Grazing, financial plans go together

By DOUG WARNOCK
For the Capital Press

Greener Pastures
Doug Warnock

The time to turn livestock out on pasture will soon be here and managers will need to begin implementing their 2016 grazing plan.

The best results of implementing the grazing plan will come from activating a financial plan along with the grazing plan. The financial plan should include the best estimates available on both the expected costs and anticipated returns from your grazing enterprise.

Generally we have considered profit to be what is left over after all costs are covered. A newer and more holistic approach in financial planning is to actually plan for a certain profit. Profit can be increased by reducing costs, increasing income or a combination of the two.

Achieving the desired profit level may require controlling or limiting costs. This must be done with an eye to those costs with which we have some flexibility. We can't trim the inescapable costs nor should we cut those that directly affect production. The maintenance cost items are proper candidates to consider in making cost reductions.

A well-laid-out financial plan will be a guide when monitoring income and expenses. If costs run higher or lower than planned, we need to know as soon as possible and determine why that is happening. So, a monthly reckoning will give us an early notice of what is taking place and allow necessary adjustments to be made.

Also, if income is higher or lower than planned, knowing early helps the manager to make any adjustments needed to get back on track.

For most producers, profit is a result of the total pounds of meat or milk produced per acre. Seeking the highest individual gain per animal is not the same. Animals tend to make the highest individual gain per head when they are allowed to find the best feed, the ability to be very selective. This normally takes place in lower density grazing where competition for forage is low.

The highest gain per acre comes from a high density and short duration type of grazing management. In this type of management, animals are competing with each other for forage and less able to be selective as they graze. This management requires a higher input of management and labor, so this fact needs to be considered when assessing the cost in the planning process.

In considering profit, we must be aware of biological profit. This is the return from good management that keeps the land healthy, productive and contributes to sustainability. Management that promotes plant recovery after grazing and fosters the longevity of healthy perennials will make for greater biological profit. It will result in minimal erosion, higher soil organic matter and enhance the environment for soil micro-organisms.

Good management is the best investment to make to achieve profit from a grazing enterprise. Good management includes proper planning, monitoring to gauge what is happening and adapting, as needed, to keep the results moving toward the managers' desired outcomes.

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Stephen Ausmus/ARS
The USDA has proposed stricter rules for how organic livestock and poultry are raised. Included are standards for how densely poultry can be stocked as well as minimum indoor and outdoor space.

Ag Department floats stricter welfare rules for organic meat

By MARY CLARE JALONICK
Associated Press

WASHINGTON — The Agriculture Department has proposed stricter animal welfare standards for organic chicken and meat in a multibillion-dollar market that is rapidly expanding each year.

The rules would ensure that all livestock, including poultry, have enough space to lie down, turn around, stand up and fully stretch their limbs. Beaks couldn't be removed and tails couldn't be cut. Poultry houses would have to have fresh air and ventilation.

"This will support the continued growth in the organic livestock and poultry sectors, and ensure consumer confidence in the organic label," said Miles McEvoy, the head of USDA's organic program.

The retail market for organic products is valued at almost $40 billion in the United States. USDA said this week that the number of certified organic operations in the United States increased by almost 12 percent between 2014 and 2015, the highest growth rate since 2008 and an increase of nearly 300 percent since the department began counting operations in 2002.

The broadest changes proposed by USDA would cover outdoor access for poultry, suggesting standards for how densely poultry can be stocked as well as minimum indoor and outdoor space requirements. The rules would require poultry to have access to areas that are at least 50 percent covered in soil. Hen houses would not be allowed to only have a porch; producers would have to provide additional outdoor space.

In addition to clean water and direct access to sun and shade, the rules would require producers to design facilities to encourage all birds to go outside on a daily basis. The outdoor areas would have to have "suitable enrichment" to entice birds to go outside, McEvoy said.

The amount of outside access for poultry has been a subject of debate, as some food safety advocates have expressed concerns that more outdoor access may increase the chances of salmonella contamination. The Food and Drug Administration issued guidance in 2013 to try to help organic egg producers better prevent salmonella, a bacteria that can cause diarrhea, fever, and abdominal cramps and can be deadly without prompt antibiotic treatment.

The Organic Trade Association, which represents many of the nation's largest companies that sell organic products, did not comment on specifics of the proposal.

But the group's president, Laura Batcha, said she was pleased USDA is moving forward with the rule.

"Ensuring that the high expectations consumers have for organic foods are met preserves the organic seal's reputation as the gold standard for agricultural production practices," Batcha said.

Other producers expressed concerns.

Jim Byrum, president of the Michigan Agri-Business Association, said the rules could slow business for egg producers, which could in turn reduce the demand for organic corn and soybeans that the chickens eat.

"Eliminating porches that already allow organic hens to be outside would render tens of millions of dollars of investment by many organic egg producers obsolete," Bynum said. "The proposal also makes deeply unrealistic assumptions about food safety, requiring direct exposure of hens to the outdoors."

U.S. meat exporters see TPP as a boon in Japanese market

By RICHARD SMITH
For the Capital Press

CHIBA CITY, Japan — U.S. Meat Export Federation president and CEO Philip Seng says he's not ready to make any volume increase predictions yet, but the new Trans-Pacific Partnership agreement will surely enhance the competitiveness of U.S. meat in the Japanese market.

"It will bring down the tariffs on beef and give us a level playing field," Seng said.

In an interview with Capital Press at the recent FOODEX international trade show, Seng said that under the Australia-Japan free trade agreement, the Japanese tariffs on beef don't go down as low as those under the TPP agreement.

Under the Australia-Japan FTA that went into effect last year, Japanese tariffs on beef, normally at 38.5 percent, will drop to 23.5 percent for chilled beef within 15 years. The tariff for frozen beef will fall to 19.5 percent within 18 years.

Conversely, under the TPP, the overall tariffs will fall to 9 percent within 15 years.

Seng pointed out that the Japanese yen has recently appreciated compared to the U.S. dollar but weakened compared to the Australian dollar, giving U.S. exporters an exchange rate edge over their Aussie counterparts.

Also, the drought in Australia has reduced the country's cattle herd. "So we think our (beef) exports (to Japan) will increase," Seng said.

As of April 12, the U.S. dollar was worth 108.5 yen, down from 112 yen last fall.

Pork exports evoke the same optimism, Seng said, as Japan's 20 percent tariff on ground seasoned pork and 10 percent tariff on sausages will be eliminated under the TPP after six years.

Japan's current 4.3 percent tariff on fresh, chilled, and frozen pork cuts will immediately be reduced by 50 percent, with the residual duty eliminated in 10 years.

Japan will immediately reduce the specific duty on pork cuts from its previous maximum charge of 482 yen per kilo to 125 yen, with a further reduction to 50 yen by the 10th year.

Seng said one hears a lot of talk about Japan's population declining, which would reduce demand for overall food exports. He emphasized, however, that tourists in Japan last year numbered 20 million.

"We see that going up to 30 million" a year, Seng said.

U.S. butter market shows some resilience

By LEE MIELKE
For the Capital Press

Dairy Markets
Lee Mielke

The resilient butter market has been again fighting its way up the price ladder.

The CME spot price jumped 4 1/4 cents last Tuesday, 7 3/4 cents on Wednesday, with 21 cars traded on the day, and then added 4 cents Friday to close at $2.12 per pound, up 16 cents on the week, 36 3/4-cents above a year ago, and the highest spot price since Feb. 12.

Twenty-six cars traded hands last week at the CME.

The golden cash cow jumped a nickel on Monday but then dropped a dime on Tuesday, to $2.07 per pound.

USDA's Dairy Market News says market participants are "puzzled" over the price strength, considering the spring holidays are behind us and "especially in light of domestic prices being above international prices and stocks on hand registering higher the two previous years."

"The pace of retail sales is slower than the previous month, but food service interest is steady," DMN says. "Producers are content to build inventories ahead of Third and Fourth Quarter."

Western buttermakers say production remains active but they have slowed the churns slightly.

"Butter stocks are building," DMN says, but retail demand continues to be strong, and some contacts say "a few new end users, who once used hydrogenated vegetable oils, are requesting butter instead."

Block Cheddar cheese closed the first full week of April at $1.42 per pound, down a nickel on the week, 15 3/4-cents below a year ago, and the lowest block price since Dec. 23, 2015.

The barrels ended at $1.4175, down 3 3/4-cents on the week, 19 1/4-cents below a year ago, and the lowest since Feb. 24, 2015. Only one car of block and five of barrel were sold on the week at the CME.

The blocks inched a quarter-cent lower Monday but gained three-quarters Tuesday, inching to $1.4250. The barrels were also down a quarter-cent Monday but jumped 2 cents Tuesday, to top the blocks at $1.4350.

DMN says milk supplies are increasing and being offered at below-class prices. Many Midwest cheese plants are at full capacity. Domestic cheese sales are "decent but export sales remain challenging." Tight cold storage availability is a concern and aging programs are "well stocked."