

UPPER YELLOWSTONE WATERSHED BASIN

PARK CONSERVATION DISTRICT

*General Membership Meeting
October 5, 2006 at 7:00 PM
St. John's Hall, Emigrant, Montana*

-MINUTES-

Those present:

Alvin Pierce

Art Burns

Bert Otis, Vice Chairman

Bob Anderson

Bob DePaso

Bob Weber

Bruce Malcolm

Duane Griffith, Montana State University

Eleanor Bossert

Gayleen Malone, Park CD Supervisor

Jerry O'Hair

Jim Durgan

Jim Franck

Karin Neff, Confluence Consulting

Kathy Giffith

Keith Neal

Ken Bossert

Mark Rose, Chairman

Martin Davis, Park CD Supervisor

Marty Malone

Nelson Story

Nicole McClain, Coordinator

Roger Nelson

Sean Murphy

Steve Libsack

Tom Arrandale

Val Anderson

Virginia O'Hair

1. **CALL TO ORDER** by Chairman, Mark Rose.

2. **VISITOR INTRODUCTIONS.**

- ◆ Karin Neff, Confluence Consulting
- ◆ Duane Griffith, Montana State University

3. **APPROVAL OF September 2006 MINUTES** (with two corrections).

4. **Announcement.**

- ◆ Landowner Wind Energy Summit and Tour, Tuesday, Oct. 24 – Oct. 25. Marty Malone elaborated on the event geared for agricultural producers which includes a trip to Judith Gap and Martinsdale to look at the farms there.

5. **UPDATES**

- **Coordinator's Report:**

Old Business

- ◆ Capacity Building Grant – approximately 75 hours remain, will be used to update & revamp the Park CD website as soon as possible.
- ◆ Cottonwood Reestablishment Project – task order completed and submitted to DNRC for approval and signatures by Park CD & Carter CD. The Confluence contract has also been submitted to the Park CD Chairman for signatures.
- ◆ Mountain Sky Guest Ranch fund award. The Park CD was awarded \$8,000 in unrestricted funds for coordination and \$5,000 to retain the services of a professional fundraiser. If you are interested in participating in this exciting opportunity, please contact the coordinator.
- ◆ MWCC Fall Training Conference – September 11, 12, 13th @ the B-Bar Ranch. Amy and Nicole helped coordinate and attended this annual training event sponsored by the Montana Watershed Coordination Council. The training and networking with other watershed coordinators, District Administrators, and agency representatives was a very valuable experience.
- ◆ Noxious Weed Trust Fund grant. Funds are still available for fall spraying. Participants will be asked to complete an exit survey which is basically just a request for information. Please note that **volunteers are needed** to go to Helena for MWCA annual meeting in January and talk about the pro's and con's of this program.
- ◆ Stewardship Trail Ride. Due to the fires and timing, this event has been postponed until 2007. We will begin planning for the event in January. If you are interested in participating, please contact the coordinator or Dave Molebash.

New Business

- ◆ EPA Targeted Watershed Grants program. This is a grant opportunity with up to \$900,000 available for on-the-ground projects that are directly related to water quality. Park CD is teaming up with the YRCDC to submit an application for this grant.
- ◆ UYWB Mentoring Project. A new project proposal that stemmed from discussions among group members regarding best management practices and agricultural leadership. We will submit this application to DNRC 223 grant program for funding. For more information, please request a copy of the proposal.
- ◆ Greater Yellowstone Coordinating Committee. Potential funding source for basin-wide weed mapping project. This grant would potentially be sponsored by Gallatin National Forest and be a collaborative effort.

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- **Chairman's Report:**
 - ◆ Mark Rose. Some folks are working to put together a pool of hay to donate to Big Timber country, and line up transportation (Derby Fire). Alan Redfield called about the possibility of putting some hay together and transporting it to the folks involved in the Derby Fire. Call Alan if you are interested in participating. Article in the paper about \$ available but no one wants it (too proud). Should check into it to see if folks are interested before we spin our wheels. Stockgrowers have a list on their website of folks with grass/hay for sale, etc. What will happen to folks with no grazing allotments for next year? Unfortunately folks will be on their own. If anyone has grass or hay for sale Marty will contact those agency folks and make some arrangements.
- **Vice Chairman's Report:**
 - ◆ Bert Otis. Nothing new to report.

COMMITTEE UPDATES

- **Endangered Species/Wildlife Committee**
 - ◆ Jerry O'Hair. Flew over found a dead cow with a pack of wolves on it, be aware that there is an active pack in the vicinity.
- **Irrigation Committee**
 - ◆ Jerry O'Hair.
 - Letter regarding Mill Creek situation. FWP interested in providing program to help producers improve their efficiencies so they don't need as much water. Might be worth listening to, with money possibly available for pivots, wells, updating antiquated equipment, etc.
 - Park Branch Canal is top on the list of EPA, but they have sort of come upon a project that is working. Concrete dividers across channel – they've been in there for 2 years, but removed them to accommodate the needs for fall irrigation. The plan is to put them back in, and they have permits from the Park CD, but it is an ongoing program with sediment filling in the channel. There has been limited success, its helping considerably not having to go in every year and dredge – making it easier to operate within the Corps and EPA. Have been talking over the years with Tom Hughes, about doing a study on river migration working with MSU students to determine what the river is doing there and find a way to reach a permanent solution. It was 1936 when the channel was first dredged in there by the state – and it is an absolutely flat channel that fills in with sediment every time there is high water. The canal carries about 14,000 minor inches of water, and serves 70+ water users on both side of the river. It is an important economic factor in the valley.
 - ◆ Bob Weber. Bob's been flood irrigating all his life, and recently put in sprinklers using total gravity – a pilot project. Put in riser and portion of wheel line this year, folks said wouldn't work, but surprisingly has worked beyond his wildest expectations. Will finish the installation next year. Problem 8" diameter circular, 13/64 nozzles put out 6 gallons a minute. Strictly gravity, pressure there all the time. 8" feeder line, salvage line, 800 gallons/minute capacity, can run about 100 sprinklers and still only use about 2/3 – ¾ volume of the capacity. It's a viable outfit, and cheap to run. Haven't found any participating money though; project will release a min of 100 minor inches into the canal – FWP wants it in Mill Creek but can't figure it out how to get it there. They were checking into it, but haven't heard a word probably because it's not feasible.
- **Range Committee**
 - ◆ Alvin Pierce. Nothing new to report.
- **Stream Stabilization Committee**
 - ◆ Roger Nelson. Nothing new to report.
- **Weed Committee Update**
 - ◆ Eleanor Bossert. Folks should still be spraying their weeds thru fall season. Still grant money available on the weed grant, urge people to spray. Knapweed is green right now.
- **Agency Update.**
 - ◆ Army Corps of Engineers. Per phone conversation between the coordinator and Allan Steinle on 10/4, the Special Area Management Plan in is currently in Omaha awaiting approval. Allan is wondering if the UYWB is interested in hosting a public meeting regarding this topic in the near future. The group agreed to move forward with this and suggested a presentation in January or February 2007.

6. OPEN ITEMS

- ◆ Marty Malone, Park County Extension Agent and Northern Rocky Mountain RC&D Chairman. In addition to the wind energy workshop RC&D will be sponsoring a bio-diesel production workshop in January and a home energy conservation workshop in March.
- ◆ The RC&D board is currently applying for an irrigation energy efficiency grant from NRCS to fund an irrigation efficiency EQIP Grant for Gallatin, Meagher, and Park Counties that will include education on proper irrigation management and irrigated crop management. 30 interested producers will have a opportunity for an independent engineer to evaluate individual irrigation systems through the special EQIP initiative. However, approval by NRCS is still pending.

7. PROJECT IDEAS

- Input from the group on resource needs and future meeting topics.

8. Program: Can I Survive In Agriculture? Duane Griffith, Montana State University, Extension Farm Management Specialist.

This month we welcome Mr. Duane Griffith. The presentation will cover the current beef industry outlook and the economic implications of the predicted down turn in the cattle cycle on individual ranches. Size of operation, family circumstances, and sensitivity to changes in revenue and costs will be explored for a typical ranch operation. Possible strategies for coping with the downward portion of the cattle cycle will be

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discussed and a list of tools available for individual ranch analysis will be provided. Following the program there will be a question & answer period.

Mr. Griffith: It has been an interesting time over the past couple years in the beef industry. We have a good run, it should continue over the next couple years. The following is a beef industry outlook.

Montana Beef Price Outlook – October 2006

- A. Factors to Consider.
 - o Types of Price Variation and their causes
 - Cyclical – cattle cycle
 - Seasonal (dumping effect)
 - Trends (we are in a long uptrend, starting to go down)
 - Random (no clue what is going on)
 - o Supply side (pounds of beef produced)
 - o Demand side
 - U.S. consumers
 - International markets
- B. January 1 Total Cattle Inventory.
 - o Last Peak 1996
- C. Calf Prices and Cattle Inventory
 - o Western Kansas 5-600 lb. Steers Annual
 - o Last big drop 1996
- D. Cow-Calf Returns and Cattle Inventory
 - o U.S., Annual
 - o Historically inventory up, profits down. Cyclical pattern is main enemy.
- E. Beef Demand – Where are we Headed?
 - o Short run gains from low-carb diets are gone.
 - o Industry needs to innovate in product selection to stop the decline in consumer demand (i.e., Packaged for ease of use for busy consumers).
 - Similar to chicken and pork products
 - Evaluate carefully before making the plunge as an individual producer
- F. Near Term Demand To Weaken
 - o Wheat pasture conditions very poor (non existent in the Great Plains area).
 - o Consumer confidence is a little shaky
 - o Escalating cost of living (energy prices and housing) causing shift in expenditures
 - o Increasing supply of competing meats
- G. 2nd Quarter Demand Index Fall about 10% Below a Year Ago
 - o Atkins diet fad is over.
 - o Demand for beef has gone down.
- H. Pork Production Expected to Rise Next Several Years
 - o Annual US Commercial Pork Production
 - o 14 Billion pounds in 1975 → 21 Billion pounds in 2006
- I. Poultry Production Expected to Increase
 - o Barring anything catastrophic such as Avian flu
 - o Annual US Poultry Production,
 - o Turkey and Chicken Combined Ready-to-Cook Weight: 15 Billion pounds in 1981 → 42 billion pounds in 2007
- J. Supply Side in the U.S.
 - o Demand for beef is down.
 - o Supply for competing products is up.
- K. Beef production will rise cyclically.
 - o Should continue increasing
 - o Then will turn down and decrease.
- L. Weights will remain heavy
 - o Commercial cattle carcass weights
 - o Dressed weight \cong 600# in 1970 → 760# in 2005
- M. Rising productivity will continue
 - o Dressed beef production per cow per year
 - o 30 year upward trend
- N. US Range and Pasture Condition
 - o Percent poor and very poor, weekly
 - o Short term range & pasture conditions

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- Forced light weight cattle into feed lot
- 50% 2006
- 37% 2000-04 avg.
- O. Western Region Range & Pasture Condition
 - Percent poor and very poor, weekly
 - Short term range & pasture conditions
 - From 20 to 52% poor to very poor in 2006 – based on weekly index
 - From 20 to 40% poor to very poor for 2000-04 avg., based on weekly index
- P. Drought Pushing Light Weight Placements Up
 - US Net Placement Lots over 1000 Head
 - June 2005 1.7 Million Head vs. June 2006 1.85 Million Head
 - Due to poor range and pasture conditions in the West and Midwest
- Q. Large on Feed Inventory
 - US Cattle of Feed Lots over 1000 Head
 - July 2005 10.4 Million Head vs. July 2006 10.8 Million Head
- R. Total Cow Slaughter
- S. Beef Cow Slaughter
- T. January 1 Total Cattle Inventory
- U. International Trade Outlook
 - A lot of hype especially in new markets opening up
- V. Top 5 Importers Accounted for 91% of US Exports (chart)
 - Japan \$1.4MM, Mexico \$900M, S. Korea \$800M, Canada\$375MM, Hong Kong \$100M
 - US Needs to recapture these markets to regain \$'s and volume
- W. US Imports Falling Below 2005's (chart)
 - Annual US Beef Imports (From all sources)
 - 3.7 Billion pounds in 2004, 3.6 Billion pounds in 2005, 3.2 Billion pounds in 2006.
- X. Long, Slow Road to Export Recovery (chart)
 - Annual US Beef Exports
 - 2.6 Billion pounds in 2003, .4 Billion pounds in 2004, 1.7 Billion pounds in 2006
- Y. Trade – Where are We Headed?
 - U.S. strength is in high quality beef products
 - Regaining export markets could take years
 - Consumer incomes in importing countries are key to long-run growth in exports
 - Other countries may have comparative advantage in cow-calf production
- Z. Price Forecast
 - Downhill from here, but not right now
- AA. Record High Calf Prices in '05 – '06 ?? (Chart)
 - Cycle peak in '05 & '06
- BB. Recent Sales, Superior Video (Sept 15, 2006)

○ Heifers	510 weight	Dillon, MT	\$127.00
○ Steers	510 weight	Miles City, MT	\$143.50
○ Steers	540 weight	Whitewater, MT	\$132.50
○ Steers	550 weight	Mitchell, SD	\$130.50
○ Steers	550 weight	Sheridan, WY	\$135.00
○ Heifers	625 weight	Victor, MT	\$110.25
○ Steers	690 weight	Park City, MT	\$115.00
- CC. Medium and Large #1 Steer Calf Prices (chart)
- DD. Prices for 2007
 - Livestock Market Information Center
 - South Dakota State University
 - Kansas State University
 - Montana State University
 - ERC – Economic Research Service
- EE. Annual Average Cattle Prices (chart)
- FF. Prices for 2007

○ Economic Research Service	\$118.82
○ South Dakota State University	
▪ 500-600 pound steers	\$1.15 - \$1.20
○ Kansas State University	
▪ 500-600 pound steers	\$1.20 - \$1.25
▪ 700-800 pound steers	\$1.10 - \$1.12

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- Montana State University
 - 500-600 pound steers \$1.20 - \$1.30
- GG. National Average Corn Yield (chart)
- HH. US Annual Corn Production (chart)
 - Question: What about ethanol production? A: Impact will be seen in '07 appx. 70 cent increase in corn prices next year.
- II. US Annual Corn Ending Stocks (chart)
 - Hedge for over \$3 corn next year
 - 2 year cycle getting ethanol plant up & running
- JJ. National Average Corn Price
 - Corn is the cheapest input into ethanol production
 - Rule of thumb: for every 10 cent bushel increase in corn price, take \$1.00 off feeder cattle prices
- KK. ERS – Long Run Forecast
 - Key to 2007 production is the Jan 1 inventory report
 - We end up with what is determined by what happened this summer and what will happen in the next couple of months
- LL. Analysis Beyond the Cow-Calf Enterprise
 - Breakeven Prices for Retained Ownership
 - Calf Winter Spreadsheet
 - Grassfat Spreadsheet
 - Marketing Alternatives Grains & Livestock.
 - Download spreadsheets at www.montana.edu/extensionecon/softwaredownloads.html
- MM. Questions & Answers.
 - Q: How does ethanol factor into cattle prices? A: Corn is the cheapest input into ethanol production. Rule of thumb is for every 10 cent increase in corn prices, take \$1.00 off feeder cattle prices.
 - Q: What is key to 2007 production? A: January 1st inventory report, if down we bought ourselves another good year or two. The question is to hold back calf crop or sell down herd?
 - Q: When predicting cattle cycles, downward for 6-7 years, upward for 3-4 years, is the current cycle different than previous cycles in length? A: Yes, the response is much flatter; fewer numbers of beef producers don't have to have as many cattle on hand to produce due to weight. In the future there will be a much flatter response as the industry has reached a new productive capability.
 - Q: Regarding calf weights, are we still going up? A: Yes, they are. Average weight of black angus is 800#.
 - Q: What about calving in January? A: Spring calving is best for this region, hands down.

9. CHAIRMAN'S CLOSING REMARKS

10. ADJOURN

Next Meeting: Thursday, November 2nd @ 7:00 PM. St. John's Hall – Emigrant

Thank you for coming!

Key to Commonly Used Acronyms:

DEQ – Department of Environmental Quality	MBMG – Montana Bureau of Mines & Geology
DNRC – Department of Natural Resources & Conservation	NRCS – Natural Resource Conservation Services
FWP – Fish Wildlife & Parks	Park CD – Park Conservation District
LEP – Local Empowerment Program (MACD)	TMDL – Total Maximum Daily Load (DEQ)
MACD – Montana Association of Conservation Districts	UYWB – Upper Yellowstone Watershed Basin
MWCC – Montana Watershed Coordination Council	WPA – Watershed Planning & Assistance Grant (DNRC)

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Equipment List: (Available to members on loan)

- ◆ Trailer mounted weed sprayer (2)
- ◆ ElectroNet fencing – (9) 35" x 164'
- ◆ 10 Watt Solar Panel
- ◆ IntelliShock 42B battery energizer & 12v 44 amp battery