NCBA mostly pleased by tax plan

By CAROL RYAN DUMAS
Capital Press

While cattle producers didn't get everything they wanted from federal tax reform signed last week by President Trump, they came close.

The bill does not fully and permanently repeal the estate tax, but it does double exemption rates to $11 million for individuals and $22 million for couples, both indexed for inflation.

Unfortunately, that provision was not made permanent and the exemptions will revert back to current levels in 2026, said Danielle Beck, National Cattlemen's Beef Association director of government affairs.

But overall, the tax bill is a really good package for cattle producers, she said.

Cash accounting and expensing provisions are all being expanded, which is great for business owners and particularly great for agribusiness owners, she said.

NCBA was "very concerned" with the initial House bill that proposed restricting interest deductions to 30 percent of earnings before interest, taxes, depreciation and amortization, she said.

"That cap would have been very detrimental for highly leveraged agricultural entities. Particularly in the livestock sector, we're looking at feeders," she said.

Cattle feeders take on significant short-term debt to purchase cattle at the beginning of each finishing cycle and finance the purchase of feed and other input costs necessary for raising cattle, she said.

But an agreement in conference negotiations allows producers to continue deducting interest costs, she said.

The bill creates a small-business exclusion exempting entities with average annual gross receipts over a three-year period that do not exceed $25 million from the limit on interest deduction, she said.

By NCBA's calculations, that exemption would generally apply to feedlots with less than 5,000 head capacity.

Operations with gross receipts in excess of $25 million can elect to deduct 100 percent of interest expense but in exchange for the exemption from the 30 percent cap, they'll have to give up the 100 percent bonus depreciation allowed on all new farm assets, she said.

Overall, those provisions are a really good deal, she said.

Those with gross receipts under $25 million will be able to continue deducting interest expenses without having to make any sort of election, she said.

"And then for those out there who do have quite a bit of cash flow coming in and out of their business each year, they can still maintain the ability to deduct interest as a legitimate business expense," she said.

The bill also increases the eligibility threshold for cash accounting from $5 million average gross receipts to $25 million.

"Cash accounting allows farmers and ranchers to improve cash flow by recognizing income when it is received and recording expenses when they are paid," she said.

Accrual accounting could create a situation where they would have to pay taxes on income before receiving payment for sold commodities, she said.

The bill also raises the section 179 expense deduction from $500,000 to $1 million and is indexed to inflation. The deduction allows a producer to expense, with limitations, a capital purchase for business use instead of depreciating the item over time.

EPA lowballs manure rule's reach

Poultry industry eyes $47.2 million annual bill

By DON JENKINS
Capital Press

The Environmental Protection Agency has underestimated how many producers will have to report that their animals are releasing gas, according to farm groups.

The new reporting requirement, forced by an environmental lawsuit and expected to take effect Jan. 22, will apply to hundreds of thousands of farms, not the 44,900 projected by the EPA, the groups say.

"This number is woefully inadequate and vastly under-represents the universe of producers who will be impacted by these reporting requirements," the American Farm Bureau Federation stated in comments to the EPA.

Farm groups submitted remarks this month as the EPA took comments on exactly what producers will have to report to comply with the Superfund act. The law requires that chemical leaks be reported to the National Response Center staffed by the U.S. Coast Guard.

Farm groups are pushing for a one-page form that includes a disclaimer that pinpointing emissions is essentially guesswork. Environmental groups complain that the EPA's tentative reporting standards aren't tough enough.

The EPA estimates reporting will cost farms $14.9 million year. The EPA based its projection on the number of farms affected on a 2008 calculation, which has not been updated.

USDA

Under the Superfund law, hundreds of thousands of farmers and ranchers will have to report the amount of ammonia and hydrogen sulfide their cattle and poultry emit, according to farm groups.

The National Cattlemen's Beef Association said the rule could apply to 68,313 beef cattle operations alone.

The beef association based its estimate on research in Texas that suggests ranches with as few as 208 head of cattle will meet the threshold for reporting ammonia and hydrogen sulfide.

"This number far exceeds EPA's estimation, and cattle are just one of the species subject to his requirement," according to the beef association.

The poultry industry estimates the rule could apply to about 141,000 poultry farms. Based on EPA cost estimates, calculating and reporting emissions could cost the poultry industry $47.2 million a year, according to the U.S. Poultry and Egg Association.

The EPA sought to exempt agriculture from the Superfund law. After years of litigation, the D.C. Circuit Court of Appeals ruled in April that emergency responders should be alerted to decomposing manure.

The court gave the EPA until mid-January to develop a reporting form tailored to agriculture.

The court has yet to make a final ruling on whether farms also will have to register with state and local officials under a separate federal law.

The reporting requirement applies to operations that emit at least 100 pounds of ammonia and hydrogen sulfide in a 24-hour period.

Dairy prices wobble through the holidays

By LEE MIELKE
For the Capital Press

Dairy Markets

Lee Mielke

Cash dairy prices weakened the week before Christmas though cheese and powder regained a little ground at week's end.

A somewhat bullish Milk Production report may have been partly responsible but traders were also anticipating the November Cold Storage report.

CME block Cheddar fell to $1.4350 per pound last Wednesday, lowest price since March 21, 2017, but jumped a nickel Friday to close at $1.4925, down 3 3/4-cents on the week, down 22 1/4-cents since Nov. 3, and 19 3/4-cents below a year ago when they dropped 11 cents.

The barrels dipped to $1.40 last Wednesday, the lowest price since July 10, 2017, but closed Friday at $1.41, down 25 cents on the week, 14 1/2-cents below a year ago when they dropped 14 1/2-cents, and they reversed the inverted spread to 8 1/2-cents below the blocks. Nine cars of block traded hands last week at the CME and 42 of barrel.

The markets were closed Christmas Day but Tuesday's trading took the blocks down a penny, to $1.4875, while the barrels were up a penny, to $1.42.

Cheese producers accepted spot milk at marked discounts last week, according to Dairy Market News, ranging $4 to $8 under Class III. Cheese sales remained steady to slow. DMN said there would be some allotted days off during the holidays but plants plan to ramp up cheese production to meet the abundant milk intakes.

Western cheese makers report solid domestic retail and food service demand has generally helped support the cheese market this fall. However, as holiday shipment obligations are fulfilled, there is concern that there may be a lull following the winter holidays, before the football playoffs.

Cash butter finished Friday at $2.18 per pound, down 6 1/2-cents on the week and 6 3/4-cents below a year ago, the first time in almost a year that it fell below a year ago. Seventeen cars found new homes last week.

The butter lost a penny Tuesday, slipping to $2.17, lowest price since $2.13 on May 10, 2017.

DMN says butter sales are on par with previous years. Holiday retail orders are completed, thus food service is now one of the priorities on the production side. Cream has been abundant but the market tone remains somewhat resilient.

The western butter market was steady to weak last week. Contacts report that prices are higher than expected as holiday orders have mostly been fulfilled and butter supplies are plentiful. Some buyers are expecting and waiting for further price decreases so they are limiting purchases to their immediate needs.

Plentiful supply

The USDA's last Cold Storage report of 2017 shows Nov. 30 butter stocks stood at 158.8 million pounds, down 59.1 million pounds or 27 percent from October and 2.4 million or 1 percent below November 2016.

American type cheese, at 733.2 million pounds, was down 7.2 million pounds or 1 percent from October but 20 million or 3 percent above a year ago. The other cheese category totaled 500.3 million pounds, down 1 percent from October but 13 percent higher than a year ago. The total cheese inventory was down 9.3 million pounds or 1 percent from October but 76 million pounds or 6 percent above a year ago.