

# Industry Link

Compiled by

**SHELBY METTLEN**, *assistant editor*

## Proposed tax regulation threatens multigenerational cattle operations

The Internal Revenue Service (IRS) hosted a public hearing Dec. 1, 2016, on a Department of Treasury proposed rule that would eliminate or greatly reduce available valuation discounts for family-related entities. Kevin Kester, National Cattlemen's Beef Association (NCBA) vice president, said the regulation would effectively discourage families from continuing to operate or grow their businesses and passing them on to future generations.

Many cattle operations are family-owned small businesses, facing the same concerns as other small businesses — making payroll; complying with numerous federal and state regulations; and paying bills, loans and taxes. However, cattle producers face a number of unique challenges specific to agriculture.

“Ranching is a debt-intensive business, making the U.S. livestock industry especially vulnerable to the estate tax,” said Kester. “Beef producers largely operate an asset-rich, cash-poor business model: A cattleman's biggest asset is his land. In the event of the death of a principal family member, illiquid assets are often sold in order to meet the costs associated with the estate tax. As a result, many families are unable to keep their estates intact.”

For more than two decades, livestock producers have utilized legitimate valuation discounts as a means of maintaining family ownership. These discounts, which accurately reflect the actual market value of minority

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ownerships in closely held businesses, reduce the tax burden at death allowing agricultural operations to maintain family ownership from one generation of producers to the next.

“Should the discounts be eliminated, a significant number of farmers and ranchers will face an even greater tax burden during the difficult task of transferring minority interests to the next generation,” said Kester. “Having dealt with the death tax on multiple occasions, I can assure you that it's not easy to settle the estate of a loved one while coping with the loss of that loved one. To add insult to injury, the proposed rule will upend succession plans, halt planned expansion and growth, and require a majority of livestock operations to liquidate assets in order to simply survive from one generation to the next.”

The proposed regulations under Section 2704 will have a profoundly negative impact on the business climate for farmers and ranchers, ultimately disincentivizing a new generation of cattle producers from carrying on the family business. For that reason, NCBA

calls for the IRS to formally withdraw the proposed rule.

Source: NCBA.

## No-vote action on TPP a 'significant victory' for family farmers, ranchers

A staunch opponent of the Trans-Pacific Partnership (TPP) trade agreement, National Farmers Union (NFU) commended Congress for agreeing to forgo a last-minute vote and reexamine the deeply flawed trade agreement. NFU President Roger Johnson released the following statement in response:

“We've been hearing for months the discontent family farmers and ranchers and American workers have with TPP, and I'm pleased that their concerns have been heard. Sending TPP back to the drawing board is recognition that past trade agreement frameworks are not working for our nation's family farmers and ranchers, rural communities and consumers.

“This trade agreement would have done very little, if anything, to lessen the impact of our vast trade deficit, provide actionable oversight of unfair market practices such as currency manipulation,

or protect American jobs. Congress can now focus on ensuring our trade negotiators promote fair and competitive trade that benefits U.S. family farmers and ranchers and manufacturers who rely on access to competitive markets around the world.

“We look forward to working with the new administration and the next Congress to promote fair trade solutions that work for American agriculture and the U.S. economy.”

Source: NFU.

## Record beef production for September

Commercial red meat production for the United States totaled 4.32 billion pounds (lb.) in September, up 4% from the 4.14 billion lb. produced in September 2015.

Beef production, at 2.18 billion lb., was 4% above the previous year. Cattle slaughter totaled 2.62 million head, up 6% from September 2015. The average live weight was down 12 lb. from the previous year, at 1,370 lb.

Pork production totaled 2.13 billion lb., up 4% from the previous year. Hog slaughter totaled 10.2 million head, up 5% from September 2015. The average live weight was unchanged from the previous year, at 280 lb.

Lamb and mutton production, at 12.0 million lb., was down 2% from September 2015. Sheep slaughter totaled 193,300 head, slightly above last year. The average live weight was 125 lb., down 3 lb. from September a year ago.

Source: USDA National Agricultural Statistics Service.

## R-CALF USA presents priorities for new Congress

In a prepared statement presented in November during the 2018 Farm Bill

## Fever ticks confirmed on a Live Oak County premises

The Texas Animal Health Commission (TAHC) confirmed the presence of cattle fever ticks on a Live Oak County premises on Nov. 30, 2016. The infested premises is located approximately 110 miles outside of the Permanent Fever Tick Quarantine Zone.

The fever ticks were discovered on a bull when evaluated by a local veterinarian and identified at the TAHC State-Federal Laboratory. The infested premises has been placed under quarantine and all cattle on the premises have started treatment for fever ticks. TAHC is conducting an epidemiological investigation to determine the source of the fever ticks and trace outs from the premises.

A Control Purpose Quarantine Area (CPQA) has been established for systematic inspection of livestock and wildlife hosts in the portion of Live Oak County surrounding the infested premises. Producers located in the identified CPQA are being contacted by TAHC and USDA personnel.

Premises located within the CPQA are subject to movement restrictions, systematic inspections and potential treatment in accordance with the regulations in Title 4, Texas Administrative Code, Chapter 41 Fever Ticks.

With the addition of Live Oak County, there are now four CPQAs outside of the Permanent Fever Tick Quarantine Zone, located in Jim Wells, Kleberg and Willacy

counties. At present, there are approximately 450,000 acres under various types of fever tick quarantine outside of the Permanent Quarantine Zone, including a Temporary Preventative Quarantine Zone in Cameron County.

“When producers observe ticks on their livestock, it is imperative that they contact their local TAHC Livestock Inspector or region office, USDA Inspector, private veterinarian, or local AgriLife Extension office to arrange for collection and submission of tick samples to the TAHC laboratory in Austin, TX,” said Andy Schwartz, TAHC executive director. “This will help ensure the parasites are not cattle fever ticks.”

Cattle fever ticks, known scientifically as *Rhipicephalus* (formerly *Boophilus*) *annulatus* and *R. microplus*, are a significant threat to the United States cattle industry. These ticks are capable of carrying the protozoa, or microscopic parasites, *Babesia bovis* or *B. bigemina*, which cause the disease commonly known as cattle fever. The *Babesia* organism attacks and destroys red blood cells, causing acute anemia, high fever, and enlargement of the spleen and liver, ultimately resulting in death for up to 90% of susceptible naive cattle.

For more information about cattle fever ticks visit [http://www.tahc.texas.gov/news/brochures/TAHCBrochure\\_FeverTick.pdf](http://www.tahc.texas.gov/news/brochures/TAHCBrochure_FeverTick.pdf).

Source: TAHC.

listening session sponsored by Sen. Jon Tester (D-Mont.), R-CALF USA said the need for major change is urgent if Congress wants to prevent the U.S. cattle industry from going the way of the packer-controlled poultry, hog and sheep industries.

Bullard described the U.S. cattle industry as an industry where four of every 10 ranchers in business 30 years ago are gone today, where cattle supplies have shrunk to 70-year lows, where domestic production has shrunk to a 20-year low, and where the cattle cycle, which historically provides several years of strong prices, is now dysfunctional. He said cattle prices have been falling farther and faster than at any time in history, despite historically low supplies and strong beef demand.

*Source: R-CALF USA.*

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### **Balance in beef profitability**

Each segment of the beef industry brings with it certain challenges and opportunities, especially during times of unpredictable markets. Cattle feeders are perhaps most affected by swings in prices and input costs, and, according to AgResource Co. President Dan Basse, achieving profitability across the beef chain requires a certain balance from the cow-calf producer to the feeder and the packer.

“In the beef market we call it the barbell approach,” Basse said. “In other words, the cow-calf man on one end of the barbell has done very well for the last two or three years. In 2013, he made over \$500 a head, this year maybe \$100 a head. Then we have the packer, which today is making \$80 a head. In between those two segments of the industry is the feedlot. They’re looking at losses between \$50 to \$70 a head.”

Hear more from Basse in the Oct. 24, 2016, episode of *The Angus Report* available online. *The Angus Report* airs at 1:30 p.m. CST Saturday and 7:30 a.m. each Monday on RFD-TV.

*Source: Adapted from The Angus Report.*

### **Long-distance transportation**

Long-distance transportation is a facet of the beef industry, and it can be a stressful event for cattle. Karen

Schwartzkopf-Genswein, researcher at the Lethbridge Research and Development Centre for Agriculture and Agri-Food Canada, shared highlights of eight years of research on long-distance transportation with attendees of the fifth International Symposium on Beef Cattle Welfare in Manhattan, Kan., June 8-10.

There are many potential stressors in transportation — handling, novel

environments, auction, commingling, restrictions of feed and water, environmental condition on the trailer, loading density, energy used to maintain balance during the trip, transport duration and potential for injury.

In each study, cattle were assessed non-invasively on both behavior and physiology, she noted.

“For every 1° Celsius (33.8°

Fahrenheit) rise in ambient temperature, shrink increased 0.04%,” Schwartzkopf-Genswein noted.

*Source: Adapted from an article by Kasey Brown, Angus Media.*

### **Corn contaminated with smut can still create quality silage**

With wet conditions across much of

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the United States, producers should be on the lookout for corn smut. The good news is that affected crops can still be used for silage with a careful inoculant choice and close monitoring.

“While producers may see a drop in corn yields due to smut contamination, the crop is still valuable and can be

successfully ensiled,” says Renato Schmidt, forage products specialist, Lallemand Animal Nutrition. “The fungus that causes smut does not itself produce toxins, and studies in sheep have shown it does not affect feed intake.”

Corn smut is caused by the growth of *Ustilago maydis*, which thrives in

conditions of high humidity, poor pollination or damage from insects or equipment. Once the plant is infected, the fungi’s cells divide quickly and expand. This leads to large gray galls that contain black spores, typically on the corn ear tip.

The resulting galls decrease grain yield anywhere from 9% to 40%.

When fed, *U. maydis* can affect feed efficiency. Feed digestibility also can be reduced when infestation levels reach 50% or greater.

*Source: Lallemand Animal Nutrition.*

**Support for rural cooperatives**

Agriculture Secretary Tom Vilsack Oct. 3, 2016, announced that USDA is awarding 29 grants totaling \$5.8 million to help rural cooperatives create jobs and support business expansion. The funds are being provided through the Rural Cooperative Development Grant (RCDG) program, which helps fund nonprofit groups, such as rural cooperative development centers and higher education institutions.

Development centers can use RCDG funds for feasibility studies, strategic planning, leadership and operations training, and business plan development. Recipients are required to contribute matching funds that equal 25% of total project costs.

Sam Ridders, Administrator of USDA’s Rural Business-Cooperative Service, announced the 29 awardees on Vilsack’s behalf during a visit to the Ohio Cooperative Development Center (OCDC) at Ohio State University’s South Centers campus in Piketon.

*Source: USDA.*

**USDA Proposes Revisions to Nutritional Fact Panel for Meat and Poultry Products**

The USDA Food Safety and Inspection Service (FSIS) on Dec. 1, 2016, proposed to amend the nutrition labeling regulations for meat and poultry products to parallel the U.S. Food and Drug Administration’s (FDA) final nutrition regulations, which were published on May 27, 2016. The proposed rule, FSIS said, will improve the presentation of nutrition information to assist consumers in maintaining healthy dietary practices.

“This new rule will provide more transparency on nutrition labels so that American consumers can make informed decisions about the foods they eat and feed their families,” said Alfred Almanza, deputy undersecretary for food safety at USDA. “The new nutrition facts panel will complement the many other proactive, prevention-based food policies that we’ve put in place in recent years.”

Specifically, FSIS is proposing to:

- Update the list of nutrients that are required or permitted to be declared;
- Provide updated Daily Reference Values (DRVs) and Reference Daily Intake (RDI) values that are based on current dietary recommendations from consensus reports;
- Amend the labeling requirements for foods represented or purported to be specifically for children under the age of 4 years and pregnant women and lactating women and establish nutrient

reference values specifically for these population subgroups;

- ▶ Revise the format and appearance of the Nutrition Facts label;
- ▶ Amend the definition of a single-serving container;
- ▶ Require dual-column labeling for certain containers;
- ▶ Update and modify several reference amounts customarily consumed (RACCs or reference amounts); and
- ▶ Consolidate the nutrition labeling regulations for meat and poultry products into a new Code of Federal Regulations (CFR) part.

The proposal may be viewed on the FSIS website at <http://bit.ly/2g5oEQD>. FSIS is seeking public comment for 60 days from the publication date. Comments may be submitted: online through the Federal eRulemaking Portal; by mail to the Docket Clerk, USDA-FSIS, Patriots Plaza 3, 1400 Independence Ave. S.W., Mailstop 3782, Room 8-163B, Washington, DC 20250-3700; or by hand at Patriots Plaza 3, 355 E Street S.W., Room 8-163B, Washington, DC 20250-3700.

Nutrition labeling continues to be an integral part of USDA's efforts to educate consumers about nutrition and diet. FSIS is working to strengthen federal food safety efforts and to develop strategies that emphasize a three-dimensional approach to prevent foodborne illness: prioritizing prevention; strengthening surveillance and enforcement; and improving response and recovery.

*Source: USDA.*

### **Department of Livestock keeps watchful eye on Canadian tuberculosis cases**

The Montana Department of Livestock (MDOL) is actively monitoring the bovine tuberculosis (TB) investigation in Canada. In late September, the Canadian Food Inspection Agency (CFIA) initiated an epidemiological investigation after bovine TB was detected in a Canadian cow at a U.S. slaughter facility.

As of Dec. 2, 2016, there were six confirmed cases of bovine TB in Canada, including the index animal detected at slaughter in the United States. Of the roughly 40 premises currently under quarantine, most are located in Southeast Alberta, with about five premises in Saskatchewan. MDOL has longstanding requirements that cattle coming from Canada need to be tested for TB prior to import.

Zaluski is not planning to place additional requirements on Canadian cattle coming to Montana at this time.

"I am closely monitoring CFIA's efforts and am ready to act aggressively if needed," said Zaluski.

Historically, MDOL has recognized the efforts of other state and provincial animal health officials to effectively deal with disease events, and expects the same in return.

CFIA policy requires that all positive animals and any animals exposed to positive animals be humanely destroyed. All exposed animals will be tested first, and those that test negative will be eligible to enter the food supply. At the time of this announcement, approximately 10,000 cattle were to be destroyed. The

strain of TB identified in the index case closely resembles a strain associated with cattle in Central Mexico, suggesting that wildlife are an unlikely source.

The mission of the MDOL is to control and eradicate animal diseases, prevent the transmission of animal diseases to humans, and to protect the livestock

industry from theft and predatory animals. For more information on the department, visit [www.liv.mt.gov](http://www.liv.mt.gov).

*Source: Montana Department of Agriculture.*

