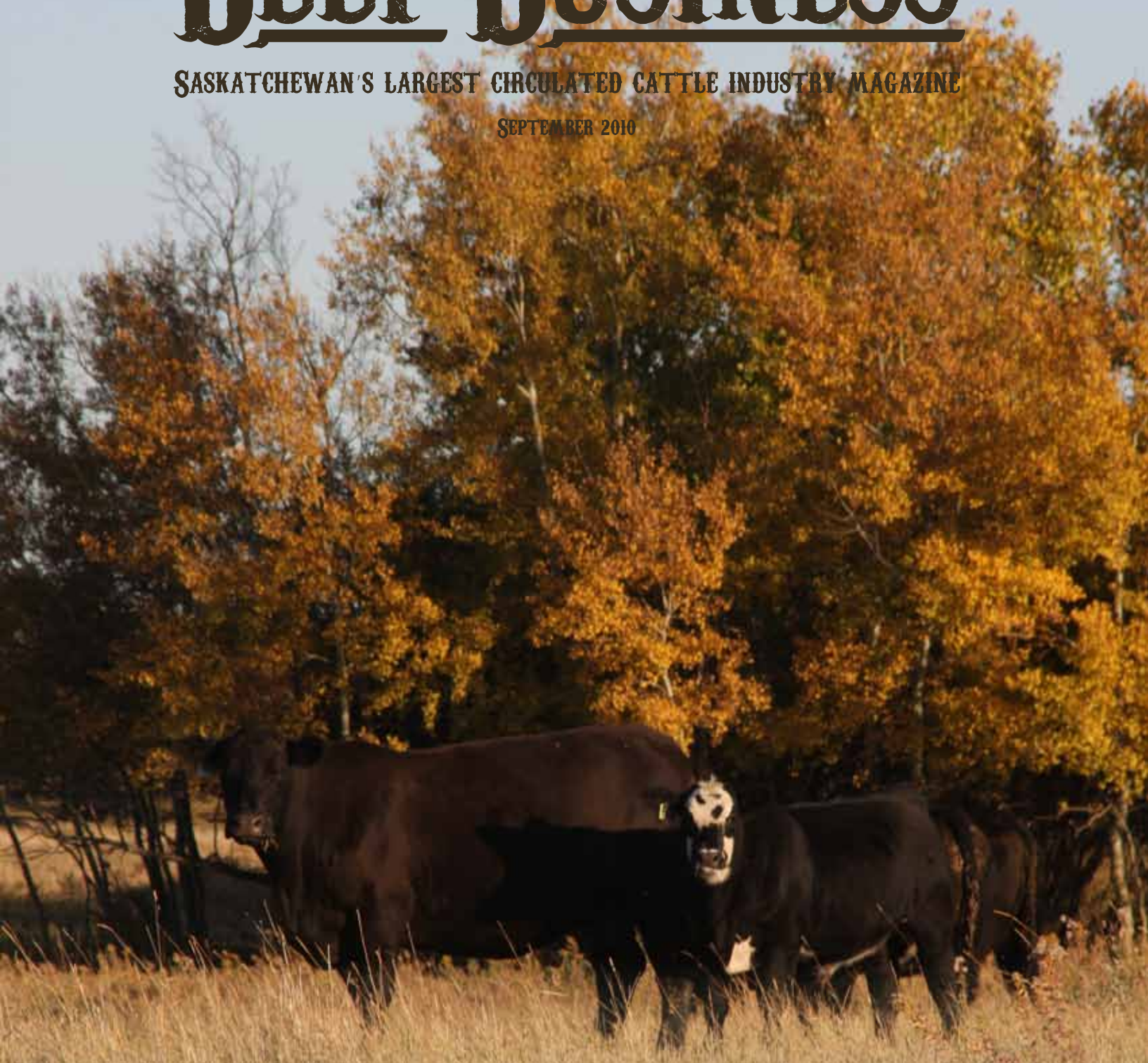


BEEF BUSINESS

SASKATCHEWAN'S LARGEST CIRCULATED CATTLE INDUSTRY MAGAZINE

SEPTEMBER 2010



A Saskatchewan Stock Growers Association Publication

Publication Mail Agreement #40011906

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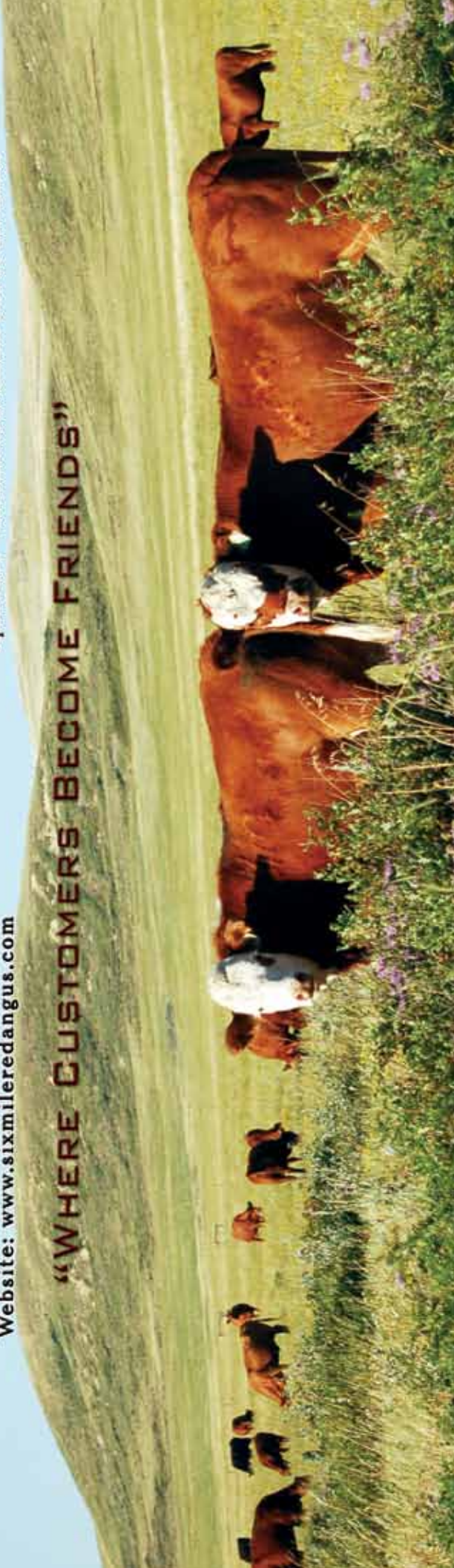
- Canadian Western Agribition Show and Sale – Regina, SK

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Unfair Practice Rules - Closer to Implementation in US

The comment period for new rules proposed by the US Department of Agriculture (USDA) to protect producers from unfair practices on the part of packing companies was set to end on August 23. While the impact of the rule changes will fall primarily on the poultry industry there are elements that are designed to affect cattle marketing.

The rule changes have been advanced by the USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA). The changes of direct relevance to cattle producers include a ban on packer to packer sales, and measures to ensure that large or well-connected feeders cannot obtain preferential treatment from packer buyers.

In announcing the rule change, Secretary of Agriculture Tom Vilsack said, "concerns about a lack of fairness and common sense treatment of livestock and poultry producers have gone unaddressed for too long."

"This proposed rule will help ensure a level playing field for producers by providing additional protection against unfair practices," added Vilsack.

While the new rule does not specifically prevent packer ownership of feeder cattle, the fair treatment provisions purport to prevent packers from showing preferential treatment to any of their suppliers.

A document posted on the GIPSA website www.gipsa.usda.gov describing unfair practices cites the case in which "a midwestern packer was offering a higher price to an individual producer who could deliver full truckloads of livestock. A group of producers approached the same packer and offered collectively to provide a full truckload of like livestock, but the packer refused the same price terms to the group of producers."


Where the rules against preferential treatment might, in a roundabout way, come at captive supply is in cases where the packer provides the preference to a feedlot it is commercially affiliated with. Depending on how the rules are interpreted and enforced, it could play out that if a packer refuses to bid or take delivery on available cattle other than those that he owns (until he has slaughtered all the available cattle that he owns), he could be guilty of an unfair practice.

One alleged advantage to preventing packers from selling fat cattle to each other, is that it will sustain open competitive bidding on show lists. If only one packer needs to show up for the sale, competitive bidding is in theory reduced. Then, if that packer (packer #1) turns around and sells the extra cattle he bought to another packer (packer #2) – the premium, if any, goes to packer #1 and not the primary producers.

It would be an understatement to say that the new rule is not going forward without a hitch. In his July 27 and 31 web columns,


the Agriculture Freedom Foundation's, Steve Dittmer sounded like he was about to blow a blood vessel over GIPSA's plans.

Besides deriding a lack of clarity in the proposed rule and its genesis among groups like "the radical Organization for Competitive Markets," Dittmer points out some interesting issues that might arise from the measures intended to frustrate packers purchasing fat cattle from packer-affiliated feedyards. He asks whether the preferential treatment prohibition could also impact "feedyards or ranchers who have signed on to branded beef programs and breed alliances with packers?...could other affiliated corporations or coops like a cattlemen's group partnered with or signed to deliver cattle to a packer, be interpreted by a zealous bureaucrat to have all their members tied to that packer with all their cattle?"

By the time you read this, additional blood will have flowed over the dam and the rule could be dead, substantially changed, or approved as advertised. One can only hope that Steve Dittmer's blood pressure will have gone down to a safe level as a result of the final outcome. 

US Calf Prices on the Rise

Based on mid-year numbers provided by the USDA in July, analysts are predicting US prices for 550 lb. steer calves will increase by around 7% by mid-year 2011. The projected increase in calf prices for 2011 comes on the heels of a 10% increase in values that occurred between June 2009 and June 2010. The average calf price to date for 2010 is pegged at US \$118.00/cwt with a 2011 projection of US \$126.00/cwt.

The strengthening calf prices are being attributed to a continuing decline in the size of the US cow herd, increasing US exports and more stable domestic demand as the impacts of the recession level out. The net result of these factors is that there are fewer calves around to meet improving demand. Some US analysts expect returns for calves will continue to increase for several more years. 

Anthrax Makes a Return Appearance

Anthrax cases affecting bison and beef herds have been reported on two farms, one at Osage and one at Fillmore, in southeast Saskatchewan as of August 20, 2010. While we are a long way off the total of 800 cases reported in 2006, there is reason to suspect more cases could arise, given the wet ground conditions experienced across the province this summer.

The Saskatchewan Ministry of Agriculture's Chief Veterinary Officer, Greg Douglas notes that soil saturation tends to bring anthrax spores to the surface. Similarly dry conditions allow cattle to graze on recently dried sloughs where previous wet conditions have caused spores to reach the soil surface.

According to Douglas, "if we have some hot drier weather, we could expect more cases. However I can't predict where, when, and the extent of the outbreak."

Douglas recommends producers take a look at the Ministry's Anthrax Fact Sheet at www.agriculture.gov.sk.ca/anthrax_FAQS ☞

Brazilian Buying Binge Abates

After what has looked like a serious addiction to buying new plants, Brazil's meat and poultry packing giants JBS and Marfrig have pledged to go cold turkey and forego further acquisitions for awhile.

According to an analysis that appeared in the July 31 edition of the International Meat Secretariat newsletter, after paying Cargill \$900 million for its Seara operation, Marfrig's CEO Marcos Molina "promised the company would buy nothing for the next five years."

The article claims JBS executives "said virtually the same thing" after JBS bought 64% of the troubled Pilgrim's Pride poultry company and soon after that merged with Brazil's third largest meat packer.

It's possible that Brazil's National Development Bank, which has supported the two companies in their march toward

global meat market domination, could be getting cold feet. The idea that some companies can become too big to fail, has governments and bankers around the world on edge these days.

Between them, JBS and Marfrig own 250 packing and processing plants in approximately 30 countries on five continents and employ some 150,000 workers. They share the top two positions in global meat marketing. JBS now has \$25 billion in annual sales of which 65% are made in the US.

News that the Brazilians are resisting their acquisitive urges will likely not comfort those who had hoped JBS could be encouraged to invest in Saskatchewan, taking over an existing plant or building something new. ☞



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Australian Beef Exports Expected to Decline

It's a good news/bad news story for Australia's beef producers. The bad news is exports are expected to decline over the next year. The good news is that the drop in export sales is partly due to herd rebuilding in the wake of improved climate and market conditions.

International Meat Secretariat reports that while some markets for Australian beef like its exports of live cattle into Indonesia have weakened, other markets including South Korea are improving. Whereas Australian exports to the US declined by 31% due to the impact of the recession on US consumers, its meat sales into Korea have picked by 15%. The growing popularity of fast food outlets and economic recovery have spurred export

sales into South Korea. A further stimulus for sales into South Korea could arise if a significant portion of the domestic herd is slaughtered in the wake of a recent foot and mouth outbreak. Thus far it looks as though the outbreak has been contained with minimal casualties.

Japanese meat consumption is apparently on the increase due to higher economic growth and increased food service sales. However, the Australians have not been able to capture the full benefit of that growth. Their exports to Japan actually decreased overall by 3%. It appears that competition from US sales into Japan has dampened Australia's domination of that market.

With some markets hot and some cooling, along with increased heifer retention, estimates are that there will be an overall 5% decline in Australian beef exports (combined meat and live animals) for 2010-2011. 

John Williamson - General Manager

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October 8th	All Class featuring calves & yearlings
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November 5th	Angus calf sale
November 12th	All breeds calf sale
December 10th	Select Bred Heifer Sale and herd dispersal
December 17th	All Class sale

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2010 Selling Fees

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Cows	\$14.00
Bulls < 1,000 lbs	\$14.00
Bulls > 1,000 lbs	\$23.00

There is **NO** extra feed charge.

Sale time 12:00 noon

Yearlings and calves are sold with a pencil shrink and put on feed immediately after weighing.

WBDC Updating its Cost of Production Figures

The Humboldt, SK-based Western Beef Development Centre (WBDC) is in the process of calculating Saskatchewan cow-calf cost of production (COP) benchmark figures for 2008. The WBDC has previously published the results (of what are probably more commonly known as a break even numbers) for the 2001-2005 period. The prime benchmarks to come out of this work include average \$/cow costs, \$/cow profits, and the \$/lb break even calf price for a given year.

A new software package, AgMpower, that allows producers to plug their own numbers into a central database is being employed to collect and collate the 2008 numbers. The new system should result in some savings since WBDC economists will not have to travel around the country to assist producers with the process.

To look at the average Saskatchewan benchmark figures for 2001 – 2005, producers can call up the Summer 2010 Premiere Edition of the WBDC's electronic newsletter at www.wbdc.sk.ca

While production parameters vary between operations and regions, it is handy to have these sorts of figures for the purposes of analysis and making predictions. It's also kind of fun to look at the averages to see where your operation fits on the bell curve. $\frac{1}{2}$

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PLEASE NOTE: Tampering with and/or cutting out an approved tag is prohibited by regulations.

To cross-reference your tags or for more information, contact the CCIA office at 1-877-909-BEEF (2333) www.canadaid.ca

For more information on traceability in Canada, please contact the Canadian Food Inspection Agency at 1-800-442-2342 www.inspection.gc.ca

Saskatchewan Live Cattle Trade

July 2 to August 20, 2010

Average prices based on Saskatchewan Ministry of Agriculture's weekly *Cattle Market Updates* – dates refer to date of reports being issued. (\$/100wt)

Steers

Steers	July 2	July 9	July 16	July 23	July 30	Aug 6	Aug 20
300-400	NA	NA	NA	NA	NA	NA	NA
400-500	NA	126.50	NA	123.17	123.75	125.00	125.03
500-600	118.92	121.50	119.46	118.16	118.00	118.25	117.75
600-700	112.97	112.50	116.96	114.33	113.33	114.50	113.04
700-800	104.31	105.63	108.17	104.83	NA	109.92	109.01
800-900	97.67	98.46	103.96	104.75	104.00	104.00	104.79
900+	NA	91.50	96.00	96.22	97.50	97.50	101.76

Heifers

Heifers	July 2	July 9	July 16	July 23	July 30	Aug 6	Aug 20
300-400	NA	NA	NA	NA	NA	NA	NA
400-500	113.75	NA	NA	108.00	108.00	NA	NA
500-600	108.25	105.38	NA	105.58	104.50	102.33	105.37
600-700	104.50	104.33	101.88	104.58	101.83	100.90	101.83
700-800	98.63	99.83	98.13	98.83	98.83	99.17	102.65
800+	91.13	93.67	NA	92.88	91.83	93.00	98.35

Saskatchewan Fat Cattle Trade

July 2 to August 20, 2010

Average prices based on Saskatchewan Ministry of Agriculture's weekly *Cattle Market Updates* – dates refer to date of reports being issued. (\$/100wt)

Fats	July 2	July 9	July 16	July 23	July 30	Aug 6	Aug 20
Steers live	85.08*	85.15	88.50	NA	88.10	86.30	89.63
Steers rail	140.75	142.18*	145.75	148.18*	147.75	145.68*	149.75*
Heifers live	84.15*	84.58*	85.40	87.75*	86.43	85.54	90.75
Heifers rail	140.75	143.00	145.80*	146.55*	146.35	145.68*	148.00

* estimates based on AB averages

Slaughter Cow Trade

July 2 to August 20, 2010

Average prices based on Saskatchewan Ministry of Agriculture's weekly *Cattle Market Updates* – dates refer to date of reports being issued. (\$/100wt) Prices are from Alberta figures.

Cows	July 2	July 9	July 16	July 23	July 30	Aug 6	Aug 20
D1-2	48.-64.	50.-62.	48.-64	53.-65.	54.-64.	54.-67.	55.-66.
D3	35.-58.	48.-55.	48.-57.	52.-58.	48.-61	47.-60.	48.-58.
rail	108.-112	108.-112.	108.-112.	110.-120.	110.-120.	117.-119.	113.-117.

Retail Meat Price Survey June 23 & Aug. 23, 2010 (\$/lb.)

Cuts	Sobeys		Safeway		Extra Foods		Walmart	
	June	Aug.	June	Aug.	June	Aug	June	Aug
Ground-regular	\$2.85	\$2.92	\$2.85	\$2.92	\$2.67	\$2.67	\$2.72	\$2.37
Ground-lean	\$3.17	\$2.23	\$3.17	\$3.22	\$2.94	\$2.94	\$2.95	\$2.95
Roast-cross rib	\$4.99	*	*	*	\$4.39	\$3.28	\$4.27	\$4.27
Roast-rib	\$9.07	\$9.49	*	\$8.89	*	\$5.98	\$7.97	\$7.97
Roast-round	\$4.36	*	\$5.19	*	\$4.21	\$4.30	*	*
Steak-tenderloin	\$14.28	\$14.99	*	\$18.88	\$14.70	\$14.70	\$13.97	\$13.97
Steak-ribeye	\$10.22	\$11.33	\$13.69	\$13.69	*	*	*	\$10.17
Streak-sirloin	\$3.71	\$4.22	\$5.89	\$5.89	\$3.48	\$3.98	*	\$7.72
Steak-T-bone	\$9.75	\$9.75	\$11.19	\$11.19	\$9.57	\$9.02	*	*
Steak-round	\$4.54	\$4.54	*	\$4.79	\$4.59	\$4.53	*	\$4.29

* Indicates the product was not in the display case on August 23, 2010.