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Cattlemen's Newsletter

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30-State Salmonella Outbreak from Mexican Cucumbers Heightens Need for Mandatory COOL

In the wake of a 30-state outbreak of Salmonella infections caused by tainted cucumbers imported from Mexico, the World Trade Organization (WTO) is holding a hearing today and tomorrow in Geneva, Switzerland, to decide the fate of the United States' mandatory country of origin labeling (COOL) law.

The Centers for Disease Control and Prevention (CDC) reports that 341 people were reported ill from the Salmonella strain linked to the Mexican cucumbers since July 3, 2015. Seventy people have been hospitalized so far and two deaths have been reported. According to the U.S. Food and Drug Administration (FDA), the suspect cucumbers were grown in Baja, Mexico. Both the CDC and the FDA urge consumers not to eat their cucumbers if in doubt as to their origin.

Since 2009, the U.S. mandatory COOL law has required retailers to label fruits, vegetables, beef, pork, lamb, chicken and certain nuts with either individual labels or a placard on the bulk bin where the products are offered for sale that states in what country or countries the food was grown or produced.

R-CALF USA CEO Bill Bullard said that while U.S. food safety system at our borders failed to protect U.S. consumers from this food borne illness linked to Mexican cucumbers, U.S. consumers can nevertheless protect themselves by using mandatory COOL labels to avoid eating cucumbers from Mexico until the problem is completely resolved.

"This tainted cucumber incident provides irrefutable evidence that our mandatory COOL law provides two vital benefits: one is a food safety benefit for consumers and the other an economic benefit for producers," said Bullard adding:

"No one can argue that COOL labels are ineffective at empowering consumers to avoid products from importing countries where tainted food has been identified but where our food safety system has failed to prevent the dissemination of the tainted food within the United States.

"Nor can anyone argue that empowering consumers to use COOL labels to selectively avoid products from one country while continuing to purchase similar products from other countries is not a huge economic benefit to farmers and ranchers who produce the product in countries not suspected of producing tainted products."

Indeed, Bullard's assertions are substantiated by the United States Court of Appeals for the District of Columbia Circuit that found it was Congress' intent that mandatory COOL "empower consumers to take possible country-specific differenced in safety practices into account" and that COOL can provide "economy-wide benefits to confining the market impact of a disease outbreak."

If the WTO has its way, the food safety and economic benefits of COOL will soon disappear for beef, pork and chicken. The ongoing WTO hearing in Geneva is an arbitration process that follows the WTO's previous ruling that U.S. COOL for beef and pork violates international trade law. The arbitration process will decide if the United States must pay Canada and Mexico a penalty for what would otherwise be the United States' sovereign right to inform its citizens as to the origins of food imported into the United States.

"Congress is all too eager to capitulate to the WTO without regard to the tremendous benefits COOL provides U.S. consumers," Bullard said in response to legislation introduced by U.S. Senators John Hoeven (R-N.D.) and Debbie Stabenow (D-Mich.).

The Hoeven-Stabenow bill (S. 1844) would first repeal COOL for beef, pork and chicken and then provide for the establishment of a voluntary labeling scheme that would not allow for the labeling of imported product.

"The Hoeven-Stabenow bill will deprive consumers of their right to distinguish meat as to its origins and will deprive U.S. farmers and ranchers of their right to separate their products from the growing tide of imported products.

"U.S. Farmers and ranchers who raise cattle, hogs and chickens deserve to have their products distinguished in the grocery store just as U.S. cucumber farmers deserve to have their cucumbers distinguished from Mexican-grown cucumbers.

"The only way consumers and producers will continue to realize the benefits of COOL is for Congress to stand up and defend our mandatory COOL law," Bullard concluded.

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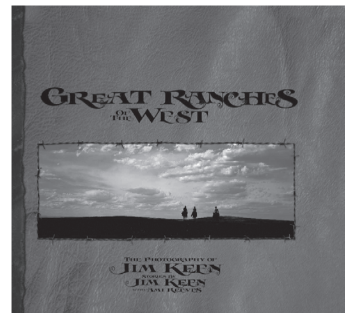

Top 10 Reasons Independent U.S. Cattle Producers Support Mandatory COOL

Detractors of the United States' country of origin labeling (COOL) law are reenergized as a result of a recent World Trade Organization (WTO) ruling that determined that COOL violates international trade laws because it results in foreign livestock being treated differently than U.S. livestock. Despite polls indicating overwhelming support for COOL, and although the WTO dispute process has not yet concluded, Congress worked feverishly before the August recesses to either repeal COOL or to weaken it by establishing a wholly voluntary program in its place.

R-CALF USA CEO Bill Bullard said he anticipates that the 300 U.S. House members who already voted to repeal COOL and the many members of the U.S. Senate agriculture committee who are cosponsoring legislation to either repeal COOL or replace it with a voluntary program will be spending the remainder of their congressional recess trying to justify to their constituents why they are surrendering to the WTO even before the WTO dispute process is finished. Bullard said the WTO has scheduled a hearing in mid-September during which the United States Trade Representative (USTR) is expected to argue that damage claims made by Canada and Mexico in the COOL dispute are overstated by nearly 98 percent.

Today, R-CALF USA issued the following top 10 reasons independent U.S. cattle producers support the mandatory COOL law. Bullard said the reasons also serve to explain why Congress should reverse its anti-COOL position and begin to steadfastly defend the United States' sovereign right to inform consumers as to the origins of their beef, pork and chicken.

1. COOL Creates Marketplace Competition: Without COOL, packers unilaterally decide when to source U.S. cattle and when to source foreign cattle. With COOL, consumer buying preferences tell packers when they must source U.S. cattle to satisfy the growing demand for USA beef. With COOL, U.S. cattle are no longer a generic commodity.
2. COOL Empowers Consumers to Decide Whether Foreign Food Safety Standards Are Good Enough: The U.S. no longer requires food safety systems in foreign packing plants to be at least equal to the U.S. and it no longer conducts monthly inspections of foreign packing plants. The U.S. only requires foreign safety systems to be equivalent and inspections to be conducted periodically.
3. COOL Ensures U.S. Producers a More Competitive Allocation of Beef Profits: Without COOL, packers exploit the generic nature of cattle by deflecting profits away from U.S. producers and sharing them with foreign producers. With COOL, profits from USA beef are allocated directly to U.S. cattle producers. This is why the cattle-producers' share of each consumer beef dollar jumped to a 20-year high in 2014 – COOL caused a more competitive allocation of beef profits.
4. COOL Provides Consumers with Marketplace Choices: Because COOL distinguishes U.S.-produced beef from foreign beef produced in the 14 foreign countries that import beef into the United States, consumers can, for example, choose if they want their beef produced in Honduras, Nicaragua, Guatemala, Mexico, or the United States.
5. COOL Empowers Consumers to be Patriotic: Approximately 18 percent of the beef in the U.S. market is imported beef. When consumers purchase imported beef, their dollars support foreign cattle producers. Only with COOL can consumers direct their food dollars to support U.S. farmers and ranchers by purchasing beef that is exclusively born, raised and slaughtered in the United States.
6. COOL Helps Reduce the Mounting Trade Deficit with Canada & Mexico: While it is true that Canada and Mexico are the 2nd and 3rd largest export markets for U.S. beef, respectively, it also is true that the U.S. imports far more beef and cattle from Canada and Mexico than it exports to them. In 2014 the U.S. deficit with Canada and Mexico was $2.3 billion in the trade of cattle, beef, beef variety meats and processed beef. The U.S. has had a trade deficit with Canada and Mexico in each of the past 25 years and the cumulative value of that deficit is $27.9 billion.
7. COOL Eliminates Consumer Deception: United States' law requires all beef produced in both foreign and domestic packing plants to be labeled with a U.S. inspection sticker if the plants are certified to sell beef in the U.S. market. This prominent U.S. inspection sticker misleads consumers into believing the product is of U.S. origin. Only with COOL can consumers ascertain the true country-of-origin of their beef purchases.
8. COOL Empowers Consumers to Respond Immediately to Emerging Diseases: Without COOL, if a disease outbreak is reported in a foreign country, consumers would not know if they were purchasing beef from the affected country unless a recall is issued that identifies the lot numbers on affected beef packages. With COOL, consumers can immediately identify beef products originating from the affected country and can immediately choose to avoid them.
9. COOL Helps Confine the Market Impacts of a Disease Outbreak: Without COOL, if Honduras, Brazil, or Costa Rica, for example, reported a disease outbreak with human implications such as BSE or mad cow disease, the only way consumers could avoid beef from the affected country would be to cease purchasing all beef. With COOL, a disease outbreak in a foreign country could be confined to only products imported from that country and consumers could continue purchasing beef produced in the U.S. or another unaffected country.
10. COOL Helps to Stop Packers from Breaking the U.S. Cattle Market: Without COOL, packers can decide to increase imports of cheaper live cattle from Canada and Mexico today; or from Argentina, Brazil, Uruguay and Australia sometime in the future, for the purpose of reducing demand for U.S. cattle and lowering their price (note that Brazilian cattle are one-half the price of U.S. cattle). With COOL, consumer demand for USA beef can only be satisfied with U.S. cattle and this will prevent packers from substituting foreign cattle for domestic cattle to satisfy that demand.

Pay to Play

Lee Pitts, Livestock Market Digest Reprinted with Permission

The last time I wrote about the NCBA and their heist of the checkoff in a story titled "Where Did It All Go?", I reported the news that Forest Roberts NCBA's CEO, was being paid $550,000 per year. Well, not any more he isn't. I don't know if it's simply a coincidence or not but shortly after our story ran Mr. Roberts tendered his resignation to explore "other opportunities" in the industry. Geez, It must be some kind of opportunity if it pays more than half a million per year!

We reported that 72% of Mr. Robert's salary was being paid by the checkoff and that NCBA paid out $13 million in yearly salaries. We also noted that 82% of NCBA's budget comes from your checkoff dollars and that the NCBA was getting 97% of all checkoff contracts from the Cattlemen's Beef Board.

You'd have thought that heisting the checkoff would have been enough for the greedy NCBA but when they held their annual summer conference they raised the cost of dues to their cattlemen members by 50%! I know about this because two executives from two different state cattlemen organizations contacted me and were madder than a hot-shotted bull about it.

A Road Map To Your Future

Before getting into the money matters we need to clear up just who it is we're talking about when we say the National Cattlemen's Beef Association because it's not just cattlemen. Far from it. There are drug companies, truck and tractor manufacturers, ear tag makers, Canada, Mexico, universities and on and on. They only call themselves cattlemen because of the good reputation you have established. Besides, how would it sound if they more accurately called themselves The National Organization of Big Corporations Who Want To Hide Behind Your Good Name? I think we can all agree that the initials NOOBCWWTHBYGN might be a little too cumbersome.

One of the matters of business at NCBA's summer conference was the report of the Long Range Planning Committee who "establishes a roadmap" for you and plots the future course of the cattle business until 2020. I got a big kick out of it because on page eight under the heading "Critical Assumptions", the fourth assumption is that, and I am quoting directly now, "Consumers will continue to want to know where their food comes from and how it is produced."

I repeat, "CONSUMERS WILL CONTINUE TO WANT TO KNOW WHERE THEIR FOOD COMES FROM." This from the Long Range Plan devised by NCBA's best and brightest. How did they acknowledge this fact at the same time the NCBA was trying to get rid of country of origin labeling, otherwise known as COOL? You know, a label that says where food comes from?

Then there is this. In addition to the committee chairmen Don Schiefelbein of Schiefelbein Farms and John Butler of the Beef Marketing Group, the members of the Beef Industry Long Range Task Force include Jerry Bohn, General Manager, Pratt Feeders LLC, Kim Brackett, Owner/Operator, Brackett Ranches, Tom Brink, Owner/Operator, Top Dollar Angus, Inc., Donnell Brown, Owner/Operator, R.A. Brown Ranch, Barry Carpenter, CEO, North American Meat Institute, Lynn Delmore, Ph.D., Meat Safety and Quality Consultant, Adjunct Professor, Colorado State University, Barbara Stevenson Jackson, Owner/Operator, Animal Health Express and Red Rock Feeding Company, Molly McAdams, Ph.D., Retail and Food Industry Consultant, Kevin Pond, Ph.D., Department Head, Animal Sciences, Colorado State University, Bill Rishel, Owner/Operator, Rishel Angus, Brad Scott, Owner/Operator, Scott Brothers Dairy, Eric Smith, Owner/Operator, Xtra Ranch, Tim Starks, Owner/Operator, Cherokee Auction Market, Jay Theiler, Executive Director, Marketing, Agri Beef Company.

Tell me, how many strictly commercial cattlemen do you count in that list of 16? In "establishing a roadmap" for your future it appears that PhD's, feeders, college professors, and purebred breeders had far more say than commercial cattlemen did.

Reading Their Mail

In a letter from the NCBA that the Digest was able to get its hands on, NCBA President Philip Ellis, and Kevin Kester, 2015 Policy Division Chairman, wrote to all the state cattlemen's organizations, "As you are aware, the board overwhelmingly approved a new NCBA membership dues structure. With this support, we will start working on job descriptions for the additional positions in the Washington DC office to bolster our efforts immediately. As we discussed in multiple meetings, our needs are immediate and substantial. The top priority for the projected additional membership revenue is the government affairs effort."

I just have to ask, after watching the NCBA lead the charge to get rid of COOL and steal your checkoff dollars from a USDA program, do we really want the NCBA to have more power and influence in Washington DC?

Pay Me Now or Pay Me Later

The state cattlemen groups were given two options in paying the 50% increase in NCBA dues for cattlemen members. They can either pay it all on October 1, 2015, or pay half on October 1, 2015 and half on October 1, 2017. Please note that the NCBA leaves it up to the states to do their dirty work and collect the increased dues from ranchers. We were told that one of the biggest cattle states tried to put together a coalition to defeat the increase but were unable to acquire enough votes to stop it.

Under Option A, regular members, described as, "cattle owners or persons actively engaged in live cattle production in the United States," shall pay a membership fee based on one of the following dues schedule options: Option A: a 50% one time increase in dues in 2016, For 0-100 cows, yearly dues will be $150; 101-250 cows, $300; 251 to 500 cows, $450; 1,000 -1,250 cows, $1,150; Over 2,000 head $150, plus 38 cents per head."

Stocker feeder shall pay $150 plus 38 cents per head. Unified feeder affiliate 19 cents per head marketed.

Option B is similar except if the state affiliates select this version to delay some of the pain the cost of dues actually goes up even more over the long term.

Let's cut to the chase. According to my math a rancher with 99 cows pays $1.51 cents per cow to be a member of the NCBA while a rancher with 2,000 cows pays forty six cents per cow. And who says the NCBA doesn't care about the little guy? And please note that a unified feeder affiliate pays nineteen cents per head marketed, or 12% the cost of the cow calf man or woman with 99 cows. Considering that the NCBA pushes the agenda of the big feeders and packers more than it does the cow/calf man or woman, that nineteen cents sounds like a real bargain.

Joining The Country Club

The NCBA has come up with all sorts of creative ways that individuals and corporations can buy NCBA's influence. If you are considering becoming an NCBA member I thought you might like to meet a few of your fellow members.

"Affiliate Organization members are state or regional associations of cattle producers or feeders that meet such other requirements established by the Board. Affiliate Organizations earn Board and committee representation on each policy committee based on the following formula: General Rule – 1 board seat for minimum of $10,000. Each additional Policy Division Board seat shall cost $35,000."

That's as straight forward as the NCBA gets. Want to be on their Board, then flash the cash.

• "Allied Industry Council Members are entities that engage in activities which support or are associated with, but do not constitute the production and/or feeding of cattle, including but not limited to: feed companies, distributors, pharmaceutical manufacturers, financial institutions. Annual dues: $25,000. Board and committee representation to be based on an aggregate of the Council's investment."

Want 2 Board seats? That will cost $200,000; four board seats costs $300,000; six board and committee seats costs $400,000; eight Board and committee seats costs $500,000 and 10 Board and committee seats costs $600,000.

$600,000? That's a rounding error for a multinational drug company who might want to hide behind the cattlemen name and use the NCBA's Washington influence.

• "Allied Industry Partner Members are entities that engage in activities which support or are associated with the cattle industry, but support at a lesser level than the Allied Industry Council. Annual dues: $3,000. Board and committee representation to be based on an aggregate of the Partner's investment. $100,000 equals one Board and committee seat; $200,000 equals two Board and committee seats."

• "Product Council Members are entities that operate beef or veal packing or processing facilities or market beef or veal. Beef packer/processor pays $.09/head in FY16." A retailer pays $3,000 up to $25,000 for membership. Foodservice, $3,000 up to $25,000. Beef wholesale/manufacturer, $10,000 to $25,000. Supplier $10,000. "Each Council member investing greater than $10,000 may select an individual to serve on the Policy Division Board and policy committees in a voting capacity. Council members investing greater than $150,000 will automatically earn an additional Board and committee seat."

• "State and National Industry Organization Members are general farm, CattleWomen, commodity and livestock marketing entities that represent producers or processors of one or more agricultural commodities. Annual dues: $5,000 This entitles the organization to one Policy Division Board and committee seat."

• "Beef Breed Organization Members are national and regional breed registry organizations that represent individuals or entities actively engaged in the production of cattle. Annual dues: $3,000 This entitles the organization to one Policy Division Board and committee seat."

• "Livestock Marketing Council Members are livestock market operators and livestock marketing professionals involved in the business of marketing live cattle and livestock. Annual dues: Minimum $200, Maximum $2,000. One Board and committee seat costs $10,000 while each additional one costs $35,000."

• Supporting Members is a catch phrase for everyone else who wants to put an NCBA decal on their Dodge Ram bragging about being a member of a "cattlemen's" organization. I met a pharmacist last year who bragged about being a member even though the closest he ever got to a cow is a beefsteak. Supporting members annual dues for individual are $150; Student membership costs $50; All corporations, $1,000; and get this, Canada and Mexico can join the NCBA for $250 while other foreign individuals must pay $400.

All this selling of seats and memberships begs the question, how does one serve that many masters?

After reading all the ways the NCBA can grab more cash I was thinking that perhaps a billionaire with several million dollars who believed in COOL and was against the NCBA getting 97% of all checkoff contracts could just buy off the entire NCBA and impose his or her will. Ah, but there is this little kicker in the NCBA rules: "All interested parties will submit an application expressing interest in membership, and appropriate background information. The Membership Committee and Policy Division of the Board of Directors will review and take appropriate action."

In other words, it's an expensive country club. A cowy one at that.

I'm just guessing, but I seriously doubt they'd let a certain writer join who keeps opening up their mail and making the contents public.

Selling Your Soul

I thought you might also be interested in which companies have invested heavily in the NCBA. At a minimum investment of $100,000 we have Allied Industry Gold Level Sponsors including Bayer, Boehringer Ingelheim Vetmedica, Inc., Caterpillar, Central Life Sciences, Dow AgroSciences, LLC, John Deere, Merck Animal Health, Merial, Micro Technologies, New Holland, Purina Animal Nutrition, LLC, Ram Trucks, Zoetis

• The Allied Industry Council includes AgriLabs, Animal Health International, BASF Corporation, Elanco Animal Health, Ritchie Industries Inc., and Y-Tex.

• I counted 68 Allied Industry Partners including the likes of Bank of America, Merrill Lynch, BEEF Magazine, CME Group, The Hartford Livestock Insurance, Meat & Livestock Australia, Ltd., Monsanto, Rabo AgriFinance and several ear tag manufacturers.

• Product Council Members include American Foods Group, Arby's Restaurant Group, Inc., Cargill Meat Solutions, JBS, McDonald's Corporation, National Beef Packing, Preferred Beef Group Safeway, Tyson Fresh Meats and Wendy's International.

I could go on and on like this but I think you get the picture. After reading about all this payola and remembering that it's called the National Cattlemen's Beef Association, whose phone call do you think has a better shot at being answered by the big shots at the NCBA: a call from a rancher with 100 cows who has helped to keep the NCBA from going broke by contributing checkoff dollars, OR, a call from an Allied Industry Gold Level Sponsor who has contributed over $100,000, like Bayer, Boehringer Ingelheim Vetmedica, Inc., Central Life Sciences, Dow AgroSciences, LLC, Merck Animal Health, Merial, Micro Technologies, Zoetis and the maker of Ram Trucks who, if I'm not mistaken is Fiat/Chrysler, headquartered in London?

Following A Different Road Map

Just for the heck of it I got in touch with Bill Bullard, the CEO of R CALF, and I asked him who his members are and what they pay to join. Here's Bill's response. "Members of R-CALF USA are predominantly family-owned, owner-operators of commercial cow/calf operations. Many, if not most, of R-CALF USA's members are full-time cattle producers who rely on their ranching operations for most, if not all, of their income. Though fewer in numbers, some R-CALF USA members operate purebred operations and others are engaged in backgrounding and stocker operations. Some R-CALF USA members also own feedlots that range in size from the very smallest to some of the nation's largest. R-CALF USA does not receive any government funding nor does it rely on corporate contributions for its operations. Instead, R-CALF USA relies exclusively on its membership dues of $50.00 per year and voluntary contributions made by its members over and above their dues. The only exception to this are the few corporate sponsors that have made modest contributions to help support R-CALF USA's annual membership conventions."

After seeing the NCBA's "road map" it's clear that R CALF needs to get on its bike and start peddling influence much faster if they are to have any chance of competing for cash in our currently corrupt cattle business.

September 8, 2015

The Honorable Pat Roberts
Chairman
Senate Committee on Agriculture, Nutrition & Forestry
328A Russell Senate Office Building
Washington, DC 20510

The Honorable Debbie Stabenow
Ranking Member
Senate Committee on Agriculture, Nutrition & Forestry
328A Russell Senate Office Building
Washington, DC 20510

Sent via e-mail and Facsimile:

Re: **Needed Updates for Reauthorization of the Livestock Mandatory Reporting Act**

Dear Chairman Roberts and Ranking Member Stabenow:

The Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA) strongly supports the reauthorization of the Livestock Mandatory Reporting Act of 1999 (LMR). R-CALF USA is the largest producer-only national trade association representing the United States cattle industry. Our members' ongoing success as cattle ranchers and cattle farmers is dependent on a free, open and robustly competitive marketplace that accurately discloses the economic value of livestock in a timely and transparent manner. The LMR was established to serve that very function. Below R-CALF USA offers its suggestions on how the LMR should be updated to reflect the considerable changes that have transpired in the U.S. fed cattle market within the past five years.

BACKGROUND

Most R-CALF USA members are cow/calf producers who enjoy transparent price discovery for their feeder calves and cull cows and bulls at their local livestock auction yards that are open to the public. However, the price that is ultimately discovered at these public auction yards is predicated on private transactions that occur much further downstream in the supply chain – at the point where substantially concentrated cattle feeders sell fed cattle to the highly concentrated packers.

Consequently, any manipulation, distortion or non-disclosure of the price paid by any one of the four largest meatpackers (which together control approximately 85% of the fed cattle market) for fed cattle sold by the 1,987 larger feedlots (those with a capacity of more than 1,000 head) that market 87% of the fed cattle in the United States, will reverberate upstream throughout the entire live cattle supply chain. Such reverberations from either actual or reported noncompetitive pricing, as well as undisclosed competitive pricing, will adversely affect the economic viability of every one of the estimated 729,000 remaining stockers, backgrounders, cow/calf producers and seed stock producers that comprise the U.S. live cattle industry.

The reason for this is straightforward: the current value of all unfinished cattle is based on the expected future value of cattle when they are finished and sold to a packer. Thus, the competitiveness, hence the success, of the entire U.S. live cattle industry is dependent first on the discovery of a competitive price arising from the sales transaction between the fed cattle seller and the packer and, second, on the timely disclosure of that price to all market participants.

THE CHALLENGE

Unfortunately, the competitiveness of the U.S. live cattle industry is in peril. This is because the highly concentrated packing industry remains unrestrained in its ongoing effort to shift cattle from the competitive price discovery market, i.e., the cash or spot market, to various forms of marketing agreements, such as formula contracts and forward contracts. As shown in Chart 1 below, this national shift from the price-discovering cash market to marketing agreements results in large volumes of unpriced, captive supply cattle being committed to the packers, which enable the packers to strategically avoid or shun the competitive cash market.

CHART 1

Purchase Type Breakdown by Region

NATIONAL

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 Jan-Mar
Cash	52.1%	49.4%	47.3%	42.6%	38.8%	37.4%	32.6%	26.0%	23.1%	23.1%	20.8%
Formula	33.2%	34.3%	37.4%	39.1%	43.7%	43.1%	47.4%	54.8%	59.8%	56.8%	54.4%
Forward Contract	4.8%	7.2%	6.8%	11.2%	9.5%	11.9%	13.2%	12.0%	10.8%	15.8%	21.0%
Negotiated Grid	9.9%	9.0%	8.5%	7.1%	8.0%	7.6%	6.7%	7.2%	6.3%	4.3%	3.7%

Source: USDA AMS Livestock, Poultry & Grain Market News, St Joe, MO

Despite the packers' infrequent use of the competitive cash market that is now becoming ultra-thin, the packers nevertheless use the now dysfunctional cash market to establish the base price for all their unpriced, committed cattle. In other words, and as exemplified in Chart 2 below, the cash sales of only 3% of the fed cattle marketed in the Texas/Oklahoma/New Mexico fed cattle market established the base price for 97% of the cattle marketed in that region in 2014. Alarmingly, the cash sales of only 1.5% of the fed cattle established the base price for 98.5% of the cattle marketed in that region in the first three months of 2015.

CHART 2

Purchase Type Breakdown by Region

TEXAS -OKLAHOMA-NEW MEXICO

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 Jan-Mar
Cash	47.2%	42.5%	36.7%	31.5%	26.4%	21.5%	17.0%	10.2%	6.1%	3.0%	1.5%
Formula	42.2%	42.2%	48.4%	53.3%	60.4%	66.9%	72.7%	76.0%	83.0%	84.6%	83.4%
Forward Contract	3.1%	5.0%	4.4%	5.8%	5.4%	4.9%	4.4%	5.4%	4.0%	7.4%	13.4%
Negotiated Grid	7.5%	10.3%	10.5%	9.3%	7.8%	6.7%	5.9%	8.4%	6.9%	5.1%	1.7%

Source: USDA AMS Livestock, Poultry & Grain Market News, St Joe, MO

It does not take an economics degree to discern that this is not a competitive market nor does it take a law degree to identify this manifestation of abusive market power. Because of the ongoing assault on the competitiveness of our U.S. live cattle industry, it is becoming more and more important that the LMR be amended to ensure timely disclosure of cattle sales transactions occurring in the fed cattle and slaughter-ready (i.e., cows and bulls) cattle market, particularly in regions where the competitive market has been seriously eroded or has disappeared altogether. In the 2010 U.S. Department of Justice and the U.S. Department of Agriculture (USDA) joint workshop on livestock competition held in Fort Collins, Colorado, Bruce Cobb, General Manager of Consolidated Beef Producers, a fed cattle marketing cooperative, testified that his company conducted an assessment of the packers' buying conduct in the Texas/Oklahoma/New Mexico fed cattle markets during the previous fifty-two weeks. During that period, he stated there were:

18 weeks in which there was only one market participant [meatpacker buyer],[and] four weeks in which there were none . . . . So we consistently can see region by region where we had a presence where the region is dominated by one buyer, clear and simple.

In our assessment of the current operation of the LMR, the transactions that occurred during the 18 weeks in which Mr. Cobb's analysis determined there was only one packer buyer in the Texas/Oklahoma/New Mexico fed cattle market would not be properly reported because of Congress' concern that the identity of the lone packer buyer might be discovered and his/her proprietary bids might be disclosed. In other words, the current LMR fails to report sales data in regions where such reporting is needed most due to the Act's misplaced confidentiality guidelines.

A clear indicator that the U.S. cattle market is becoming both less competitive and less transparent was contained in the USDA's National Feeder & Stocker Cattle Summary report for the two weeks ending July 13, 2012. In that report the USDA issued a dire warning to the U.S. cattle industry regarding the packers' increased use of captive supplies and their effect on price transparency and disclosure. The report stated:

The fed cattle cash market lost [$]2.00 this past week to [$]115.00 with negotiated [cash] sales now routinely making up less than 20 percent of the weekly slaughter. Over 60 percent of the weekly movement is formula-priced off the scant cash trade that is more like a dictatorship than a democracy. Soon, cattle feeders may be forced to ship their cattle with only a ballpark idea of what their check will look like – similar to the sheep industry.

As a presumptive example of how public market information is suppressed by the politically powerful, captive-supply wielding packers, and how even the USDA appears complicit in withholding relevant market information to the cattle industry, the above referenced report was scrubbed of the above quoted information by the USDA after the original report had been publicly issued and subsequently published by the agricultural trade press.

PROPOSED UPDATES

In addition to the heightened need to ensure that the LMR provides timely and accurate price disclosure in the face of a rapidly shrinking price discover market as well as the need to reform the LMR to require reporting of all cattle transactions, including those that occur in regions with little to no competition, reforms must also be made to address the many new forms of cattle procurement practices that have emerged over the past five years and that are causing the marketplace to become much less transparent.

Below are some of the new cattle procurement methods that are causing a significant reduction to price transparency. Although these new and varied cattle procurement tools are difficult to document, R-CALF USA has learned about them through anecdotal information provided by its cattle-feeding members. The LMR should be amended to ensure that transactions under these new procurement methods are timely and accurately reported as negotiated sales.

1. Packers appear to be relying more and more on negotiated, basis trade-type contracts that do not appear to be included in deliverable supply, meaning they likely are not reported at the time they are negotiated, if they are reported at all. The LMR must ensure that cattle sold on a basis trade-type contract be timely and accurately identified and reported.

2. A new and ever-more frequent packer procurement practice is to purchase cash cattle through a negotiated sale but then require the feeder to continue feeding the cattle for an additional two or three weeks, or even longer, prior to delivery. Some industry analysts indicate that these cattle are reported under the LMR as cash sales on the day of the agreement. If this is true, then the volume of captive supply cattle is being underreported because these so-called "cash" sales with an extended delivery period represent a conversion of cash cattle to captive supply cattle. The LMR must ensure, at the very least, that these extended delivery cash sales are identified and reported as to when they are negotiated and when delivery actually occurs.

3. Over the past few years, packers have deviated from their customary purchasing timeframes and have waited until after the close of business, hence after the close of all daily reporting times, to offer higher bids for cattle. It has been expressed by feeders that these after-hour bids have been made as late as 8:00 to 10:00 p.m. Central Time. It has been further expressed that these higher bids are frequently made after-hours on Friday, presumably to avoid any reporting requirements until the following Monday, if they are reported at all. One cattle feeder stated that he declined a bid offered by a packer during normal business hours only to have the packer call him back about an hour after close-of-business to offer a bid that was a full dollar more per hundredweight than the previous bid. The LMR must ensure, at the very least, that packers cannot game the system by either not reporting transaction or by delaying the reporting of transactions by strategically timing their purchases after the close of normal business hours.

In addition to the new procurement practices identified by its members, R-CALF USA has learned through an industry commentary of another new cattle procurement method that likewise appears to circumvent reporting requirements for cash sales under the LMR:

'Tops' trades- fed cattle trade routinely at a negotiated $0.50 to $2 [above the current spot market]. These trades are currently folded into 'formula' sales despite the fact the packer is paying a premium to spot cash market sales for the same week as incentive to favor one packer over another.

We urge Congress to update the LMR to accurately capture this new "Tops" procurement method as a reportable cash sale.

Lastly, R-CALF USA encourages Congress to review the LMR deficiencies discovered in 2005 by the Government Accountability Office (GAO). Some of the deficiencies identified by the GAO would only be known to those with insider information regarding how the USDA Agriculture Marketing Service (AMS) actually administers the LMR and, consequently, R-CALF USA has no knowledge regarding whether or not the identified deficiencies were ever properly addressed. Specifically, the GAO reported on a number of deficiencies in the LMR with regard to the transparency of the reporting system and accuracy of the data reported. Included among the deficiencies identified was the exclusion of a large percentage of cattle transaction data. In addition to the lack of transparency and accuracy of marketing transaction data already impacting the U.S. live cattle industry, the so-called 3/70/20 confidentiality guidelines that structurally limit reports of transactions in concentrated regions likely are masking critical pricing information. The confidentiality guidelines that likely restrict or eliminate the reporting of currently reported cattle transaction data include the requirement that at least 3 reporting entities provide data at least 50 percent of the time during a 60-day period; no entity may provide more than 70 percent of the data during a 60-day period; and no entity may be the only reporting industry more than 20 percent of the time during a 60-day period. As mentioned above, the nondisclosure of pricing information in regions with little to no competition is paradoxical to the LMR's purpose of providing essential price transparency to the U.S. cattle industry. Congress should investigate the extent to which unreported pricing data are impacting domestic cattle prices prior to reauthorizing any confidentiality guidelines that effectively limit price transparency.

We appreciate that Congress continues to reauthorize the LMR every five years to enable it to continually update the LMR to address the ever-changing cattle procurement methods in the marketplace. A properly updated LMR will serve the vitally important objective of providing cattle industry participants with timely and accurate market information regarding fed cattle prices.

We hope the Senate Committee on Agriculture, Nutrition & Forestry will carefully consider our comments and conduct a hearing on the reauthorization of the Livestock Mandatory Reporting Act to ensure the Act is properly updated to reflect the considerable changes in our industry that have transpired within the past five years.

Please let us know if we can be of any assistance as you consider this important matter.

Sincerely, Bill Bullard, CEO

Cattlemen's Newsletter

United Stockgrowers of America Sept./Oct. 2015

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Cattle Producers Stand with Manufacturers and Workers to Oppose TPP

Recently, R-CALF USA helped formulate a 13-point trade strategy for any future trade agreement the United States may enter. Titled the "21st Century Trade Agreement Principles," the national trade strategy was completed under the auspices of the Coalition for a Prosperous America (CPA), which comprises representatives of agriculture, manufacturers and labor. At its core, the national trade strategy seeks balanced trade, meaning future trade agreements should not continue adding to the United States' mounting trade deficit. R-CALF USA CEO Bill Bullard is board of director for the CPA and chaired the committee that crafted the new national trade strategy.

Bullard issued the following statement regarding the announcement that U.S. negotiators had completed work on the proposed Trans-Pacific Partnership (TPP) free trade agreement.

"There is nothing novel about this TPP agreement. It does not embrace the principles that livestock producers, manufacturers and workers have suggested. Instead, it follows the same blueprint as the free trade agreements we already have with 20 countries and those agreements resulted in a $2.3 billion deficit in the trade of cattle, beef, beef variety meats and processed beef last year alone. This TPP is a NAFTA and CAFTA look-alike and will most likely worsen the $28 billion deficit we accumulated over the past 25 years with those and the other free trade-agreement countries.

"Our cattle industry witnessed the damage ill-conceived free trade agreements have wrought upon the U.S. sheep industry, shrinking it by more than half and relegating it to a residual supplier of lamb and mutton in our own domestic market. Adding New Zealand, already the second largest importer of lamb and mutton, to the list of countries with duty-free access to the U.S. market will ensure that our beleaguered sheep industry will continue to be offshored for years to come, if not forever. The sheep industry is the cattle industry's canary in the coal mine.

"We stand with manufacturers and workers to oppose the TPP and are providing verbatim a copy of today's news release issued by the CPA on this matter. Our trade negotiators have ignored the concerns of a wide swath of U.S. citizens and the CPA's message transcends our more narrowly focused cattle and sheep concerns to highlight the implications the TPP will have on virtually every sector of the U.S. economy. We support the CPA's message in its entirety."

News Release of the Coalition for a Prosperous America

CPA Opposes TPP as Harming US Trade, Jobs and Economic Growth

The Coalition for a Prosperous America (CPA) opposes the Trans-Pacific Partnership (TPP) agreement because it will harm American job creation, agricultural and goods production and our economic prosperity.

"US trade negotiators had no strategy to increase American net trade when conducting these negotiations," said Michael Stumo, CEO of CPA. "Instead, they pursued a deal for the sake of getting a deal, regardless of the result. The result is another negotiating loss instead of a win."

We Have Poorly Performing Trade Deals with Most TPP Countries Already: The TPP agreement is promoted as a trade deal with over 40% of the global economy. That assertion is largely absurd and should be ignored. The US economy alone is 60% of the TPP countries total gross domestic product (GDP) or economic size. We have existing and poorly performing trade agreements with seven TPP countries that consist of another 20% of the TPP economic size. Those countries are Canada, Mexico, Peru, Singapore, Peru, Chile and Australia. As a result, we are not "opening trade" with 80% of the TPP countries. Instead, the TPP is a trade agreement on top of existing trade agreements.

No Economic Benefit Expected from other TPP Countries, Including Japan: We have no trade agreements (except the World Trade Organization agreement) with the remaining five TPP countries constituting 20% of the economic size of all TPP countries. But there is little reason to believe the US will gain net exports from those countries. Four of the countries - Brunei, New Zealand, Vietnam, Malaysia - have GDPs smaller than Philadelphia.

The fifth country - with which we have no bilateral trade agreement - is Japan which constitutes 14% of the TPP countries' GDP. However, Japan cannot - or will not - substantially increase the purchase of US goods for several reasons. First, the yen has devalued by over 55% in three years. This devaluation from Prime Minister Abe's aggressive monetary strategy. The result is equivalent to a tariff on US goods and a subsidy to Japanese exports. The Japanese consumer's purchasing power has been severely devalued.

Japan has increased it's value added tax from 5% to 10% effective this month. This 5% consumption tax increase will be paid by US exporters when crossing the Japanese border. In contrast, Japan's average weighted tariff is a mere 2.5%. The US cannot win by negotiating tariff reductions when other countries then raise border adjustable consumption taxes.

Japan operates a nationalistic, partially closed economy strategy. They grew from post-World War II depression based upon net exports and spurring diverse industry growth under government strategic planning. The country will not change to become a net importer of US goods after signing the TPP deal.

There are many other reasons the US congress and the public should oppose the TPP:

Ignores Balanced Trade and Domestic Growth: US trade bureaucrats negotiated the TPP without regard to the forty straight years of US trade deficits. They also ignored the relative decline of US manufacturing market share in the world as compared to the growth of China's and Europe's global market share since 2000. Instead, the deal will spur continued decline in relation to other developed economies.

Korea Agreement Failure Repeated: The agreement doubles down on the model that produced the trade deal with South Korea. The US trade deficit with South Korea worsened by over 70% after that deal was implemented in 2012. Congress needs to find out why before approving new agreements.

Currency Manipulation Failure: The Administration refused to follow Congressional instructions on currency as set forth in the recently passed Trade Promotion Authority legislation. Currency devaluation, as Vietnam recently did, makes any trade deal concessions meaningless.

Central Planning of Outsourcing: The TPP negotiators agreed to manage the decline of US based manufacturing and agriculture including dairy, beef, and autos through deals on more import penetration to the US to displace our industry.

Windfall for China: Rules of Origin are weaker than prior agreements. A more substantial portion of goods can be made in non-party countries like China and still receive favorable trade treatment. China conceded nothing to receive this misguided benefit. Instead of containing China, the TPP incentivizes more production in China and other non-party countries.

Globalizes the Legislative Process: The agreement harms US sovereignty by globalizing rules that should be dealt with by Congress regarding pharmaceuticals, health and safety laws, and many other regulatory standards. Industries now have one-stop-shopping with trade negotiators to get rule changes rather than asking Congress to consider the national interest.

Globalizes Courts: The TPP grants jurisdiction to global courts that foreign corporations can use to invalidate US federal, state and local rules and laws. The US federal and state courts set up by our constitutional system are avoided.

Tax Bait and Switch: The agreement allows other countries to raise border adjustable consumption taxes (value added taxes or goods and services taxes) to replace any tariff reductions or other concessions. Just as under NAFTA, CAFTA and European trade, American companies will still face similar export charge hurdles as tariffs are reduced but other border taxes rise.

http://www.prosperousamerica.org/