many successes."

Agricultural Marketing Service (11-30-2000) — In order to assist producers and other market participants in understanding how the new mandatory livestock price reporting program will affect them, USDA's Agricultural Marketing Service will provide educational and outreach sessions around the country, beginning Nov. 30. The new program, announced by Secretary Glickman on Nov. 28, will require large packers and importers to report to AMS the details of their transactions involving purchases of livestock as well as sales of boxed beef, boxed lamb, lamb carcasses, and imported boxed lamb cuts. AMS estimates that this new mandatory market reporting program will cover 80-95 percent of the volume of all cattle, boxed beef, slaughter hog, sheep, lamb meat, and imported lamb meat traded.

