

# PRODUCERS

## Livestock News

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Marketing ■ Credit ■ Commodities

March 2018

### Plowman sees Farm Bureau as a uniting force

BY DIRCK STEIMEL

Rick Plowman sees himself primarily as a beef raiser on his southeast Iowa farm. But he's excited to have the opportunity to serve all types of Iowa agriculture in his new role as the Iowa Farm Bureau Federation (IFBF) director representing District 7.

"I really like how Farm Bureau represents all types of agriculture and helps bring different groups together," Plowman said at his farm near Douds in Van Buren County. "I think that working together is so important these days when it seems that we face so many challenges in agriculture. We aren't going to get anything accomplished if we aren't united."

Plowman was elected to the IFBF board during the organization's 2017 IFBF annual meeting. He replaced Andy Hora of Washington County, who retired from the board.

Plowman has long been active in the Van Buren County Farm Bureau, serving all of the county offices including president and voting delegate. He also served as an Iowa delegate to the 2012 American Farm Bureau Federation convention.

Plowman is the fourth generation to farm on the family operation just off the Des Moines River in the northwest corner of Van Buren County. His son, Cale, is the fifth generation on the Plowman farm.

When he began farming full time after high school, the family raised hogs as well as cattle. But he decided it made more sense to concentrate on raising



Rick Plowman, Iowa Farm Bureau Federation District 7 director, farms in Van Buren County. Plowman, a fourth generation farmer, sees Farm Bureau as the organization which can unite differing interests and help secure the future of Iowa agriculture. PHOTO / DIRCK STEIMEL

cattle to take advantage of the farm's pasture resource.

Plowman Farms takes cattle raising full cycle. Calves, born each spring, are kept on the farm. After spending time on pasture, they are fed to slaughter weight and then marketed through Producers Livestock Marketing Association.

The Plowmans also custom feed for other farmers with any additional space not occupied by their own cattle. Along with cattle, the Plowmans raise corn and hay. Those crops, Plowman said, "walk off the place as feed for the cattle. That is our goal,

to be able to raise all of our own feed."

#### A conservation focus

Farming rolling hills just off the Des Moines River, conservation has always been a focus for the Plowman family.

Over the years, they have installed a number of terraces and other conservation structures to control erosion. They have also seeded their highly-erodible land to pasture. "Pasture is really the best thing for a lot of the land we have here," Plowman said.

Plowman said he's excited

to serve on the IFBF board to help lead the organization. He sees his work on the board as a way to do his part to ensure the future of Iowa agriculture.

As Plowman points out, he and his wife, Lisa, their two children and four grandkids, including Cale's two boys who are growing up on the farm, love every minute of it.

"I want to help give them an opportunity to farm and to carry on the family tradition," Plowman said. "And I think Farm Bureau is the right organization to help make that happen."

### Farmers should consider locking in feed prices

BY KRISTIN DANLEY-GREINER

The current feed supply is bountiful, and prices are favorably low right now for livestock producers, but Iowa State University agriculture economist Chad Hart harbors some concerns about the rest of the year.

"The feed and grain market resembles last year's at this time, but as I look out into 2018, factors indicate that we likely will see higher feed costs later in the year. Producers need to plan for that," Hart said.

The alarming factors prompting Hart to express

concern include dry conditions settling into hay-producing states like Missouri and the drought monitor predicting drought conditions in southern Iowa, Missouri and across the Great Plains, where a majority of livestock feed is grown, Hart said. The weather will play a very big role, Hart said.

"The weather seems to be drier in 2018 than in 2017 and that's why I'm more concerned about feed prices heading into the fall," he said.

#### Look at prices

Farmers should consider

locking in feed prices now, Hart said.

"Because it's pretty cheap right now, producers need to take advantage of the cost structures and do some forward booking," Hart said.

When looking at forward pricing now on the grain side, Hart sees higher prices than what farmers have paid in the past few months, but there are still some good opportunities out there.

"If you want to forward book, there are good prices still to work with throughout the rest of 2018," Hart said.

"The other thing I'm looking at with the feed market is that when looking at corn and soybean meal, assuming the drought doesn't have a big impact here, we are looking at the potential for continued good supplies, so I don't think it'll be one of those cases where we actually come up short on feed. We could see another 2017 in 2018 where the feed prices build up in the middle of the year then come back down."

Essentially, if produc-

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#### Corn demand perks up

In its World Agricultural Supply and Demand Estimates (WASDE) report recently, the U.S. Department of Agriculture (USDA) raised its projection for U.S. corn-ethanol output and slashed its outlook for Argentina's soybean harvest.

The U.S. corn crop is forecast at 14.6 billion bushels, the report said. And more of that big crop will headed overseas.

The USDA increased its estimate for corn exports by 175 million bushels to 2.23 billion, citing "U.S. price competitiveness, record-high outstanding sales and reduced exports from Argentina."

Soybean farmers will harvest 4.4 billion bushels, unchanged from the February projection. The department cut its forecast for Argentina's soybean production by 13 percent to 47 million metric tons.

#### Pork, beef exports strong

Red meat exports started strong in 2018. Beef exports totaled 105,486 metric tons in January, up 9 percent year-over-year, while export value surged 21 percent to \$624.4 million, according to a recent report from the U.S. Meat Export Federation (USMEF). January pork exports totaled 203,488 metric tons, steady with last year's strong volume, while export value increased 7 percent to \$545.6 million.

#### Meat sales growing

Eighteen percent of shoppers are buying more fresh meat versus last year, even with gains in plant-based meat alternatives, according to research from sales and marketing agency Acosta.

Beef and chicken dominate purchases, making up 70 percent of all fresh meat sold. The growth in sales of natural and organic meat, while small, are outpacing conventional options, according to the study.

#### Negotiator confirmed

Gregg Doud, former economist with the National Cattleman's Beef Association, was confirmed as chief agricultural negotiator for the Office of the U.S. Trade Representative. He will concentrate on the renegotiation of the North American Free Trade Agreement (NAFTA) and new trade agreements.

Doud, who received strong bipartisan support during his confirmation, has stressed agriculture shouldn't be harmed during the ongoing NAFTA talks. He has also said he wants to begin new talks that could lead to new markets for U.S. farm commodities.

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## Strong supplies weigh on cattle, hog markets

Economist is 'cautiously optimistic' about hog, cattle markets.

BY TERRI QUECK-MATZIE

While many producers are eyeing livestock markets with skepticism these days, Shane Ellis, Iowa State University Extension and Outreach farm management specialist, is cautiously optimistic. "There's a lot of underlying positive pressure," says Ellis. "We have to continue to do what we're good at — producing a finished product — and not disrupt ag trade."

Ellis sees an uptick in beef markets as the spring and summer grilling season approaches.

"We've had some softness in recent weeks, but mostly markets are what we expect going into April and May," he said.

Prices are above last year: a good thing. But there is also more beef on the market, about 4.5 percent more.

Ellis says he sees the weighted average consistently a bit above last year across the five major production areas.

"We could break \$1.40 for a week or so in the period from March to May, before dropping back into the \$1.30s," Ellis said. "By August, we could touch \$1.50, but not for long."

### Strong consumer confidence

Ellis credits customer confidence with the underlying market strength.

"If we're seeing the same price for more beef, it means the packers know they can move more product."

Beef packing capacity continues to be an issue, creating a bottleneck in the beef chain. Still, box beef prices are above the five-year average.

"That should stay fairly steady through mid-April, then jump up some. That attraction to grill is always a nice shot to prices. The hope is packers will pre-buy cattle to shoot into boxed beef."

Ellis says futures look steady to strong for the next couple of months, although the increased inventory has investors a bit leery.

Total cattle inventories for 2018 are at 94.4 mil-

lion head. With the calf crop, dairy and beef combined, the inventory is 35.8 million head, up 2 percent from last year.

"That's 2 percent more calves available to go into feedlots through the year," says Ellis.

Also noteworthy is the number of replacement heifers at more than 6 million head. "Six million is a static number," says Ellis. "That's what we need to replace the cull cows." Beef cow inventory is at 31.7 million head, near what is considered "steady" at 32 million to 33 million head.

"We're near that point in the 10-year cattle cycle where things are about to idle back down," says Ellis.

He expects calf prices to be stronger than last year, as much as 20 cents on a per pound basis, with 500- and 600-weight calves bringing \$1.80 to \$1.90 for Midwest producers. Not a bad price, according to Ellis, with the price of corn staying low.

He says the real strength is in the macro trends. "Employment numbers are strong. People feel like they have money in their hands. When that happens, they buy beef."

### Break even market for hogs

Ellis expects hog markets to follow the usual seasonal trends.

"Hog producers know you make money the other three quarters and hope to hold your own in the fourth," he said.

He expects producers to break even in April and May through August, then prices to back down for the fourth quarter.

Lean hog prices should hit the high \$70s in June-July with an \$80 high point in August. The market is working with an overabundance of hogs, with new packing facilities and finishing barns in the picture.

He doesn't see as much strength in hog markets as cattle markets, but says one should influence the other. "A rising tide floats all ships," says Ellis. "Overall, it's a fairly optimistic market. Producers should make money for a month or two."

Queck-Matzie is a freelance writer in Greenfield, Iowa.

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By Rick Keith  
President, CEO  
Producers Livestock Marketing Association

## Watch for updates on tax law

**C**ooperatives and our farmer-customers got a pleasant surprise this past December with the passage of the new tax bill.

Currently farmers and ranchers that sell their products through a cooperative can deduct 20 percent of their gross sales from their taxes, up to a limit of \$315,000. From the get go private companies and corporations have cried foul.

I have worked in cooperatives for 41 years and when

something is too good to be true it usually is. This new tax law reminds me of the PIK certificate program and the PIK set-a-side program of the mid 1980s.

I really think they meant to address the cooperative patronage program that would be lost without the 199 tax section, or that they meant to put in 20 percent of the net or something close to that. But what we have is what we have.

### Our position

So currently this is where

we stand: We are a cooperative and this is our 82nd year. If you do business with us you are automatically a member; we don't issue stock. We will have the ability to send our customers 1099 forms next January reporting the gross sales of our customers.

Now many sources are reporting that this law will be changed on or by the March 23 budget work in congress. This may happen if the Democrats and Republicans can come together and muster 60 votes in the Senate.

If you have been following D.C. politics you know that they don't agree on much. I think if they are going to change the law; they will need to do it by March 23. The longer they wait, the harder it will be to change.

One of the huge points will be if they make it retroactive or not. If they don't, the changes go back to January 1 of this year and they change the tax law from its current form.

We will run totals of your gross sales as of the date of the change, and send you the

necessary paperwork for your 2018 taxes.

I know there are still many questions about this new law, and I hope if they make changes to the law they will take into consideration the huge corporate tax break from 35 percent down to 21 percent; and set something that is close to that for our farmers and ranchers.

If you have any questions about the new tax law, and how it affects your business through Producers Livestock, please feel free to give me a call at (402) 597-9189, ext. 1102.

## Operating in the new normal

BY TIM MEYER

**I**t's an old saying and I've heard it used hundreds of times: "The more things change, the more they stay the same".

I am beginning to believe that production agriculture is going through some changes in our industry that will never again look like the past.

This may sound cliché but I think we all need to prepare for and learn how to operate under the conditions that I refer to as the new normal. What factors have changed to create the new normal?

### Technology

It is here to stay. Some will fight it and some will never adapt to it, but one cannot deny the advantages it brings to production agriculture.

It may be field mapping for fertilizer and chemical applications, performance tracking in the feedlot to track gains and efficiencies, or smartphones that trigger alerts to tell you when the market has reached your target. All are designed to help you be more efficient, profitable and successful.

### Price volatility

Expect it, especially in the livestock feeding markets. Markets can move as much as 20 percent to 40 percent in a matter of days or weeks and when managing risk, one has to protect your equity.

Protect, protect, protect. Grain prices have been relatively flat the past few years but again, protect margins when they are there as it doesn't take long for those to erode.

### Politics and policy

The U.S. government has been entrenched in production agriculture since the inception of this nation, but never more so than in the past 100 years.

This involvement varies from offering price support programs, overseeing trade policies (like the North American Free Trade Agreement, or NAFTA) and even production reduction programs like the CRP have all been products of the U.S. government.

As the politics of our nation have never been more fractured and partisan, we must pay close attention to what legislation is being proposed, rescinded or amended and stay in contact with our legislators to protect our agricultural interests.

### Team approach

Your team may consist of an agronomist, nutritionist, banker, lawyer, accountant, equipment dealer, veterinarian, doctor, spouse and partner.

I hope when you read that list of professionals that a name/face popped into your mind with each one of your team members, and yes, being a spouse or partner

can require some professional communication skills at times.

Capitalize on the expertise of those around you because it is not easy out here in production agriculture and going it alone can be very challenging.

### Driving demand

Consumers drive demand. In 2018, this statement is the cold hard truth. Have you noticed how many TV shows there are talking about food? There are shows on how to prepare it, how to grow it, how to barbecue it, I could go on and on.

While demand for beef and pork is at all-time highs, we as producers need to continually be cognizant of what the consumer wants to serve themselves and their families.

Consumers are growing more and more interested in the "story" of how their food, especially meat, is handled, cared for and managed. We have to manage our livestock in a manner that is pleasing to the consumer.

I wish all of you the best of luck with your spring calving and planting endeavors. Please feel free to give us a call at PLCC to assist you in any way we can with your livestock operation. Stay safe out there!

*Meyer is senior vice president of Producers Livestock Credit Corporation.*

there will be a great marketing opportunity. The weather will be crucial to the feed market and throughout the rest of the year," he said.

### Higher prices possible

Because livestock numbers are expected to grow, particularly in the cattle and hog sectors, that could complicate matters, Hart said. There likely will be more feed con-

sumption, which could propel prices higher.

"That's why I'm wanting to be a little more aggressive with forward contracting. I know that feed demand is going up, so that just means that there's more competition for producers to grab that feed when they can," Hart said.

*Danley-Greiner is a writer in Runnells, Iowa.*

### Upcoming USDA reports

#### March

March 23 — Cattle on feed

March 29 — Grain stocks  
Prospective plantings  
Hogs and pigs

#### April

April 10 — WASDE  
Crop production

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## FEED

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ers discover a good buying opportunity, they should take advantage of it, Hart advised.

"If the weather does hit us, the more forward booking we do, the better off we'll be. If the crop is good next fall,



By Richard Ellinghuysen  
Senior vice president, pork division  
Producers Livestock Marketing Association

## Alternative protein: Real or imagined?

Major and minor media is rife with reports that alternative proteins are taking over the world.

Non-meat protein, fake meat and lab meat is in vogue with everyone from vegans to environmentalists. Apparently the world will be saved when traditional meat protein production is mothballed. Is there any actual market traction in this talk or just a lot of global warming hot air? Both.

### More hype than anything

There is some traction and there are sales made of some of these products in the marketplace, but it's still more hype than reality. It's substantial enough to pay attention to, however.

When Tyson Foods chose to buy a portion of two fake meat companies—both the veggie and lab kind—it meant the activity was serious enough that one of the largest meat companies in the world wants to make sure they have a toehold.

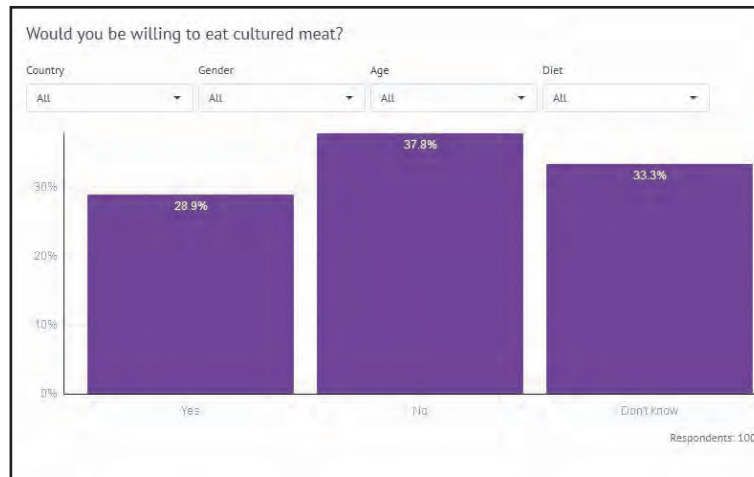
A few million dollars'

worth of investment doesn't compare to the billions they spent to buy Hillshire Farms a few years ago, so Tyson doesn't see this market as being a big deal tomorrow, but it means enough that they don't want to be on the outside looking in. Tyson would rather be on the inside and in the know.

Environmentalists-activists who have been bashing meat and with it livestock production, are hyperventilating in various stages of ecstasy over the idea that meat can be replaced with something else that tastes better than cardboard. They've long tried to promote an anti-meat agenda and a pro-veggie one, but that exchange tasted nasty, and despite some consumers buying into the "religion" of vegetarianism through an environmental cause, their taste buds said no.

Now there's a claim that this new generation of fake meat may actually not taste nasty and so, it has a chance to take a piece of the protein market.

One big Achilles heel is the millennials who want



Nearly 38 percent of the respondents to Surveygoo's survey said they would not be willing to eat cultured meat. CHART COURTESY OF SURVEYGOO

their food "local" and "natural." A form of non-animal "meat" from a lab someplace hardly qualifies. And a veggie concoction that "bleeds" beet juice just barely works if you like lots of condiments on it, i.e. taste the ketchup rather than the fake burger.

### Tastier, real meat

Then there's the rest of the world. While the West can afford to dabble in fake products because the real thing is so plentiful and we want to have our cake and call

it meat too, the developing world wants a steak and a pork chop.

Lab goo and the illusion of meat from a veggie cake is a bad joke to someone who has finally achieved a standard of living that allows them to consume what the West has eaten in abundance for years. Why trade down to fake meat if you can finally afford the real thing? If Americans turn to fake meat, there are plenty of people around the world who will buy the real thing from us.

The millennial generation is the largest in history. A bigger group than the baby boomers. And according to Kevin McCoy writing in USA Today earlier this month, millennials are scammed way more than their grandparents. According to surveys, millennials also lean socialist more than previous American generations. And millennials are more socially sensitive—animal welfare is more important to them.

If these things are and remain largely true, maybe they'll be the first American generation to abandon meat protein in favor of some sort of fake stuff. But only if their taste buds are satisfied and the jury is still out on that being accomplished. Even "idealists" can tell if something tastes bad.

My takeaway? There is a growing niche market in the West for fake meat and an even bigger market worldwide for the real thing.

Beef and pork. They're still what's for dinner. And lunch. Even breakfast.

Thank you for your business and have a safe spring.

## Technical analysis of the futures market

BY JOHN NELSON

In today's trading environment, technical analysis of the futures market is more important than before due to the influence of the managed money (fund) traders.

These traders usually put more importance on technical rather than fundamental analysis. Consequently, all traders (speculators or hedgers) need to have some working knowledge of various technical studies.

In addition, computer traders (algorithms) can analyze numerous technical studies simultaneously and place orders instantly. This often causes a big move (higher or lower) very quickly, without any fundamental explanation.



### Monitoring trends

One of the most very basic studies is trends, or the direction of the market. Traders watch short-term trends, intermediate trends and

long-term trends. Short-term trends are less reliable, as quick market moves can give the appearance of a trend change, only to reverse shortly thereafter. Intermediate

and long-term trends would be more reliable, but traders could miss out on part of a move indicated by the short-term. Consequently, all three should be monitored in order to give you the "big picture view" of the market.

### A view of the market

The chart included here is the "daily" chart of June 2018 live cattle. Each vertical bar displays the day's high and low price for the day. There is a mark on the left of the bar indicating where the market opened and a mark on the right showing the close.

A daily chart is more of a short-term look at a particular contract month. This same study can be done on a weekly and monthly basis, which would tend to be a little more reliable, giving you

a bigger view of the market.

The red line here shows the short-term trend. As you can see, we have traded below that line for three days now, which is a concern about market direction.

The intermediate trend (black line) and long-term trend (blue line) have not been violated as of yet, which could be an indication that there is market support at that level.

If the market were to close below the intermediate and long-term trends (on two consecutive days), that would be a very strong indication that the trend is changing and heading lower. Like the saying goes – the trend is your friend. Or in this case – your enemy?

Nelson is the senior vice president of commodity services.

## Mandate exemption extended 90 days

U.S. Transportation Secretary Elaine Chao recently announced an additional 90-day extension of the agriculture exemption from the Electronic Logging Device (ELD) mandate.

Agricultural compliance with the mandate would have been problematic for the agriculture industry because the devices do not accurately account for the agricultural exemptions current-

ly provided in the law.

The ELD rule went into effect in December 2017, with the U.S. Department of Transportation (DOT) granting the agriculture industry an initial exemption that was set to expire on March 18, 2018. With the granting of another extension, the agriculture industry will now have additional time to comply. U.S. Ag Secretary Sonny Perdue and

several ag groups applauded the announcement.

"The ELD mandate imposes restrictions upon the agriculture industry that lack flexibility necessary for the unique realities of hauling agriculture commodities. If the agriculture industry had been forced to comply by the March 18 deadline, live agricultural commodities, including plants and animals, would have

been at risk of perishing before they reached their destination. The 90-day extension is critical to give DOT additional time to issue guidance on hours-of-service and other ELD exemptions that are troubling for agriculture haulers," Perdue said.

Agriculture haulers operating within 150 air miles of the source of their agriculture products or livestock do not have to com-

ply with DOT's hours-of-service regulation, which limits driving hours to only 11 hours after being off duty for more than 10 consecutive hours.

For more information on the hours-of-service exemption for agriculture shipments, visit this U.S. DOT webpage: <https://www.fmcsa.dot.gov/hours-service/elds/eld-hours-service-hos-and-agriculture-exemptions>.