



The

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National Livestock Producers Association

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Economic Analysis Affirms the Senate Farm Bill Will Boost Farm Income

Washington, D.C. (Senate Agriculture Committee) – A new economic analysis predicts that the Senate’s five-year farm bill will result in stronger farm income than the House bill over the same period, and should help to speed the process of settling differences in the House-Senate conference on the measure, U.S. Senator Tom Harkin (D-IA), chairman of the Senate Agriculture Committee. The analysis, prepared by the non-partisan, authoritative Food and Agricultural Policy Research Institute (FAPRI) of the University of Missouri and Iowa State University, was released following briefings of Senate and House Agriculture Committee staffs, March 4.

“I am encouraged by the fact that FAPRI confirmed today that the Senate’s five-year bill will provide stronger and more stable farm income for farm families, as well as be less likely to raise problems in the World Trade Organization with our trade commitments,” Harkin said. “While pointing out the strength of the Senate bill compared to the House bill, the FAPRI analysis also shows that we can bridge our differences in conference and produce a critically needed new bill for farm families and small town communities.”

Under the Senate farm bill for the period of 2002-06, the FAPRI analysis predicts an average annual net farm income of \$46.99 billion. Under the House bill, FAPRI predicts the annual average for the period would be \$46.42 billion. In 2002, the House bill would improve farm income by less than \$1 billion as compared to a continuation of existing legislation. In contrast, the Senate bill would boost 2002 farm income by more than \$7 billion.

The comparisons take into account USDA commodity program and conservation payments expected under the two bills. Congress is expected to enact a farm bill covering a five-year period.

The analysis also shows that under the Senate’s farm bill there would be significantly less risk of exceeding the U.S. commitments for agricultural support under the WTO agreement, than under the House bill. For example, FAPRI’s analysis shows that for 2006, the House bill would be more than twice as likely to violate the WTO as the Senate bill (20.6 percent probability for the House bill versus 9.7 percent for the Senate bill).

“As I have pointed out repeatedly, the Senate bill will substantially improve farm income, support conservation, and boost economic development and jobs in rural communities - and it will stay within our federal budget limits and comply with our WTO commitments,” Harkin said. “I look forward to completing the House-Senate conference on the bill very soon so the new legislation can start working to help rural America.”

The complete report is available on the FAPRI website at <http://www.fapri.org>.

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NIAA Summer Expo to Focus on Animal Identification

Bowling Green, KY (NIAA) – The National Institute for Animal Agriculture (NIAA) has announced ID/INFO EXPO 2002, a conference and trade show devoted to the subject of animal identification and information systems.

The event will take place in Chicago, July 29 - Aug. 1, and will feature the National Food Animal Identification Symposium, the first-ever National Equine Identification Symposium and a trade show featuring manufacturers and service providers in the animal identification and information systems business.

NIAA, formerly known as the Livestock Conservation Institute, has previously facilitated three livestock, or food animal, identification conferences in 1998, 1994 and 1988. This one figures to be the largest.

The preliminary schedule of events has the National Equine Identification Symposium scheduled for July 29 and 30 and the National Food Animal Identification Symposium scheduled for July 31 and August 1. The trade show will span both conferences.

Program and registration information will be published in April. Individuals wanting to make sure they are included on the mailing list are encouraged to go to www.animalagriculture.org/id on the Internet and fill out an online information request card.

Animal Agriculture Professionals to Gather at NIAA Meeting in Chicago, March 24-28

Bowling Green, KY (NIAA) – “Animal Agriculture – Dealing With New Realities” is the theme for the 2002 Annual Meeting of the National Institute for Animal Agriculture (NIAA). Considerable attention will be devoted to food and agricultural security, bioterrorism, animal health safeguarding and emerging diseases.

The meeting is scheduled for March 24 - 28, at the Palmer House Hilton in downtown Chicago. Among the speakers invited to appear at the opening general session is Agriculture Secretary Ann M. Veneman. Among confirmed keynote speakers is Dr. Paul Kitching, director of the National Centre for Foreign Animal Disease in Winnipeg, Manitoba. Dr. Kitching, recognized globally for his expertise in food-and-mouth disease (FMD), will speak on FMD, Hog Cholera and BSE – Lessons Learned from the U.K. Experience.

NIAA committees will present 15 information-packed seminars addressing the breadth of issues affecting animal agriculture today. Other groups that will meet in conjunction with the NIAA Annual Meeting are the National Assembly

of Chief Animal Health Officials, National



Johne's Working Group and the National Animal Health Emergency Management Steering Committee.

More information on the 2002 NIAA Annual Meeting can be found on the Internet at www.animalagriculture.org, or by calling 270-782-9798.



The National Producer

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NLPA Member Spotlight

Tri-State Livestock Credit Corporation's Jack Hanson To Serve NLPA as Vice Chairman

In January 2002, the National Livestock Producers Association Board of Directors elected Jack Hanson as their new vice chairman.

Hanson represents Tri-State Livestock Credit Corporation and has served on Tri-State's Board since 1995 and has been Chairman of the Board since 1999.

Hanson was born and raised in the San Francisco area and attended the University of California at Berkley before he served two years in the Vietnam War. From 1970 to 1975 Hanson worked for Dean Whitter as a stock broker.

Hanson said his family had a ranch and in 1975 he decided to work there for a couple weeks, and has been there ever since. The ranch is located in Lassen County, which is northeastern California. Hanson, his wife, Darcy, and two sons, Wyatt, 15, and Brad, 13, own and operate the 1,600-acre ranch and tend to 400 cows themselves.

As Chairman of Tri-State's Board of Directors, Hanson said the organization faces many challenges, but that probably the biggest right now is looking for growth in Tri-State's portfolio.

"We have a challenge finding the right kind of borrowers," he said. "The industry is less stable than it was years ago. Tri-State has a history of helping family operations. Now

the industry is filled with people who live in town and own a few cows and big companies - the family farms are not as prominent as they used to be."

"Agriculture itself is a difficult and challenging industry," Hanson said. "Eventually our country will have to answer two questions. First, how much of our food do we want to produce domestically? Second, what kind of infrastructure do you want to produce food - do we want food to come from family farms or from a few big companies? The consumer is king - if the consumer's only concern is cheap food then things will get a lot tougher for family farm operations."

Hanson said that his involvement in NLPA is important in dealing with the issues facing agriculture today.

"NLPA is a valuable source of industry information and for networking with other organizations that share our concerns."

One of NLPA's biggest issues, he said, is to evolve along with the times.

"Twenty years ago things were easier," he said. "NLPA is challenged, as are all associations, to keep its mission meaningful and at the forefront of the industry, which is a moving target."



Jack Hanson with his son Wyatt, 15, wife Darcy and son Brad, 13.

As NLPA's new vice chairman, Hanson said he is excited to be involved in NLPA as it works to redefine itself.

"I am proud to be in a position to help guide the organization, it also gives me an opportunity to work closer with the talented people who are involved in NLPA."

In addition to his involvement in NLPA and Tri-State, Hanson is active in several community organizations. He serves on the Board of Trustees for the Susanville School District and he is on the board of the California Food Safety and Animal Health System. Also, he serves on the Bureau of Land Management Resource Advisory Council, is on the Agriculture Advisory Committee at the local junior college and is a former Vice President for the California Cattlemen's Association.



LMA Reaffirms Support of Packer Livestock Ownership Ban, Country of Origin Meat Labeling

Kansas City, MO (LMA) - Reflecting the support for the measures from America's grassroots livestock producers, Livestock Marketing Association is reaffirming its strong backing for a ban on packer livestock ownership, and mandatory country of origin meat labeling (COOL).

LMA President Patrick Goggins said it is a critical period for both measures, as they go to a U.S. House-Senate conference committee. The Senate version of the farm bill includes the packer ban and COOL. The House version includes only a COOL provision for produce.

Goggins urged producers to phone their Congressional representatives, and especially members of the conference committee, to urge their support "of what can truly be called, landmark legislation."

LMA "is proud to add our support to that of America's independent producers who realize the vital importance of these measures for the future of the livestock industry," he said.

Goggins pointed to the groundswell of support "out in the country for the packer ban and COOL." Backing both measures are numerous groups, including the American Farm Bureau Federation, R-CALF USA, National Farmers Union, several state cattlemen's associations, and a number of advocacy groups.

"These groups believe, as we do, that the way to restore competition to this great industry is by forcing packers to compete more on the open market for livestock. These groups believe, as we do, that if I have to be told where my shirt is made, why not my sirloin?"

Goggins said LMA member markets are being furnished materials they can use - and make available to their customers - to tell Congress they support these measures.

"Day in and day out, our member markets talk with thousands of producers. These producers know that the packer ownership ban may be the last chance they

have to stop the march by the packers and retailers toward ownership and control of the cattle industry," he said.

"Neither my neighbors nor I want to be low-paid, hired hands on our own land. We only have to look at the poultry industry, and, increasingly, the hog industry, to see what happens when packers and retailers control the live product from pasture to plate."

Mandatory labeling, he said, is a "win-win" proposition for producers and consumers.

Goggins, a market owner, publisher and purebred cattle producer, said, "I believe I produce a superior meat product to any of my foreign competitors. Unfortunately, processors are not required to differentiate between my products and those of foreign competitors."

"I also believe U.S. consumers, when given the information, will choose to eat American-raised and processed meat products, over those from outside the United States."

When LMA first announced its support for COOL, in April 2001, the national marketing group said almost daily news of livestock diseases overseas made COOL's passage more important than ever before.

That is still true, Goggins said. "Thankfully, the U.S. livestock industry has been spared from similar outbreaks. But increasingly, consumers want to know where their food comes from. COOL will give them that information."

National producer groups who oppose these measures, Goggins said, "are sadly out of step with the views of the men and women with mud on their boots, who are the backbone of this industry, and our business."

Because of the urgency of this issue, calling Congress is highly recommended. Members can be reached through the central Congressional switchboard, (202) 224-2131.

U.S. Premium Beef CEO Responds to the Proposed Farm Bill and Ban on Packer Ownership of Livestock

By **Steve Hunt, CEO**
U.S. Premium Beef

(This article was written for the U.S. Premium Beef newsletter)

How does the proposed farm bill affect U.S. Premium Beef (USPB)?

I can't think of anything in recent history that has been as dynamic and central to our industry as the recent legislation concerning the ban of packer ownership and control of livestock. The question, "How does the legislation affect USPB?" is an appropriate one that invokes a different answer literally by the hour. Before updating you on the status as of this printing, in order to fully understand where we are today, we should first look at where we have been.

This past December, during consideration of the 2001 Farm Bill, the Senate passed an amendment (Johnson Amendment) to ban packer ownership and control of livestock. Although it may not have been the intention of the authors of this amendment to ban forward thinking, producer initiated, integrated marketing strategies like USPB; the fact is it could have done just that.

While you may have heard that USPB was exempt from the Johnson Amendment, there were problems with the language that couldn't be ignored. First, by definition, USPB, Farmland and FNB are considered packers. The packer exemption included in the amendment refers

to, "a cooperative or entity owned by a cooperative, if a majority of ownership interest in the cooperative is held by active cooperative members that, (A) own, feed, or control livestock; and (B) provide the livestock to the cooperative for slaughter." Clearly USPB is majority owned by active members. However, our processing company, Farmland National Beef (FNB) (a noncooperative), is also owned by a cooperative (Farmland Industries) that is not majority owned by active members. Therefore, whether USPB or FNB are truly exempt is subject to interpretation of the language used in the proposed law.

"...the legal interpretation of the language used could take precedence over the intent."

-- Steve Hunt
CEO, U.S. Premium Beef

Second, the initial Johnson Amendment banned packer "control" of livestock. You can find varying definitions of the term "control" as it applies to livestock marketing. In many cases, "control" of livestock includes forward contracts and marketing agreements. As part of our negotiations to purchase FNB, we entered into a long-term marketing agreement with Farmland Industries outlining the conditions of our purchase. Included in this agreement is a guarantee that our processing company, FNB, will purchase USPB



member cattle over a competitive value-based grid. If FNB is not exempt, this agreement is prohibited. To remove this vital agreement from our partnership would undermine the foundation of our designed-supply system of cattle and product delivery.

There is another point that is critical to this analysis and future analysis of legislation. Even if the author or supporters of legislation **intend** to exempt USPB and other producer marketing strategies, our legal advisors caution us that if challenged, the legal interpretation of the language used could take precedence over the intent.

Due to the concerns raised by USPB and other producers within the beef industry, Senator Craig (R-Idaho) subsequently offered up a compromise amendment calling for a study to be concluded within 270 days to understand the effects of the Johnson Amendment on the industry. The Craig Amendment was overwhelmingly supported by NCBA in the form of a resolution passed at the annual convention in Denver. However, the Craig Amendment could not drum up enough support, paving the way for passage of the Senate farm bill, including the Johnson Amendment.

Continued on page 7 . . .

Market Commentary

March 6, 2002 Report

by John Nelson, Director of Commodity Marketing,
Producers Livestock Marketing Association



PRODUCERS LIVESTOCK MARKETING ASSOCIATION

USDA STATS - CATTLE

Packers went in slow gear last week, killing 618,000 hd., down 3 ½ percent from the previous week and down 2 ½ percent from the same week last year. Carcass weights went up 1 lb. last week to 767 lbs., compared to 737 lbs. last year. Live weights remained unchanged at 1260 lbs., compared to 1220 lbs. last year. Total beef production last week was down 4 percent from the previous week but still up 2 ½ percent from the same week last year. Boxed beef prices stopped the skid last week, finishing down only \$.40/cwt. at \$117.03.

USDA STATS - HOGS

Last week's kill of 1.843 million head was up slightly from the previous week and down 2 percent from the same week last year. Average carcass weights went up 1 lb. last week to 199 lbs., compared to 197 lbs. last year. Live weights gained 1 lb. as well to 267 lbs., compared to 264 lbs. last year. Total pork production last week was the same as the previous week and down only slightly from the same week last year. Pork demand is still struggling, as the carcass cutout dropped slightly to \$58.27.

LIVESTOCK FUNDAMENTAL COMMENTS

CATTLE

Last week, cash prices started out on the defensive, as weaker boxed beef prompted feedlots to sell at lower money, \$70 in the South and \$112 in the Midwest. But as the week progressed, attitudes changed for the better, as beef demand appeared to improve with good movement of boxed beef. Consequently, late week sales rallied back to steady with the previous week, \$71 in the South and \$113 in the Midwest. Showlists are a little shorter this week, as will be the case on into the spring timeframe. In addition, beef demand typically

improves with the onset of spring. So we do look for higher prices over the next month or two. Weights, on the other hand, are still a problem, and will probably limit our top-side potential. Severe winter weather has yet to impact feedlot performance.

HOGS

The cash hog market was on the defensive last week, with 51-53 percent lean hogs down \$1-2/cwt. at \$40-41 live. Packer margins have not gotten any better, which was reflected by Saturday's kill. Other than a holiday, we usually see hogs killed on Saturday, if not least a token kill, but the USDA reported no hogs killed last Saturday! Margins must be poor! Numbers do appear to be tracking well with the last hog report, which is good news. But weights remain heavy, adding to total pork production. We need to see demand pick up if cash prices are to see any seasonal improvement over the next few weeks. If anything, history suggests higher prices over the next month or two.

LIVESTOCK MARKETING RECOMMENDATIONS

CATTLE

No additional hedging is being recommended, as higher prices should be in store over the next several weeks. But it wouldn't take much of a rally to get our attention, especially for the June/August time frame. Be ready to take advantage of near-term rallies to get additional protection in place.

HOGS

No additional hedging is being recommended here either, as we feel well covered into the summer time frame. But on seasonal strength, we won't be afraid to add to hedge protection, particularly if it occurs before the next hog report, which will be released on March 28th.

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.

USPB CEO Responds to the Proposed Farm Bill, continued from page 5 . . .

In the final hours of debate on Feb. 13th, Senator Grassley (R-Iowa) offered an amendment containing a revised version of the Johnson Amendment in an attempt to clarify the meaning of the ban on packer "control" of livestock. In that version, packers still can not own or feed livestock, but may contract livestock as long as they do not exert "managerial, operational or supervisory control."

That afternoon, the Senate passed the farm bill with the Grassley amendment in tact. Since the House farm bill does not contain restrictions on packer ownership and control, this issue will be taken up in the conference committee within a week for debate that could last for a month.

The late revision of the Senate farm bill goes a long way toward exempting our marketing agreements and reducing the direct risk to the current structure of USPB. There exists some risk to our exemption through interpretation of the law and the possibility of restricting our ability to consider opportunities that no longer fit the scope of that exemption. As I stated in my opening, these issues are

dynamic and central to our industry. Much has happened in a very short period of time and while we may have a sense of relief today, there is a certain amount of uneasiness as to the overall impact of this bill on our industry.

"The sooner we resolve this issue, the sooner we can go back to focusing ... on increasing price through expanding consumer markets."

-- Steve Hunt
CEO, U.S. Premium Beef

Effecting change of policy or legislation is like "steering the Titanic with a hand held rudder. Most, including the authors, simply didn't believe this policy had the momentum to pass. We were able to steer past the immediate danger, but certainly this policy includes more than exempting marketing agreements. If you want to communicate your appreciation or concerns to the decision makers, contact your U.S. Senator and Congressman today. In your communication, be sure to first thank them for their support when we organized and formed USPB

and for their intentions to exempt us from this amendment.

Over the years, banning packer ownership and control of cattle has struck a favorable chord with many of us. The fact is the only way cattle producers can realize full value is through an integrated strategy of ownership and control. We hoped that forming USPB would allow us to focus our energies beyond the cattle trade and on value-added price points realized through marketing meat and meals. The sooner we resolve this issue, the sooner we can go back to focusing all of our energies on increasing price through expanding consumer markets.

If you have questions or need further clarification, feel free to contact our office at 866-877-2525 or e-mail us at uspb@uspb.com.

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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.



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News Highlights for February 2002

National Cattlemen's Beef Assn., 2/1 - Livestock auction market operators and order buyers now have an increased presence and voice within the National Cattlemen's Beef Association (NCBA). The NCBA Board of Directors voted to increase the standing of the Live Cattle Marketing Council, changing its name to the Livestock Marketing Council. The change formalizes a membership structure for the marketing segment of the industry and provides the mechanism for involving livestock marketers in NCBA's governing process.

AgricultureLaw.com, 2/22 - In a letter earlier this month to Burger King Corporation, Food Safety and Inspection Service Acting Administrator Margaret O'K Glavin said FSIS is not granting Burger King's petition for increased humane slaughter oversight. The letter was an apparent attempt to clarify another agency letter sent last month to the company in which FSIS said it was granting the petition and developing a proposed rule that will address the issue of humane handling, according to the American Meat Institute.

Burger King released the earlier letter to the news media, resulting in extensive publicity.

AgricultureLaw.com, 2/28 - Members have been named to a conference committee that will decide the shape of a final farm bill that Congress will approve. House Republicans are Agriculture Committee Chairman Larry Combest (TX), Committee Vice Chairman John Boehner (OH) and subcommittee chairmen Bob Goodlatte (VA), Richard Pombo (CA), Terry Everett (AL), Frank Lucas (OK), Saxby Chambliss (GA) and Rep. Jerry Moran (KS). For the Democrats, conferees include Reps. Charlie Stenholm (TX), Gary Condit (CA), Collin Peterson (MN), Cal Dooley (CA), Eva Clayton (NC) and Tim Holden (PA). Senate conferees are Agriculture Committee Chairman Tom Harkin (IA), and Sens. Patrick Leahy (VT), Kent Conrad (ND) and Tom Daschle (SD). Republicans are Sens. Richard Lugar (IN), Jesse Helms (NC) and Thad Cochran (MS). Additional House conferees from other committees will be named later.

