Fighting for the U.S. Cattle Producer!

R-CALF USA

Making the U.S. Cattle Industry Great Again

Priorities for the New Administration/Congress

by

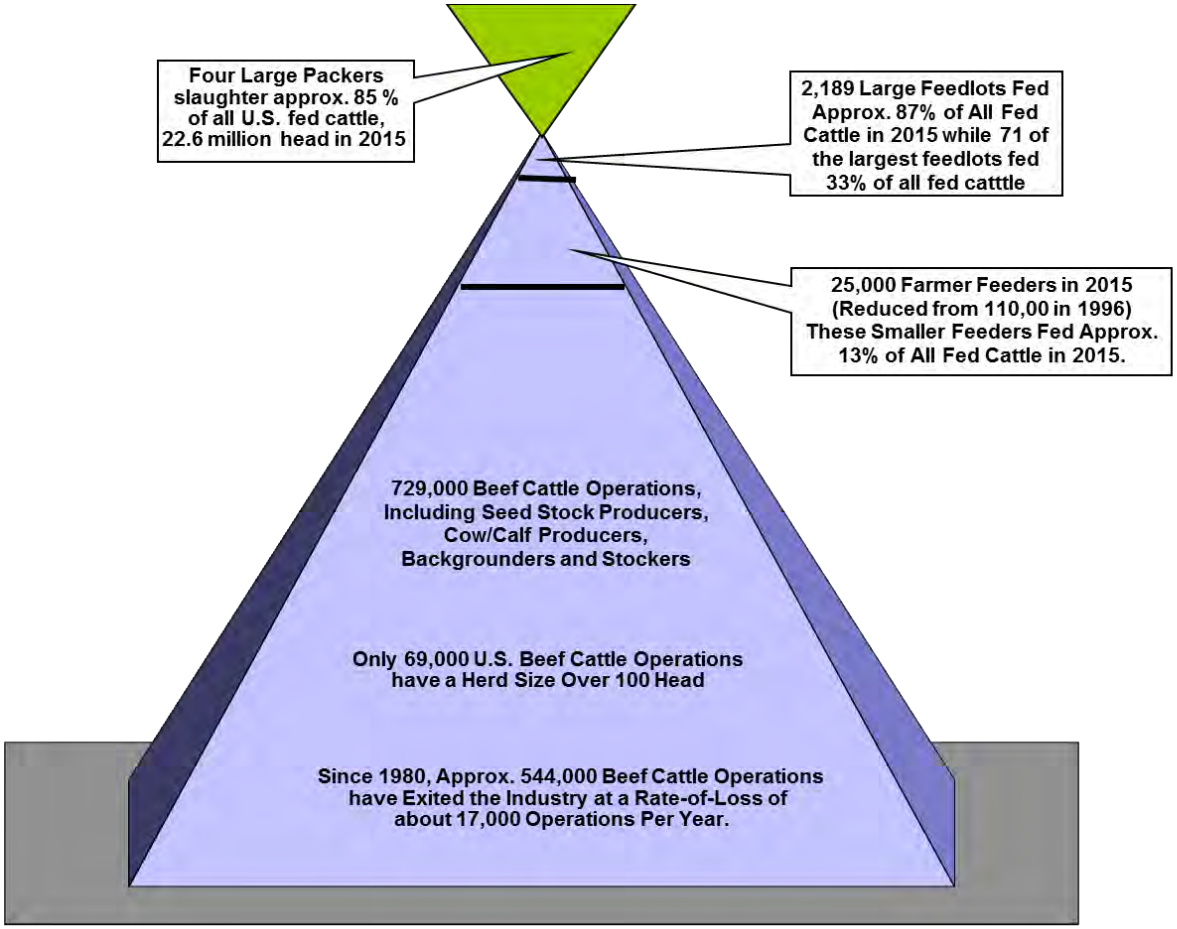
Bill Bullard, CEO, R-CALF USA

January 18-19, 2017

The New Administration/Congress

- **Restore then Preserve Competition**
  - Country of Origin Labeling
  - GIPSA Rules
  - Antitrust Enforcement
  - Price Manipulation in Cattle Markets
- **Support Beneficial Trade, Not Just Trade**
  - Livestock Disease Import Restrictions
  - Economic Realities & Global Governance
  - Protect Our Nation's Sovereignty
- **Reclaim the Beef Checkoff for All Producers**
- **Restore Private Property Rights**

Today's U.S. Cattle Industry



Country of Origin Labeling

- Provide Producers the Tool that Facilitates Competition at the Retail Level.
  - Empowers consumers & producers
  - Prevents packers from leveraging cheap supplies to drive down cattle prices
    - Brazil 5th largest importer, expected to export about 209 million ponds in 2017. (USDA estimated 88 million pounds in its rule).
    - Brazilian calf in May 2015: $506. In U.S.: $1,575.
      - » March & September 2016 GAIN Reports

http://www.mla.com.au/prices-markets/Trends-analysis/cattle-projections/

Figure 7 Global heavy steer prices*

Source: IPCVA (Argentina, Paraguay); MLA (Australia); Esalq/Cepea (Brazil); INAC (Uruguay); USDA (US), Canfax (Canada)

* Indicative heavy steers including grassfed and grainfed categories

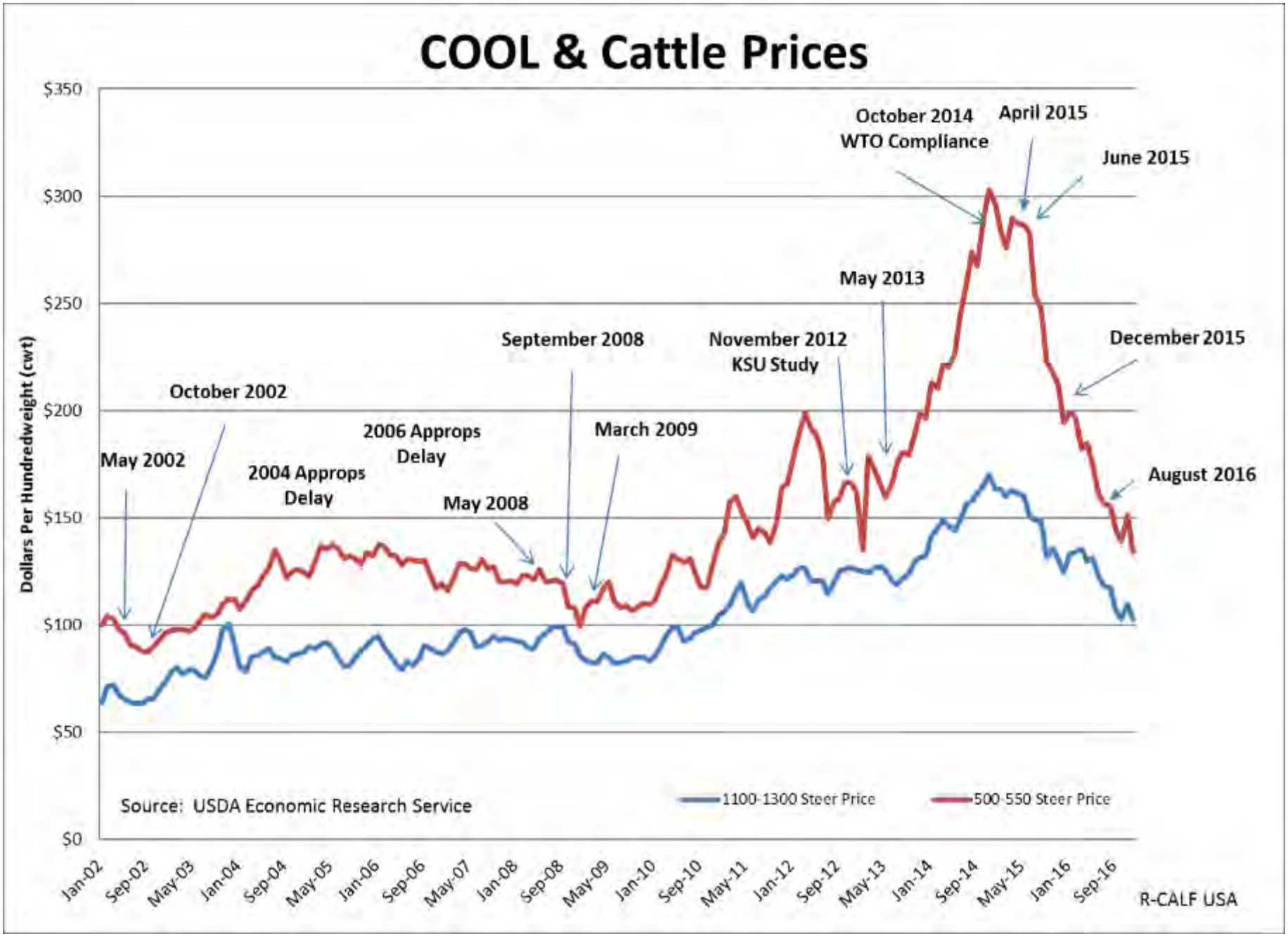
Did COOL Work?

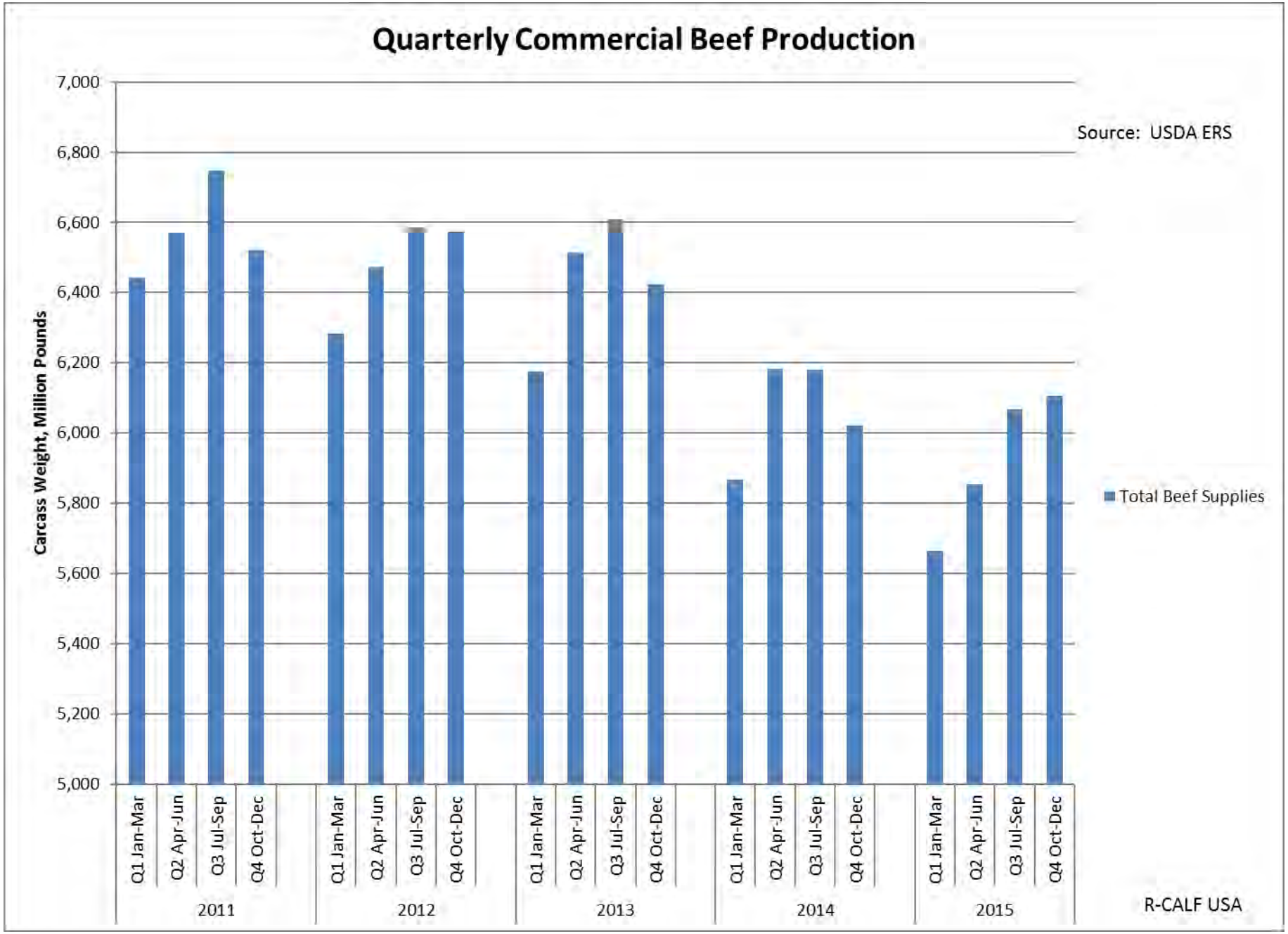
A 2010 USDA study found that consumers are willing to pay more for “beef produced entirely within the United States.”

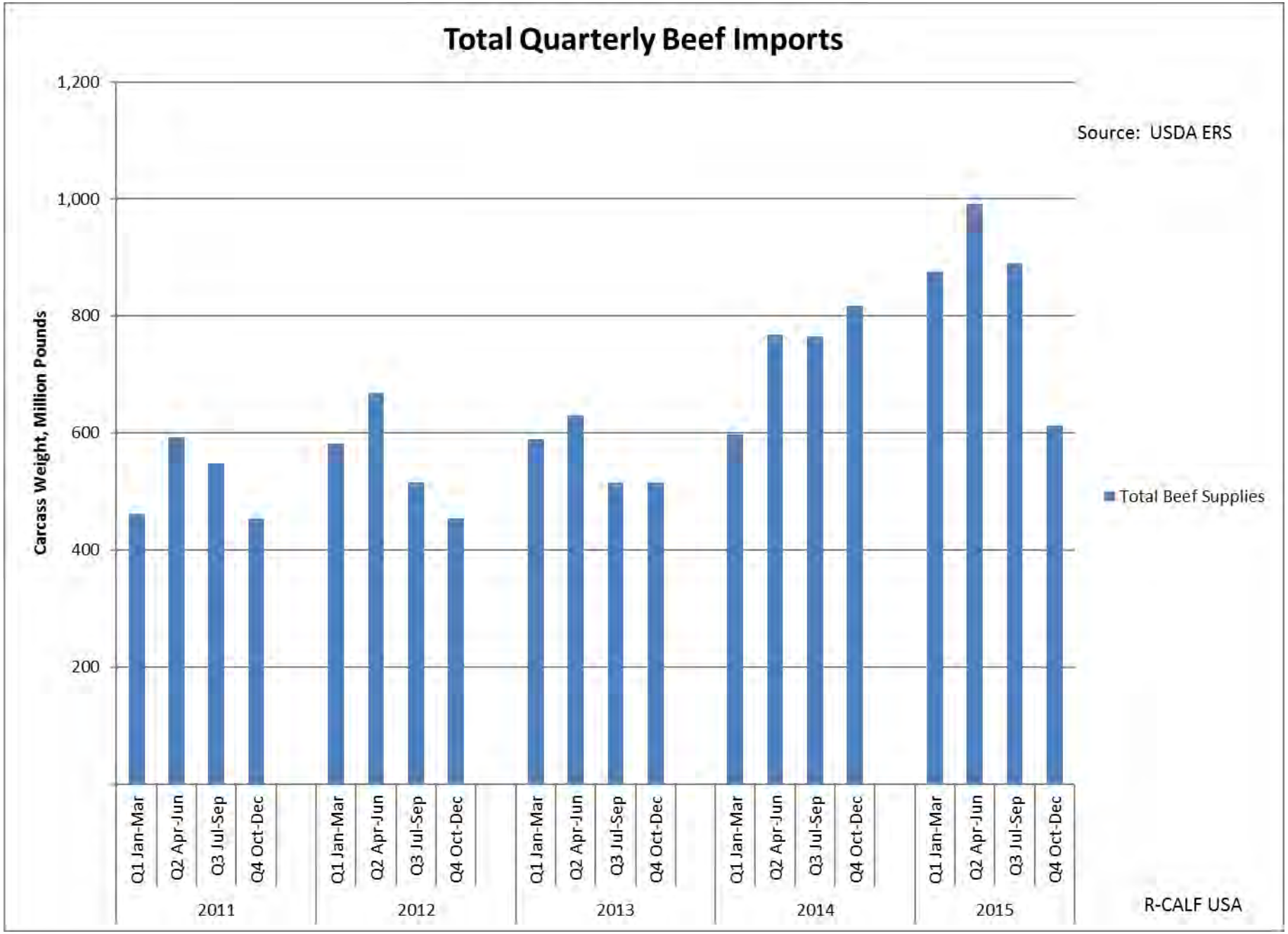
USDA-GIPSA Investigative Report on COOL, at 1, 347, available at http://www.r-calfusa.com/COOL/090205File3COOLstudy.pdf.

The WTO panel noted that Canadian affidavits reported “price discounts for imported animal and *meat* as a result of the COOL requirements[.]”

2011 WTO Panel Reports at ¶7.488 (emphasis added).


COOL & Cattle Prices
Dollars Per Hundredweight (cwt)
$350
$300
$250
$200
$150
$100
$50
$0
May 2002
October 2002
2004 Approps Delay
2006 Approps Delay
May 2008
September 2008
March 2009
November 2012 KSU Study
May 2013
October 2014 WTO Compliance
April 2015
June 2015
December 2015
August 2016
Source: USDA Economic Research Service
1100-1300 Steer Price
500-550 Steer Price
Jan-02
Sep-02
May-03
Jan-04
Sep-04
May-05
Jan-06
Sep-06
May-07
Jan-08
Sep-08
May-09
Jan-10
Sep-10
May-11
Jan-12
Sep-12
May-13
Jan-14
Sep-14
May-15
Jan-16
Sep-16
R-CALF USA


Quarterly Commercial Beef Production
Source: USDA ERS
Carcass Weight, Million Pounds
7,000
6,800
6,600
6,400
6,200
6,000
5,800
5,600
5,400
5,200
5,000
Q1 Jan-Mar
Q2 Apr-Jun
Q3 Jul-Sep
Q4 Oct-Dec
2011
2012
2013
2014
2015
Total Beef Supplies
R-CALF USA


Total Quarterly Beef Imports
Source: USDA ERS
Carcass Weight, Million Pounds
1,200
1,000
800
600
400
200
Total Beef Supplies
Q1 Jan-Mar
Q2 Apr-Jun
Q3 Jul-Sep
Q4 Oct-Dec
2011
2012
2013
2014
2015
R-CALF USA

Priority No. 1

- **We must restore mandatory COOL that reserves the USA label only for beef that is born, raised, and slaughtered in the U.S.**
- Immediate Action: Call your congressional delegation and urge them to draft/support mandatory COOL legislation for beef. Tell them the new legislation must close the WTO-exploited loopholes.

WTO-Exploited Loopholes

- Exemptions (for certain establishments and for processed food items) limited the amount of beef subject to labeling.
  - 67% of Beef and 84% of Pork Exempt.

- COOL labels did not accommodate cattle raised in two countries and, therefore, were vague and inaccurate.

GIPSA Rules
Farmers Fair Practices Rules

- Packers & Stockyards Act of 1921 prohibits unfair, unjustly discriminatory or deceptive practices; granting undue or unreasonable preferences or advantages; and does not require a showing of competitive injury.

Proposed Rule

- Unfair, unjustly discriminatory or deceptive practices
  - 12 examples: Per se; retaliation; failure to ensure accurate scales or accurate electronic evaluation systems; harm to competition
  - No harm to competition but affirmative business justification defense

- Undue Preferences or Advantages
  - 6 examples: For lawful communication; contending legal violation; arbitrary reason; race or religion; legitimate business justification; and harm to competition

Scenarios for Undue Preference or Advantage

- In return for a feedlot's commitment of all its cattle:
  - packer promises to pay all costs plus $30 per head.
  - packer offers a stop-loss contract, promising no losses greater than $30 per head.
  - packer offers a $30 per head across-the-board payment not related to weight or quality.
  - packer agrees to consistently pay more than the cash price, even when quality of cattle is significantly lower.
  - packer sends feedlot a year-end bonus of $0.10 per pound for all cattle committed during the year.

Interim Final Rule

- A finding that the challenged conduct or action adversely affects or is likely to adversely affect competition is not necessary in all cases. Certain conduct or action can be found to violate sections 202(a) and/or (b) of the Act without a finding of harm or likely harm to competition.

Scenario for Competitive Injury

- A cattle feeder testifies before Congress that packers are manipulating the cattle futures market. In response, the Big 4 Packers retaliate by refusing to bid on the cattle feeder's cattle.

Why Are GIPSA Rules Needed?

- The Big 4 Packers Possess Monopsony Power, which Reduces Competition
- To Restore Competition, Must Either Break-up the Monopsonies or Subject them to Regulation
- Neither the Administration nor Congress has the Will to Break-up the Big 4 Packers
- Thus, their conduct must be regulated to preserve competition
- GIPSA Rules Are Needed to First Restore and then to Preserve Competition

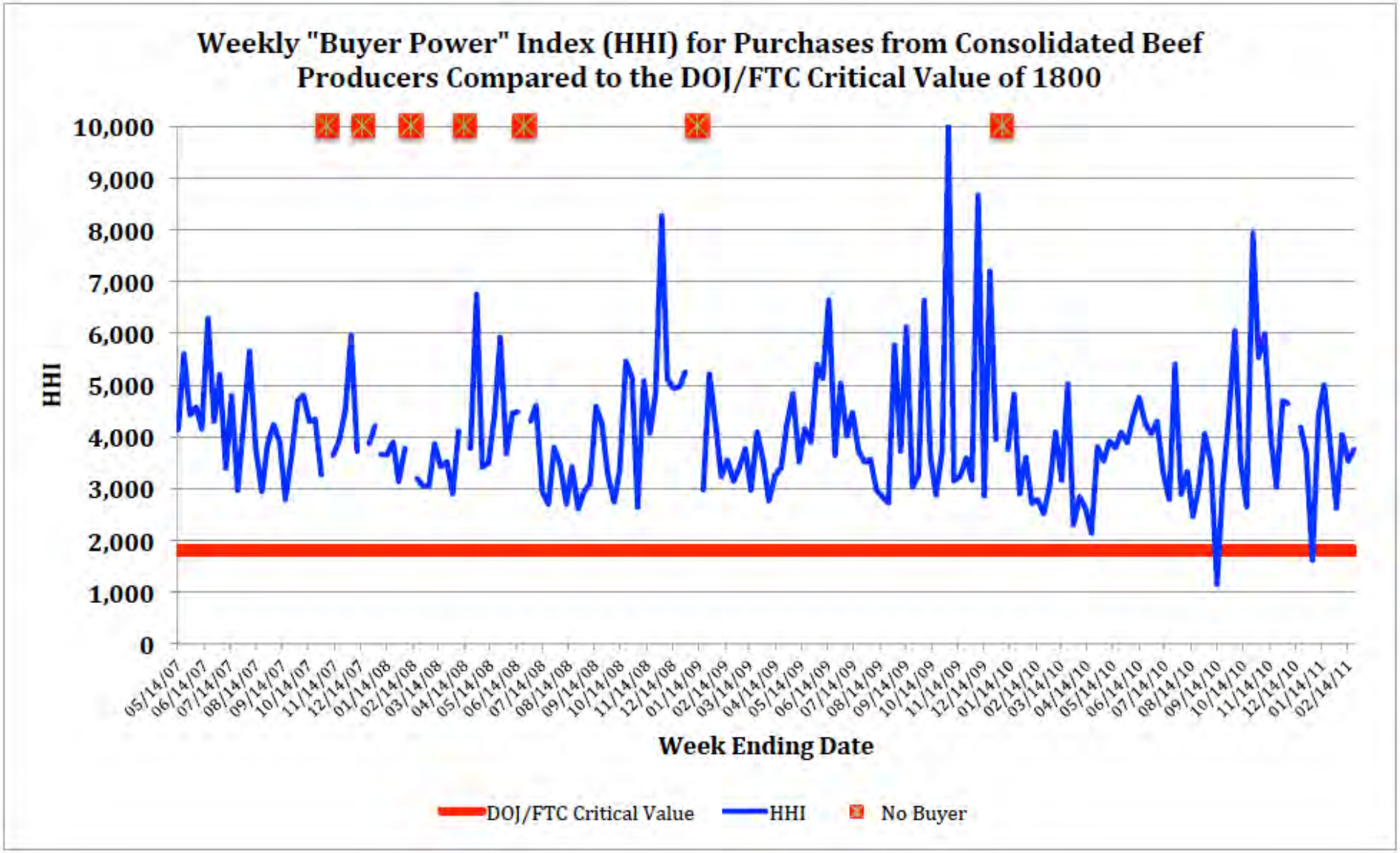
Priority No. 2

- We must support GIPSA rules that properly implement the P&S Act to prevent anticompetitive, monopsonistic practices.

- Immediate Action: Call your congressional delegation and urge them to support the finalization of the GIPSA rules.

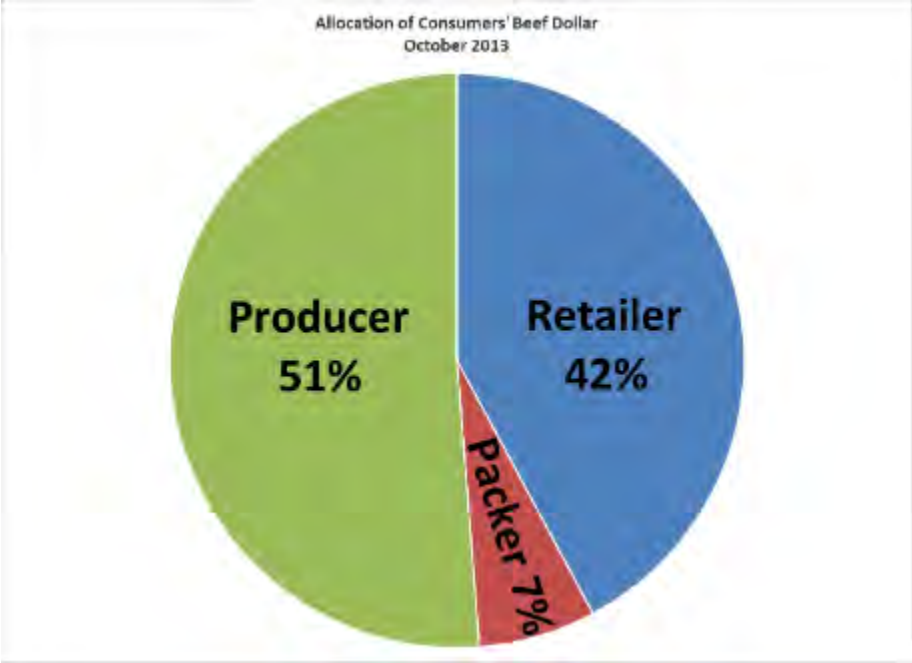
Antitrust Enforcement

- **Sherman Antitrust Act of 1890**
  - Prevents monopolistic conduct that harms the competitive process, <u>but not individual competitors.</u>
- **Clayton Act of 1914**
  - Prohibits certain business practices that are conducive to the formation of harmful monopolies.
    - Section 7 cited as basis for 2008 enforcement action against JBS/National Beef Packing Company.
- **Packers and Stockyards Act of 1921**
  - Prohibits conduct that harms individual market participants


Weekly "Buyer Power" Index (HHI) for Purchases from Consolidated Beef Producers Compared to the DOJ/FTC Critical Value of 1800
HHI
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
05/14/07
06/14/07
07/14/07
08/14/07
09/14/07
10/14/07
11/14/07
12/14/07
01/14/08
02/14/08
03/14/08
04/14/08
05/14/08
06/14/08
07/14/08
08/14/08
09/14/08
10/14/08
11/14/08
12/14/08
01/14/09
02/14/09
03/14/09
04/14/09
05/14/09
06/14/09
07/14/09
08/14/09
09/14/09
10/14/09
11/14/09
12/14/09
01/14/10
02/14/10
03/14/10
04/14/10
05/14/10
06/14/10
07/14/10
08/14/10
09/14/10
10/14/10
11/14/10
12/14/10
01/14/11
02/14/11
Week Ending Date
DOJ/FTC Critical Value
HHI
No Buyer

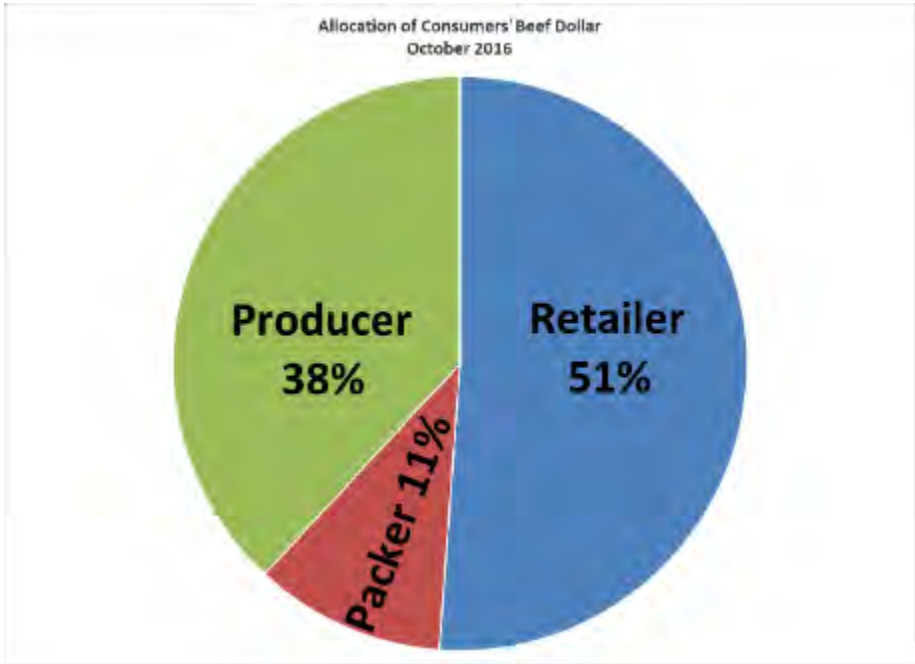
Antitrust Enforcement

- **40-year Lack of Antitrust Enforcement**
  - Unchecked mergers, acquisitions, territory apportionment, collusion, price manipulation
- **Stiegert *et al*., 2011**: Packers switch between cooperating (colluding) and competing depending on whether short-term cattle supplies are tight (competition phase) or plentiful (cooperation/collusion phase). According to this study, the packers' margins declined significantly when they had to compete and fed cattle prices were reduced 8-9 percent when they cooperated.


Allocation of Consumers' Beef Dollar
October 2013
Producer
51%
Retailer
42%
Packer 7%


Allocation of Consumers' Beef Dollar
October 2014
Producer
56%
Retailer
40%
Packer 4%


Allocation of Consumers' Beef Dollar
October 2015
Producer
47%
Retailer
48%
Packer 5%


Allocation of Consumers' Beef Dollar
October 2016
Producer
38%
Retailer
51%
Packer 11%

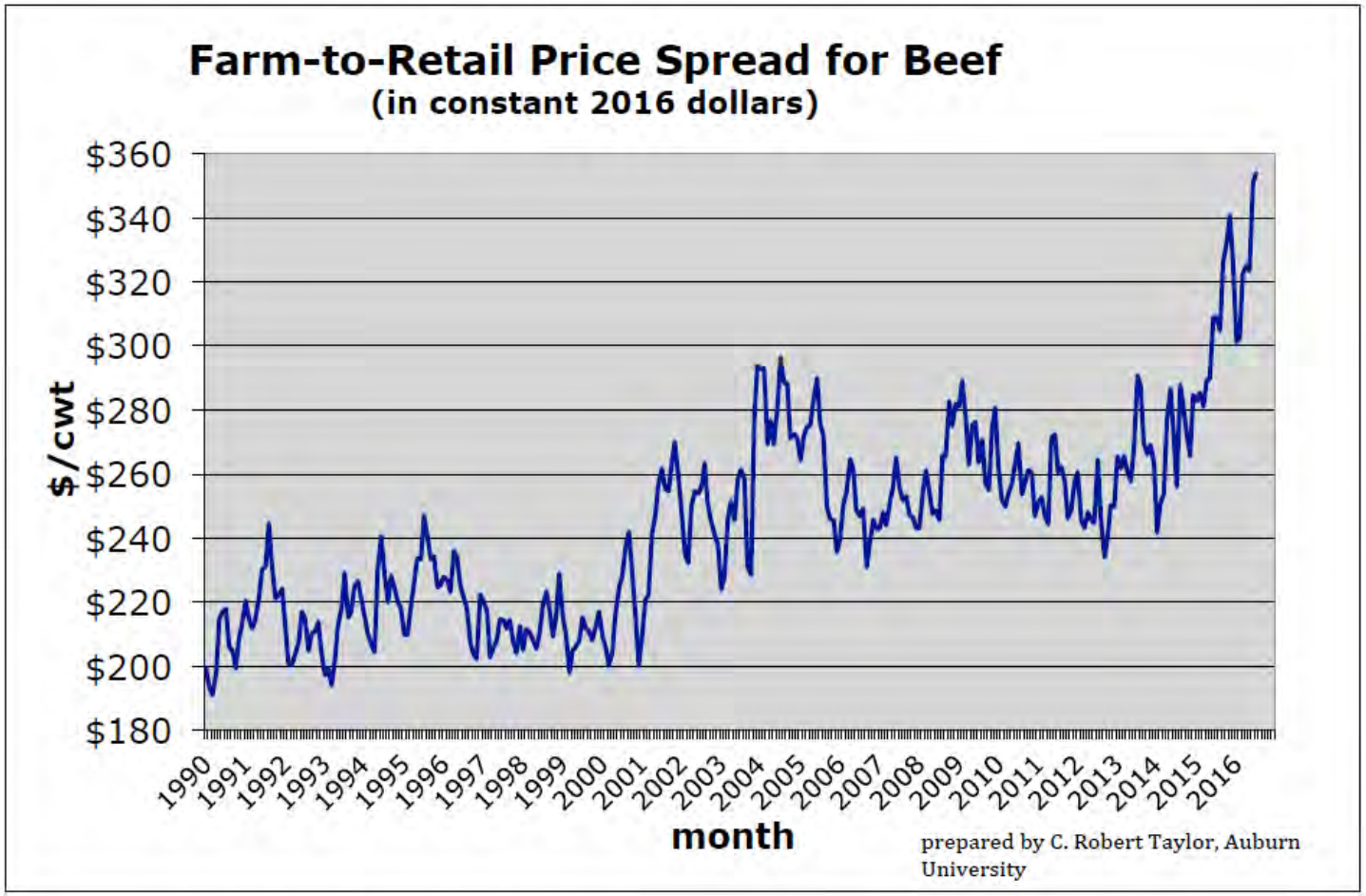
R-CALF USA's Enforcement Requests

- 2008 JBS/Smithfield Beef & National Beef
- 2009 JBS/Pilgrim's Pride (substitute protein)
- 2010 JBS/McElhaney Cattle Company (final gathering point)
- 2012 JBS/XL Four Star Beef (Idaho and Nebraska)
- 2013 Shuanghui's Acquisition of Smithfield Foods
- 2014 Tyson's Acquisition of Hillshire Brands Co
- 2016 Friona Industries Acquisition of Two of Cargill Cattle Feeders' Feedlots

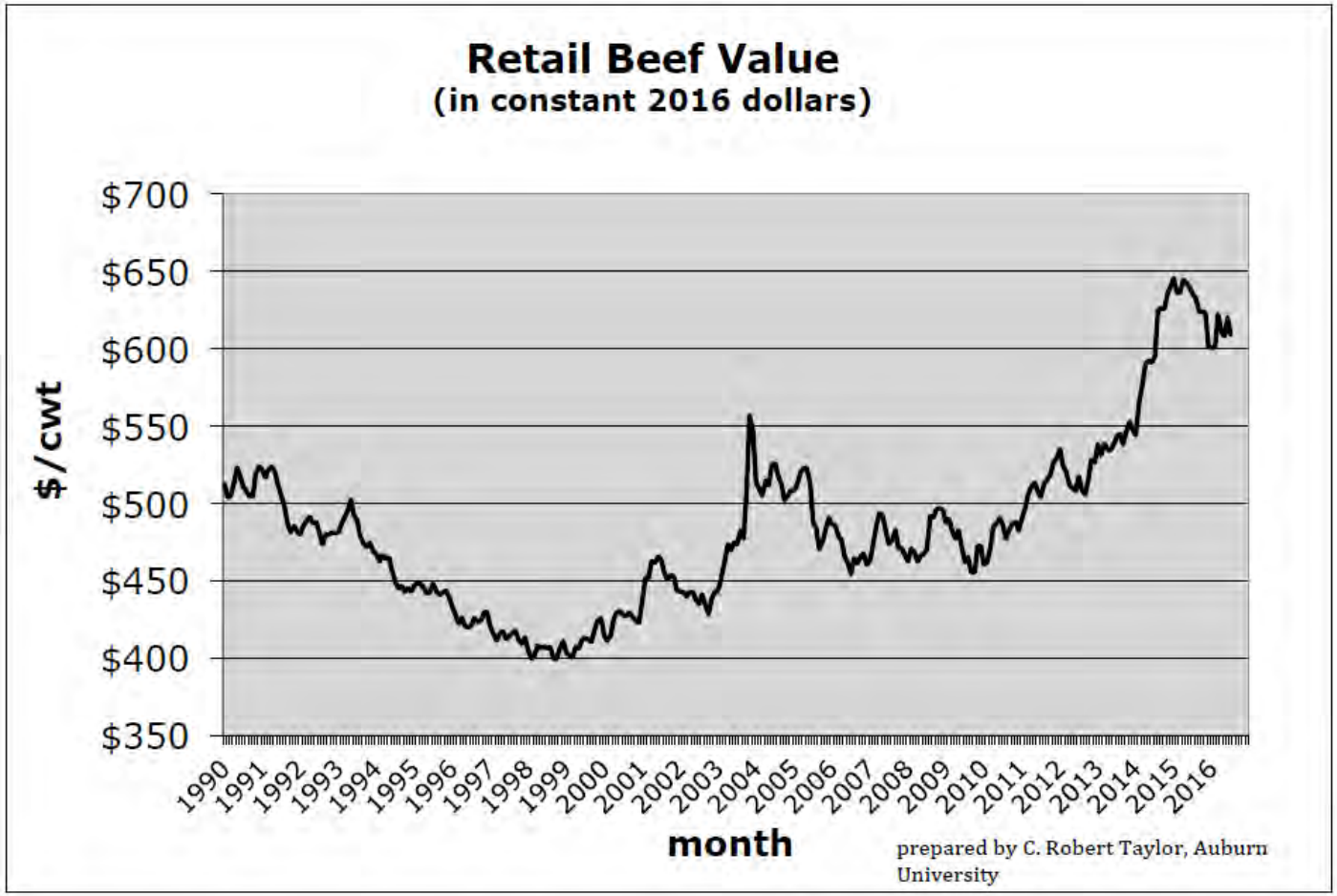
Disconnect Between Retail Beef Prices and Live Cattle Prices

C. Robert Taylor, Auburn University

Exploitation of Producers & Consumers



Exploitation of Producers & Consumers



Priority No. 3

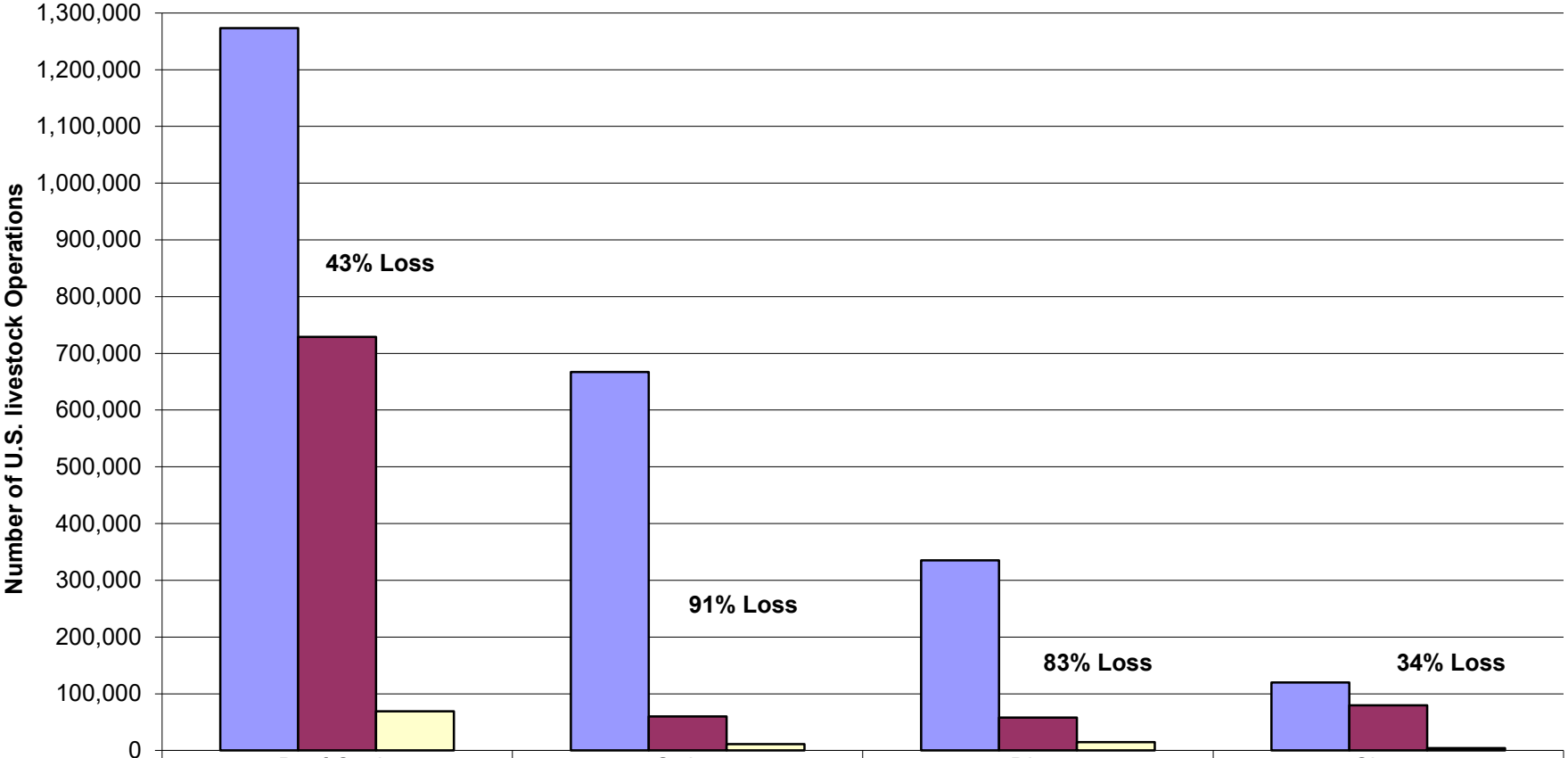
- We must begin to aggressively enforce antitrust laws before we reach the point where there is no longer any meaningful competition to preserve, *i.e.*, before the competitive processes and competitive marketing channels (e.g., salebarns, farmer-feeders, order buyers, packer buyers) are dismantled.

Price Manipulation in Cattle Markets

- Beginning in Mid-2015, Cattle Prices Fell at a Record Pace and by a Record Amount Despite the Fact that Market Fundamentals Suggest Cattle Producers Should be Enjoying the Very Best of Times.
  - How did the expected 3 plus-year upside in cattle prices (based on industry's limiting biological characteristics) get compressed into less than 18 months (July 2013 – November 2014)?

The Last Frontier

Loss of U.S. Livestock Operations 1980-2012

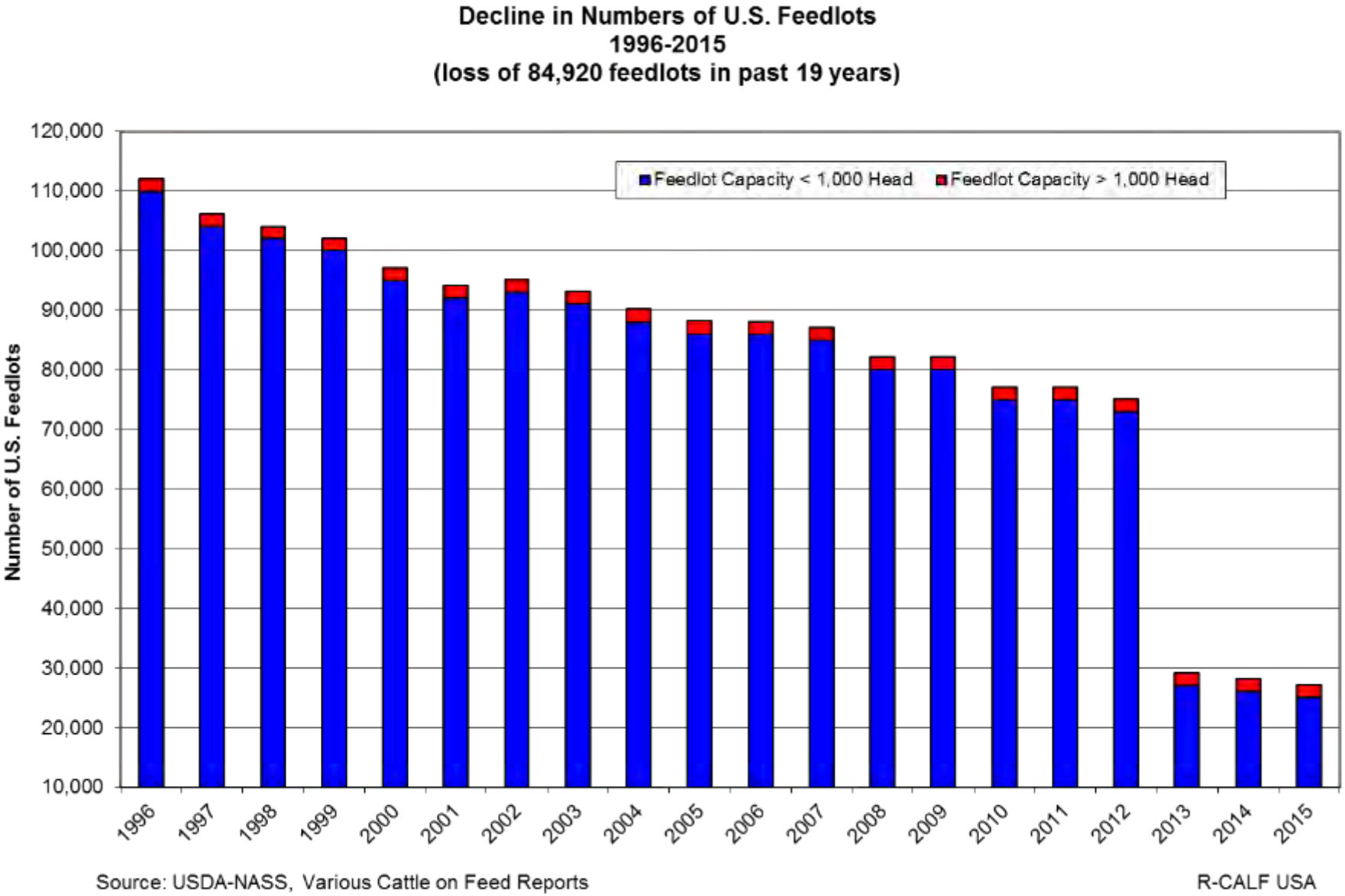


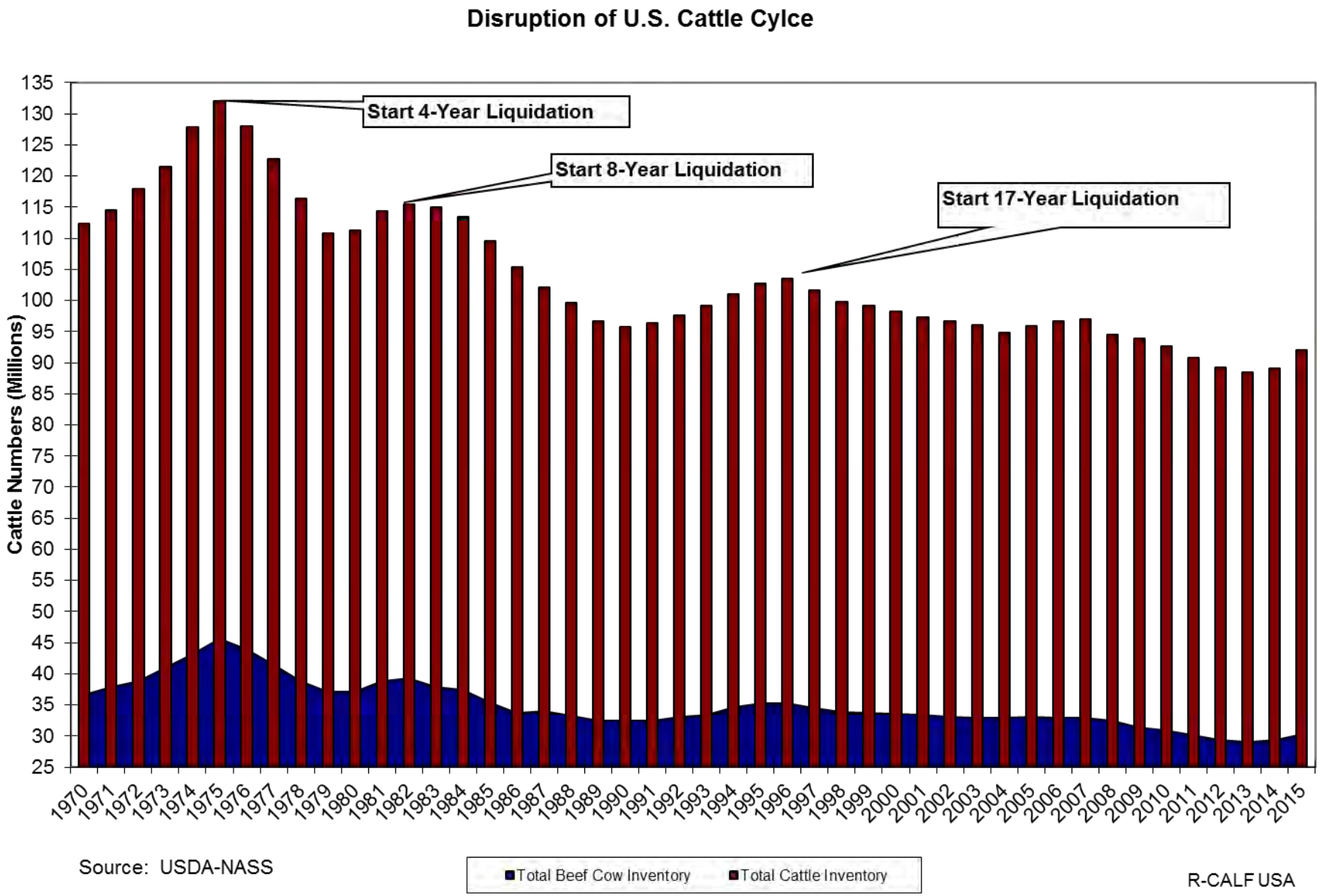
	Beef Cattle	Swine	Diary	Sheep
1980	1,272,950	667,000	335,270	120,000
2012	729,000	60,200	58,000	79,500
>100 Hd	69,000	11,300	15,000	4,350

Type of Livestock Operations

Source: USDA-NASS

R-CALF USA


Decline in Numbers of U.S. Feedlots
1996-2015
(loss of 84,920 feedlots in past 19 years)
Feedlot Capacity < 1,000 Head
Feedlot Capacity > 1,000 Head
Number of U.S. Feedlots
120,000
110,000
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Source: USDA-NASS, Various Cattle on Feed Reports
R-CALF USA



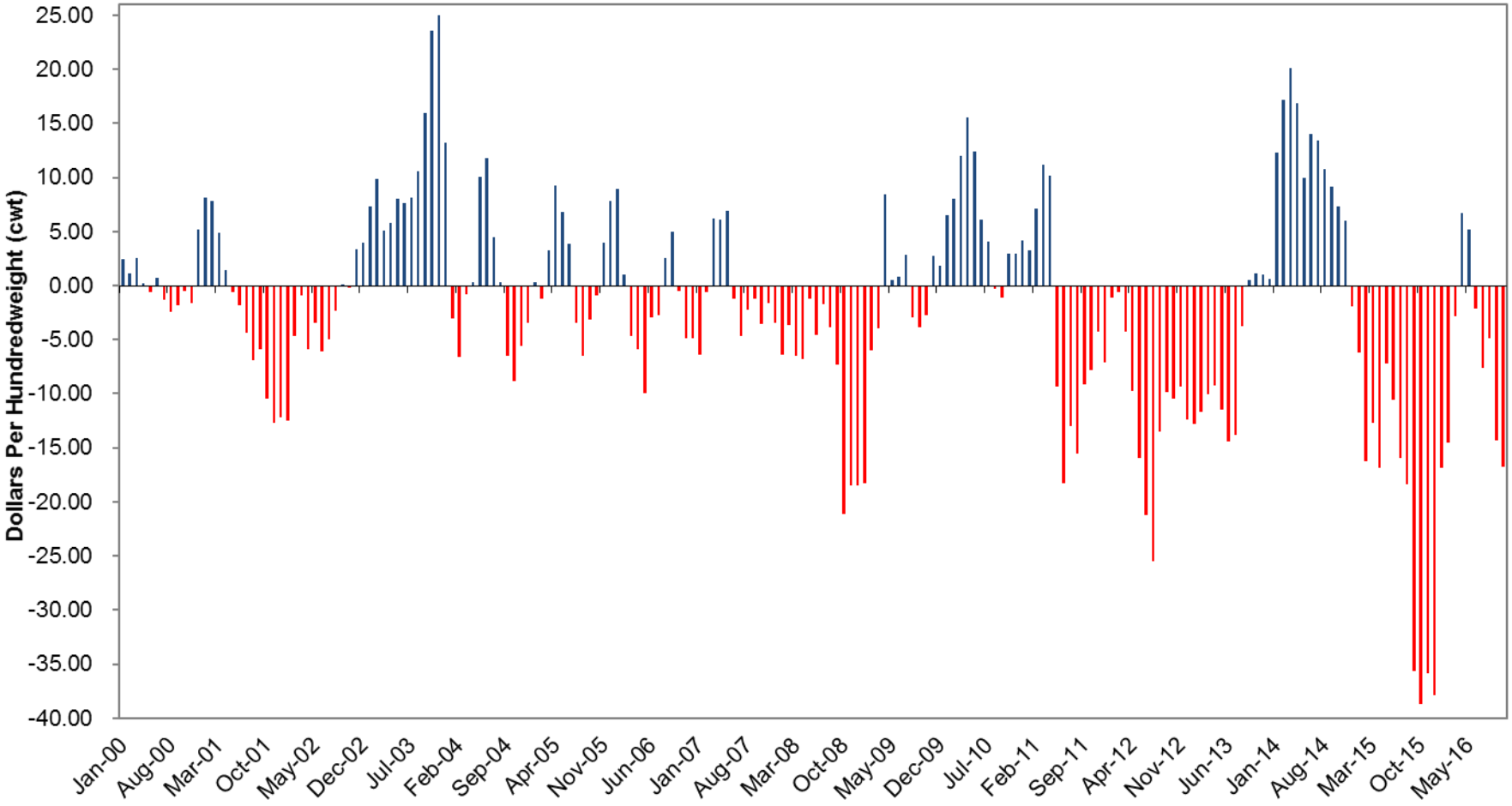
Source: USDA-NASS

R-CALF USA

Supply Chain Capture

Returns to U.S. Cattle Feeders
(Jan. 2000 - Oct. 2016)

Prolonged and Persistent Losses to Cattle Feeders (Ave. loss of $27.13 per head per month)



Source: USDA-ERS High Plains Cattle Feeding Simulator

R-CALF USA

Destruction of Price Discovery

LMR Purchase Type Breakdown by Region

NATIONAL	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cash	52.1%	49.4%	47.3%	42.6%	38.8%	37.4%	32.6%	26.0%	23.1%	23.1%	21.3%	25.6%
Formula	33.2%	34.3%	37.4%	39.1%	43.7%	43.1%	47.4%	54.8%	59.8%	56.8%	57.0%	57.6%
Forward Contract	4.8%	7.2%	6.8%	11.2%	9.5%	11.9%	13.2%	12.0%	10.8%	15.8%	17.5%	12.7%
Negotiated Grid	9.9%	9.0%	8.5%	7.1%	8.0%	7.6%	6.7%	7.2%	6.3%	4.3%	4.2%	4.1%

TEXAS -OKLAHOMA-NEW MEXICO	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cash	47.2%	42.5%	36.7%	31.5%	26.4%	21.5%	17.0%	10.2%	6.1%	3.0%	2.6%	6.4%
Formula	42.2%	42.2%	48.4%	53.3%	60.4%	66.9%	72.7%	76.0%	83.0%	84.6%	85.9%	82.4%
Forward Contract	3.1%	5.0%	4.4%	5.8%	5.4%	4.9%	4.4%	5.4%	4.0%	7.4%	9.3%	7.0%
Negotiated Grid	7.5%	10.3%	10.5%	9.3%	7.8%	6.7%	5.9%	8.4%	6.9%	5.1%	2.1%	4.2%

IOWA-MINNESOTA	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cash	73.9%	68.8%	68.8%	66.7%	63.9%	65.6%	61.8%	56.4%	54.6%	57.0%	56.7%	50.9%
Formula	7.2%	8.4%	8.2%	9.0%	10.3%	11.2%	10.9%	20.5%	23.2%	20.3%	20.2%	21.1%
Forward Contract	7.1%	10.2%	13.3%	16.7%	13.2%	13.9%	17.1%	13.2%	13.8%	17.1%	16.1%	20.1%
Negotiated Grid	11.8%	12.6%	9.7%	7.6%	12.6%	9.3%	10.2%	9.9%	8.4%	5.7%	7.0%	7.9%

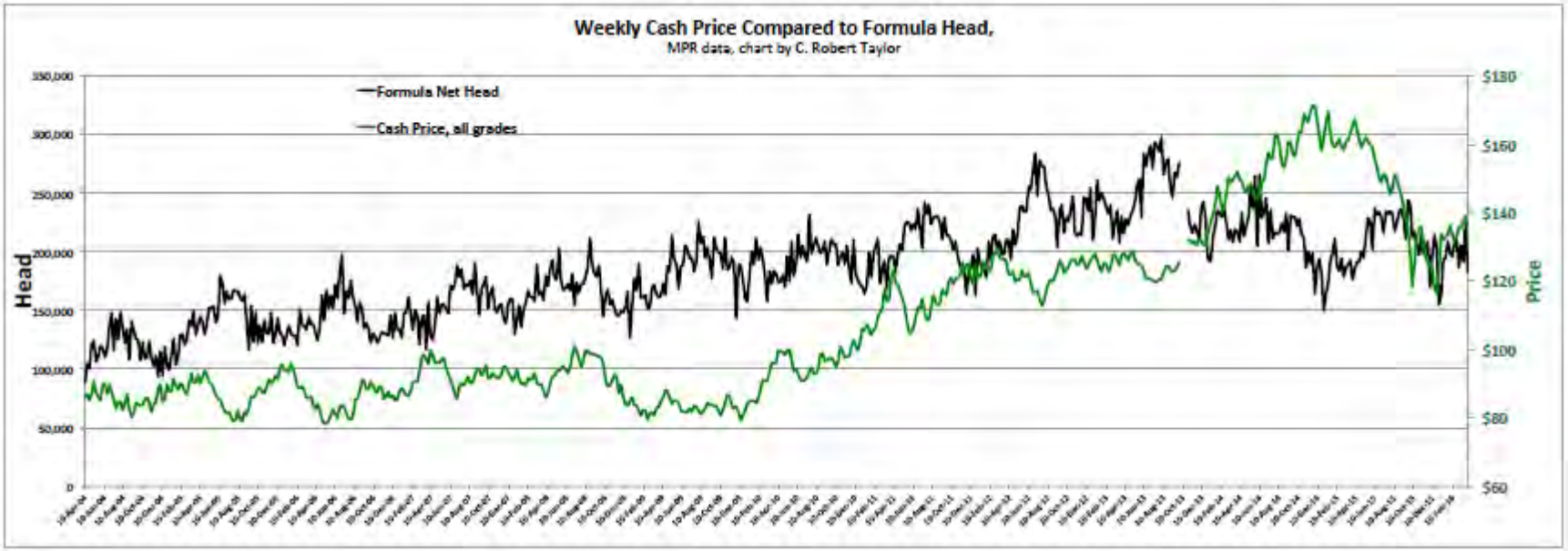
Including the Futures Market

- Unprecedented limit moves in single year
- Major disconnect between futures price and cash price
- Market fundamentals do not explain the larger moves
- Big orders attributed to big market moves were made manually, not electronically
- Cattle futures market has become extremely thin where today a 200 lot market order can turn the cattle futures market on its head
- CFTC investigation of 400 orders taken April 28, 2016

Manipulation With Captive Supplies

Captive Supply Study

- Captive Supply Impact on the U.S. Fed Cattle Price: An Application of Nonparametric Analysis, Journal of Rural Development, 2011
  - When captive supply reaches 20 percent of total cattle procurement, "[b]eyond this point, the U.S. fed cattle price decreases approximately $0.20/cwt ~ $0.40/cwt for each percent increase in the captive supply share."
  - 2015 reduction: $10.90-$21.80 per cwt, or between $136.25 and $272.50 per head


Weekly Cash Price Compared to Formula Head,
MPR data, chart by C. Robert Taylor
Formula Net Head
Cash Price, all grades
Head
Price
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
$180
$160
$140
$120
$100
$80
$60

Market Investigation Timeline

- Jan. 5, 2016 Investigation Request
- Jan. 14, 2016 Staff Briefing
- Jan. 22, 2016 First Follow-up
- Feb. 3, 2016 Second Follow-up
- Mar. 9, 2016 Third Follow-up
- Mar. 28, 2016 Fourth Follow-up
- April 20, 2016 Request to GAO
- May 10, 2016 S.2911 (Sen. Grassley)
- Oct. 23, 2016 GAO Briefing

Priority No. 4

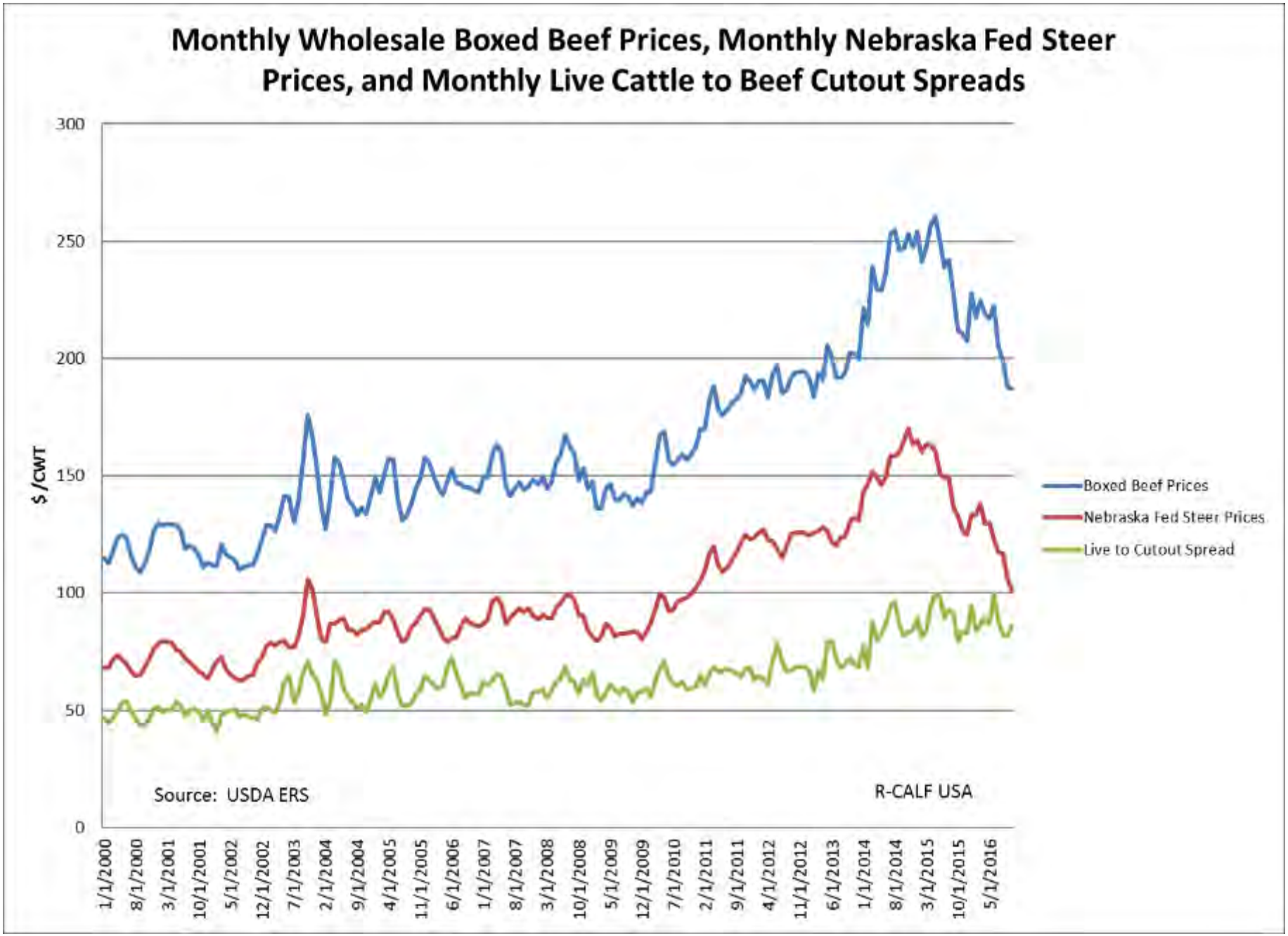
- We must pass legislation to stop the Big 4 from using captive supply cattle to capture control of the live cattle supply chain.

- Immediate Action: Call your congressional delegation and urge them to cosponsor Sen. Grassley's ban on packer ownership of livestock, S. 2911

October 21, 2016

“Recent data from USDA shows the near-record to historically wide spreads between cash fed cattle values and boxed beef and retail prices. This indicates windfall cumulative margins beyond the production sectors of the beef industry.”

- Nebraska Cattlemen -


Monthly Wholesale Boxed Beef Prices, Monthly Nebraska Fed Steer Prices, and Monthly Live Cattle to Beef Cutout Spreads
$ /CWT
300
250
200
150
100
50
0
1/1/2000
8/1/2000
3/1/2001
10/1/2001
5/1/2002
12/1/2002
7/1/2003
2/1/2004
9/1/2004
4/1/2005
11/1/2005
6/1/2006
1/1/2007
8/1/2007
3/1/2008
10/1/2008
5/1/2009
12/1/2009
7/1/2010
2/1/2011
9/1/2011
4/1/2012
11/1/2012
6/1/2013
1/1/2014
8/1/2014
3/1/2015
10/1/2015
5/1/2016
Boxed Beef Prices
Nebraska Fed Steer Prices
Live to Cutout Spread
Source: USDA ERS
R-CALF USA

Beneficial Trade, Not Just Trade
or
Smart Trade, Not Stupid Trade

- Livestock Disease Import Restrictions
  - USDA is systematically dismantling U.S. disease-related import restrictions.
    - TB from Mexico and Canada
    - FMD from Argentina, Brazil, and Namibia.
    - BSE from Europe (5 BSE cases in 2015)
    - Catastrophic consequences.

Economic Realities & Global Governance

Measuring Economic Strength

GDP = C + I + GS + X – M

C is consumption

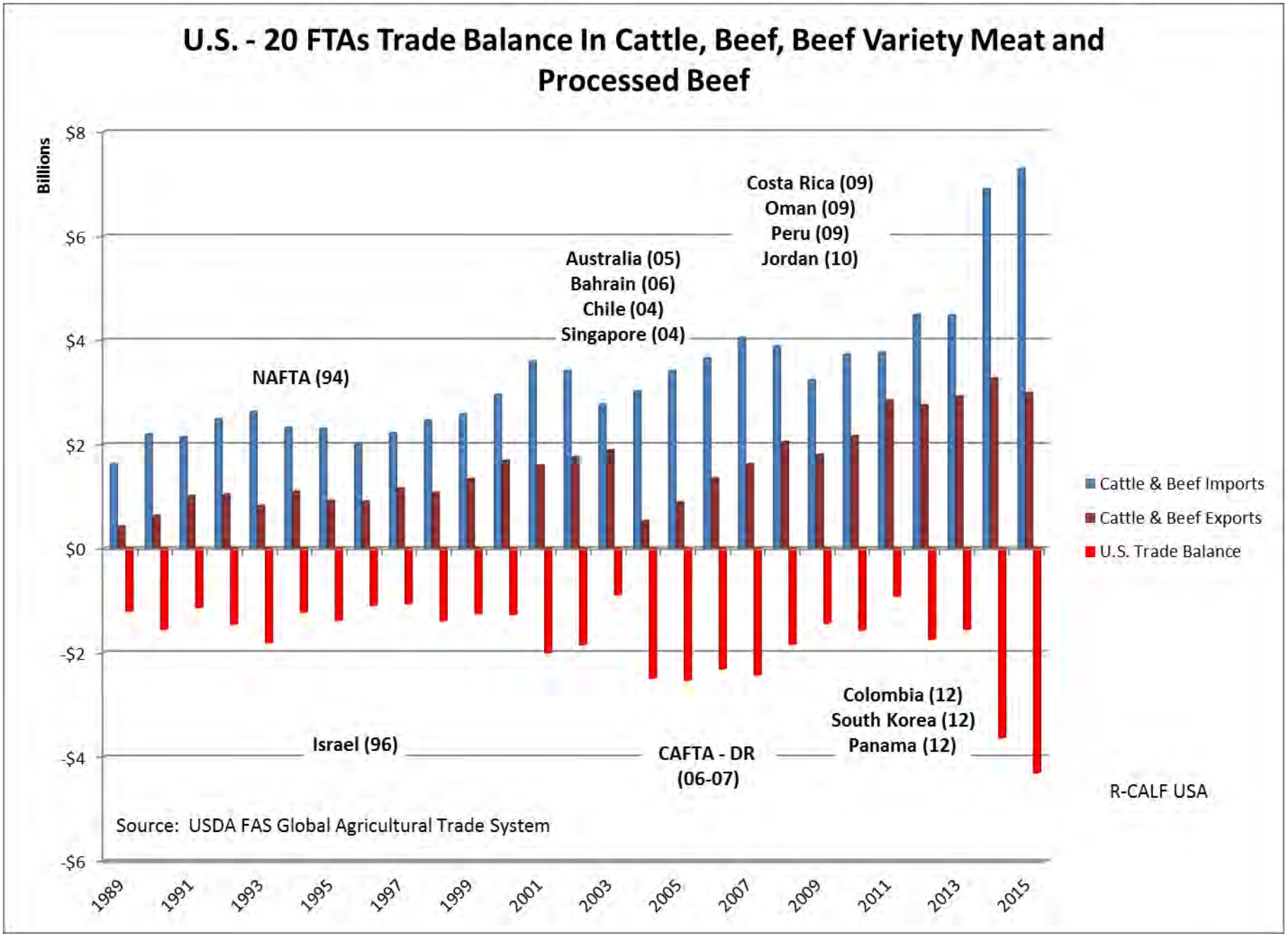
I is investment

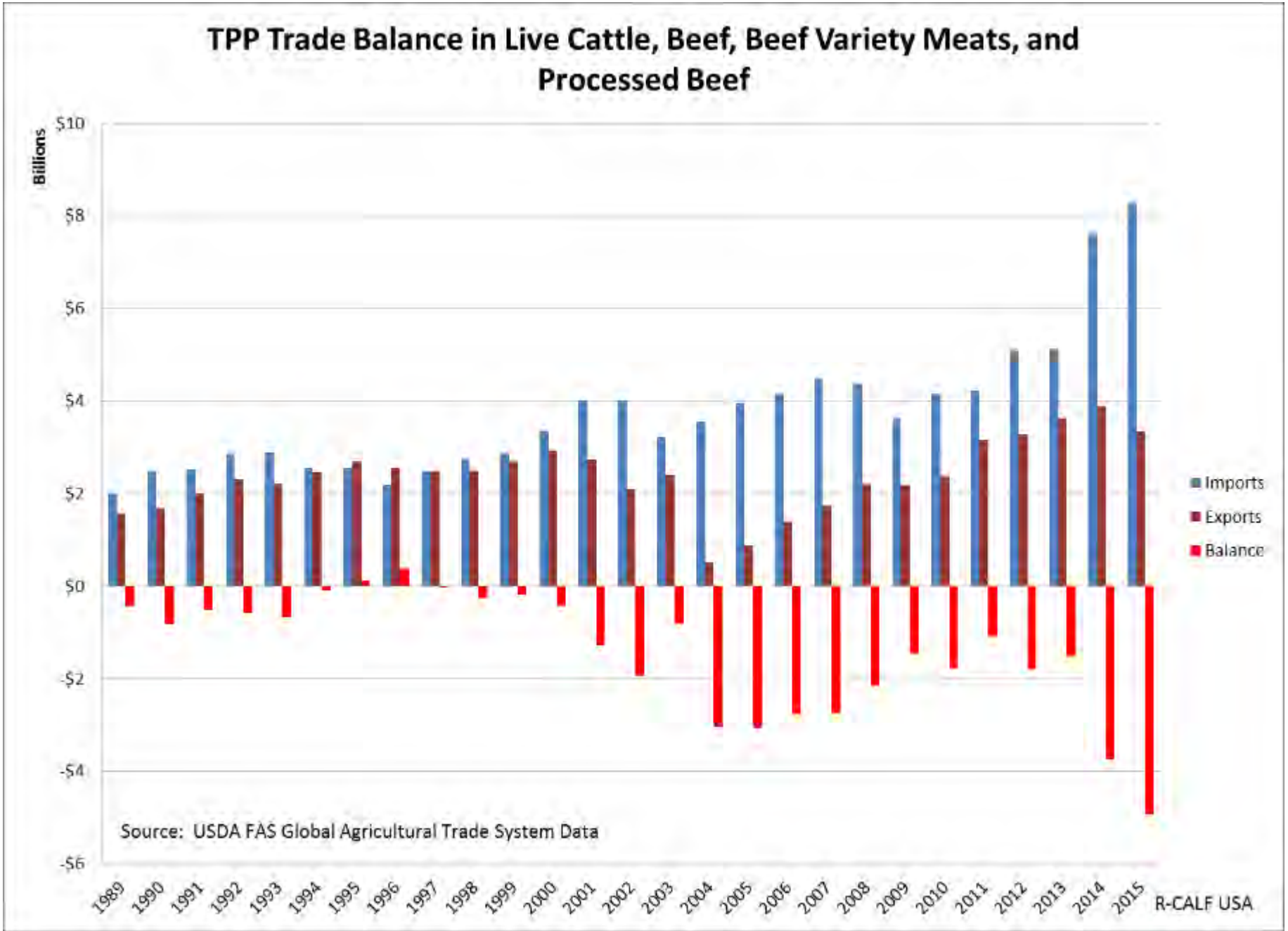
GS is government spending

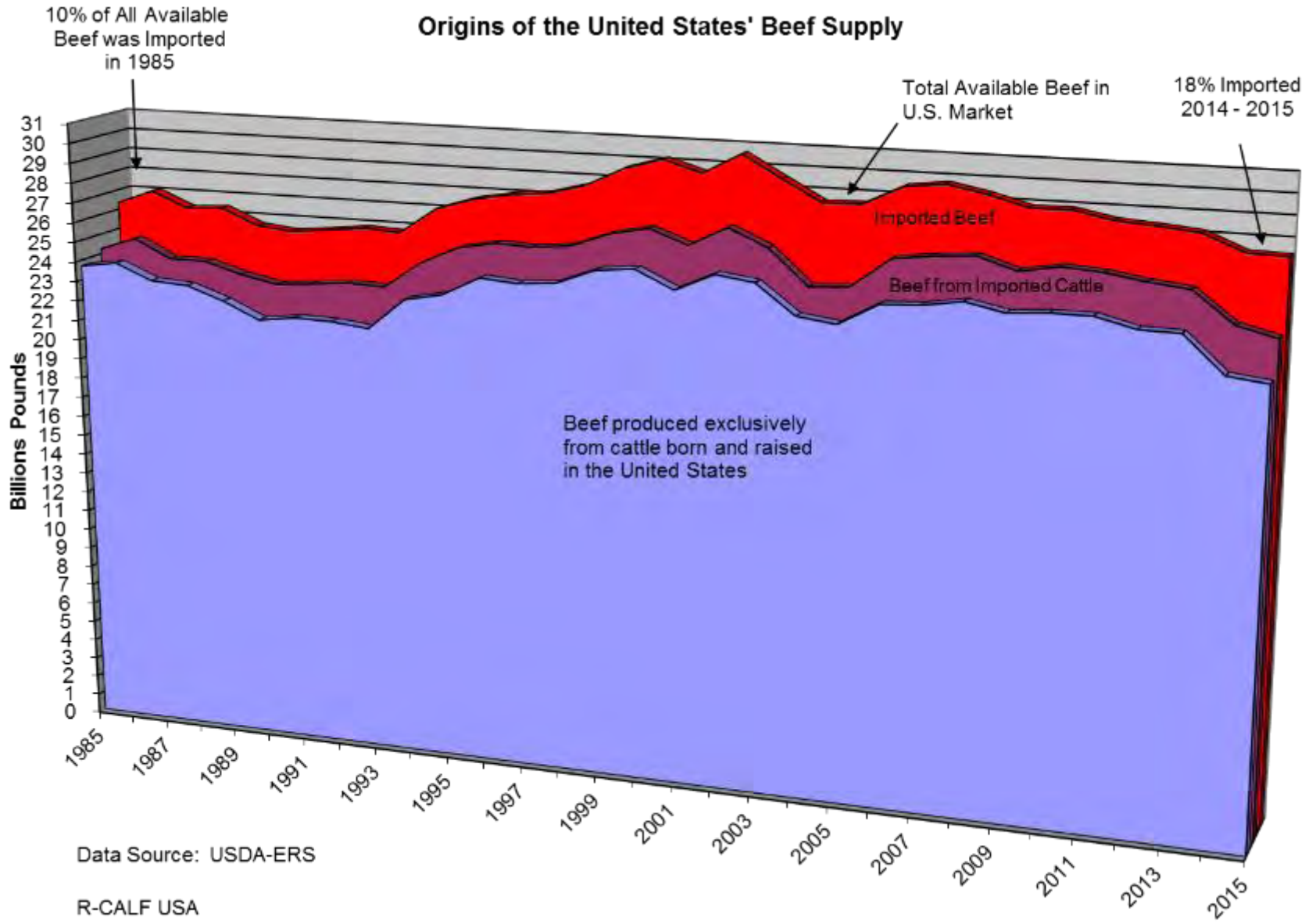
X – M is net exports

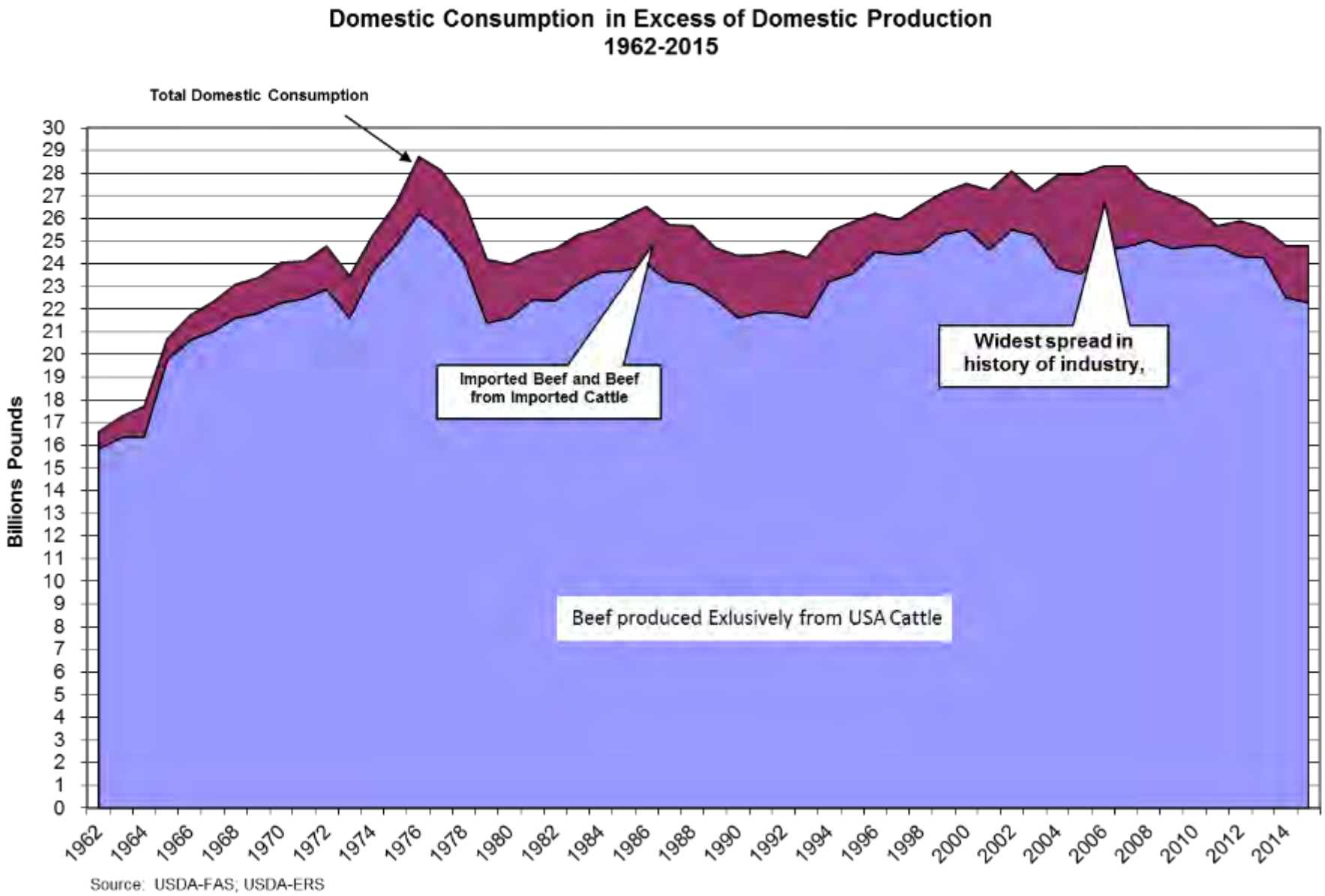
Net exports strengthen; Net imports weaken

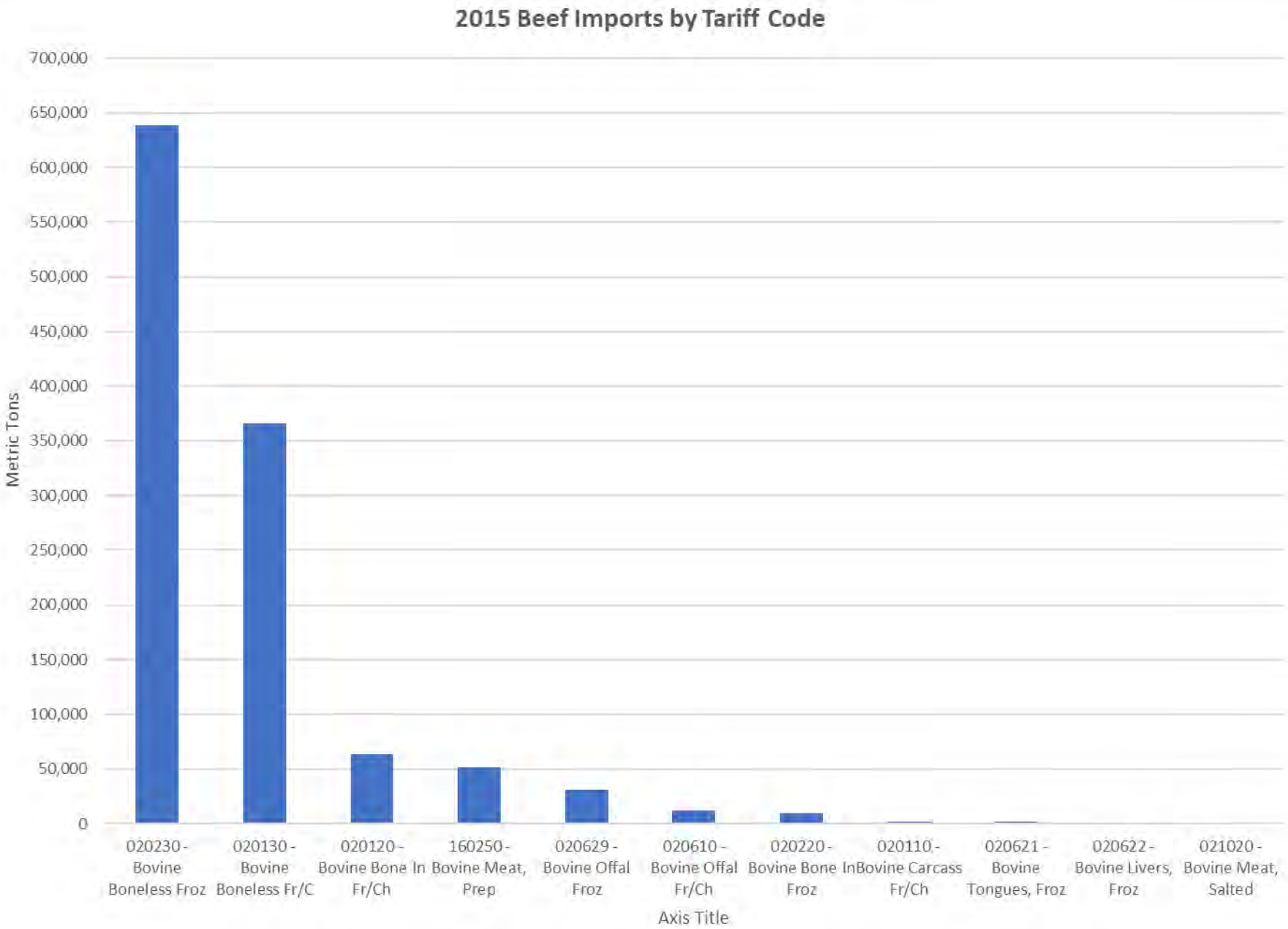
($737 billion goods deficit lowered GDP 3%)

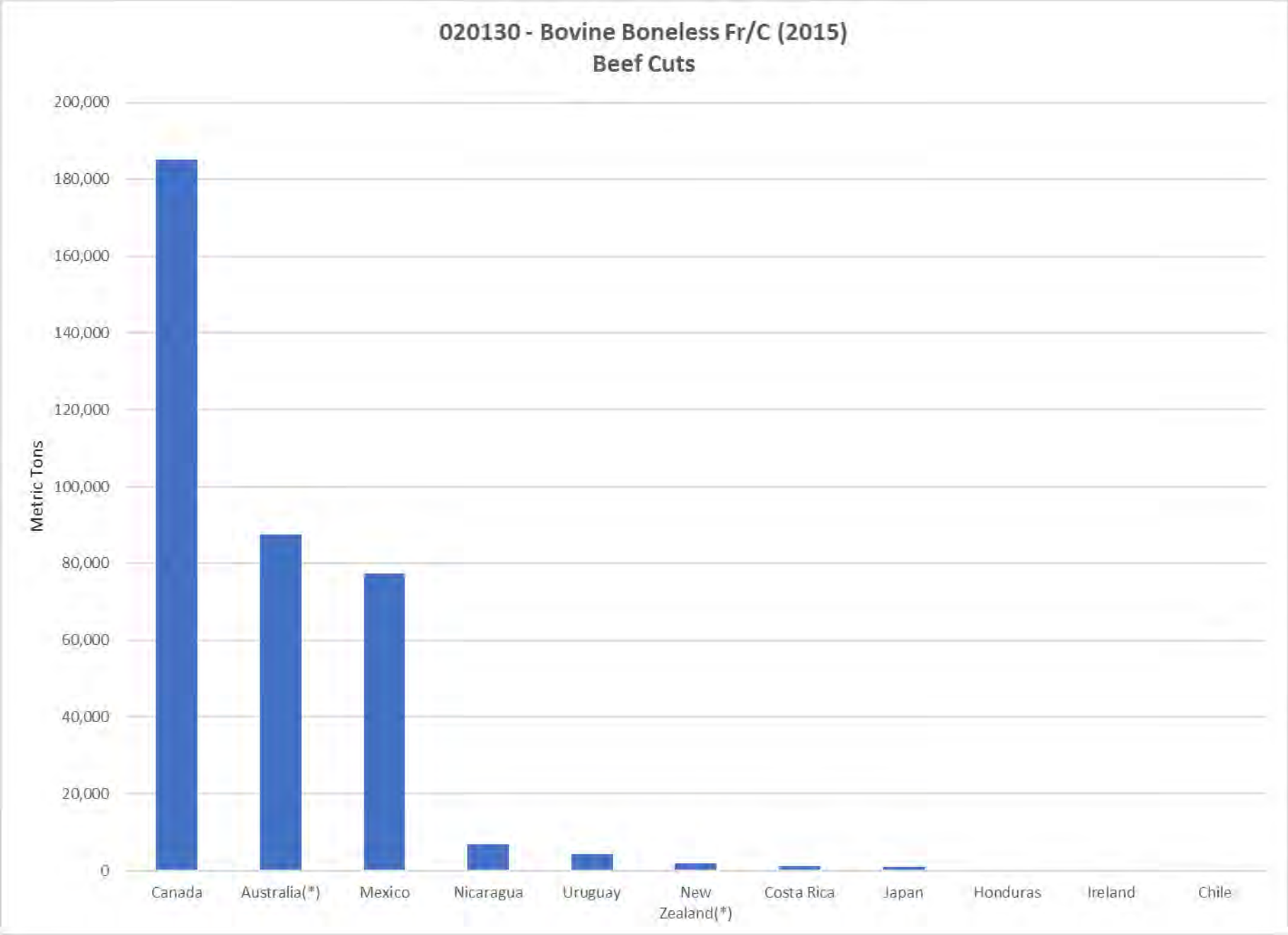

U.S. - 20 FTAs Trade Balance In Cattle, Beef, Beef Variety Meat and Processed Beef
Billions
$8
$6
$4
$2
$0
-$2
-$4
-$6
NAFTA (94)
Israel (96)
Australia (05)
Bahrain (06)
Chile (04)
Singapore (04)
CAFTA - DR (06-07)
Costa Rica (09)
Oman (09)
Peru (09)
Jordan (10)
Colombia (12)
South Korea (12)
Panama (12)
Cattle & Beef Imports
Cattle & Beef Exports
U.S. Trade Balance
Source: USDA FAS Global Agricultural Trade System
R-CALF USA
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015

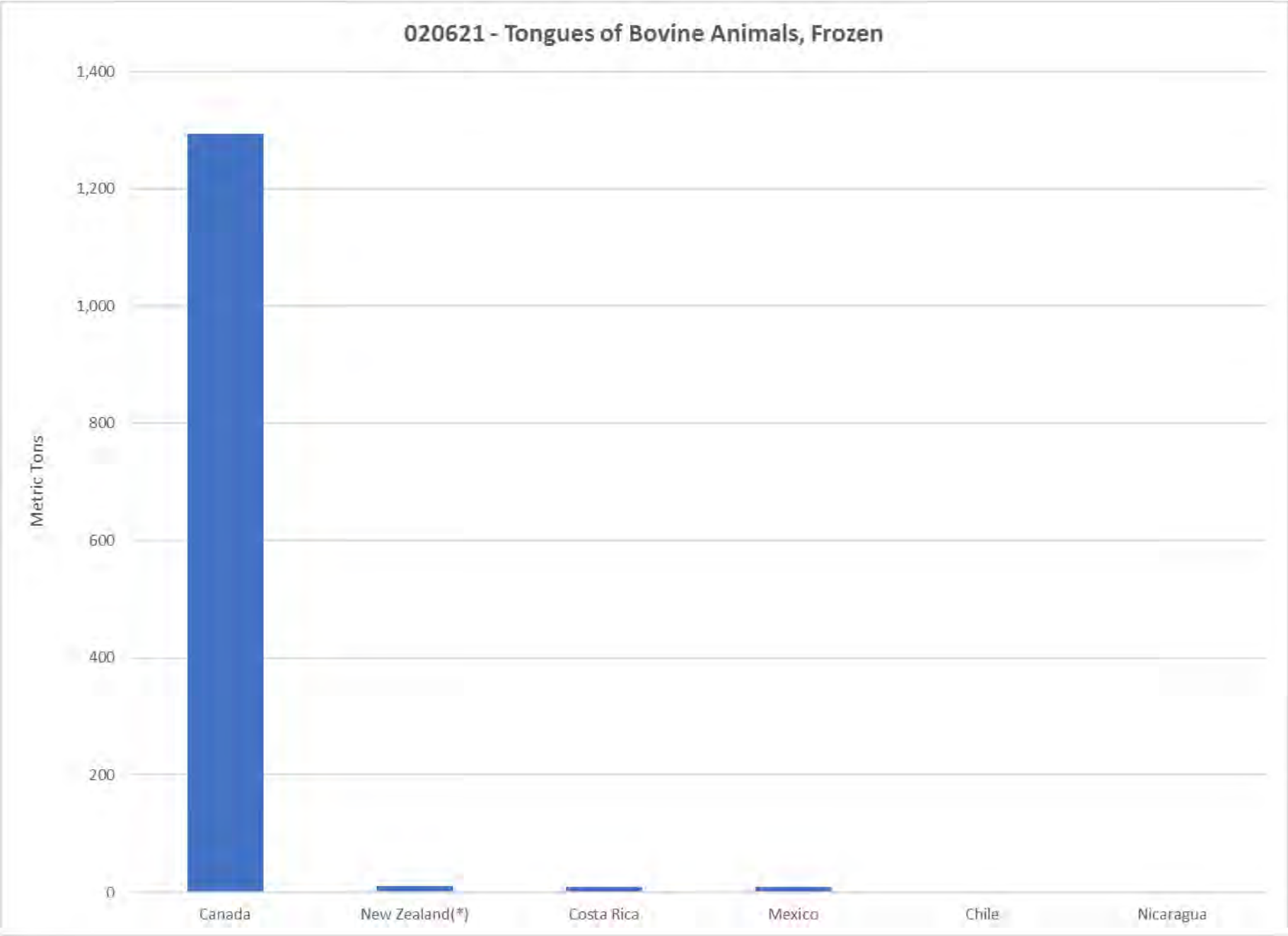

TPP Trade Balance in Live Cattle, Beef, Beef Variety Meats, and Processed Beef
Billions
$10
$8
$6
$4
$2
$0
-$2
-$4
-$6
Imports
Exports
Balance
Source: USDA FAS Global Agricultural Trade System Data
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
R-CALF USA


Origins of the United States' Beef Supply
10% of All Available Beef was Imported in 1985
Total Available Beef in U.S. Market
18% Imported 2014 - 2015
Imported Beef
Beef from Imported Cattle
Beef produced exclusively from cattle born and raised in the United States
Billions Pounds
0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
Data Source: USDA-ERS
R-CALF USA


Domestic Consumption in Excess of Domestic Production
1962-2015
Total Domestic Consumption
Billions Pounds
Imported Beef and Beef from Imported Cattle
Widest spread in history of industry,
Beef produced Exlusively from USA Cattle
Source: USDA-FAS; USDA-ERS


2015 Beef Imports by Tariff Code
Metric Tons
700,000
650,000
600,000
550,000
500,000
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
020230 - Bovine Boneless Froz
020130 - Bovine Boneless Fr/C
020120 - Bovine Bone In Fr/Ch
160250 - Bovine Meat, Prep
020629 - Bovine Offal Froz
020610 - Bovine Offal Fr/Ch
020220 - Bovine Bone Froz
020110 - Bovine Carcass Fr/Ch
020621 - Bovine Tongues, Froz
020622 - Bovine Livers, Froz
021020 - Bovine Meat, Salted
Axis Title


020130 - Bovine Boneless Fr/C (2015)
Beef Cuts
Metric Tons
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
Canada
Australia(*)
Mexico
Nicaragua
Uruguay
New Zealand(*)
Costa Rica
Japan
Honduras
Ireland
Chile


020621 - Tongues of Bovine Animals, Frozen
Metric Tons
1,400
1,200
1,000
800
600
400
200
0
Canada
New Zealand(*)
Costa Rica
Mexico
Chile
Nicaragua

Beneficial Trade, Not Just Trade

- Cattle industry does not overproduce
- Extremely sensitive to changes in supply
- Not the low-cost producer

- **TPP**
  - Beef is Beef: Origin is Country Where Animal Is Slaughtered
  - No Safeguards for Import Surges
  - Invites Foreign Governments and Foreign Corporations to Challenge Food Safety Standards
  - Will Not Reverse U.S. Trade Deficit in Cattle and Beef

Do U.S. Cattle Producers Benefit Automatically from Increased Exports?

- Not if packers source the beef exported to the new market from imported cattle or imported beef.

- Not if the packers leverage their market dominance to capture the share received from increased sales that a competitive market should allocate to producers.

- TPP: USITC's optimistic prediction is that after 15 years, the net benefits (new exports minus new imports) would be $457 million in increased sales - roughly one half the number of cattle typically slaughtered each week. ~250,000 head.

Priority No. 5

- We must renegotiate current trade agreements such as NAFTA and CAFTA and oppose the TPP to:
  - allow the U.S. to maintain import restrictions for countries with ongoing disease problems
  - protect the supply-sensitive cattle industry
  - designate the origin of beef as the country where the animal was born, raised, and slaughtered.
  - provide the U.S. cattle industry a meaningful opportunity to achieve more balanced trade with its trade-agreement partners.
- Action: Urge congressional delegation to oppose TPP

United States Sovereignty

- Self-imposed erosion of national sovereignty the United States is experiencing at the hands of the World Trade Organization (WTO).
- The WTO is the global, governing body authorized by trade agreements to adjudicate trade rules.
- In 2015 the WTO threatened the U.S. with an ultimatum to either repeal its domestic COOL law or face economic sanctions.
- Congress quickly capitulated and repealed the U.S. statute that required COOL for beef and pork.
- The chief member of the WTO panel that issued the coercive ultimatum was not an independent judge. Instead, he was a Mexican national – a citizen of one of the two countries that brought the COOL complaint to the WTO.

United States Sovereignty, Con't.

- Turned basic rules of procedure and evidence, which are hallmarks of U.S. jurisprudence, on their head.
- The U.S. now subjects its laws and lawmaking powers to a subverted WTO procedure whereby U.S. law becomes subservient to trade agreement rules as interpreted not by independent judges but by WTO panels.
- Much less about tariff reduction and much more about global governance and global standardization.
- **Priority No. 6:** We must withdraw from the now established global process whereby U.S. law becomes subservient to trade agreement rules as interpreted by WTO panels.

Beef Checkoff Program

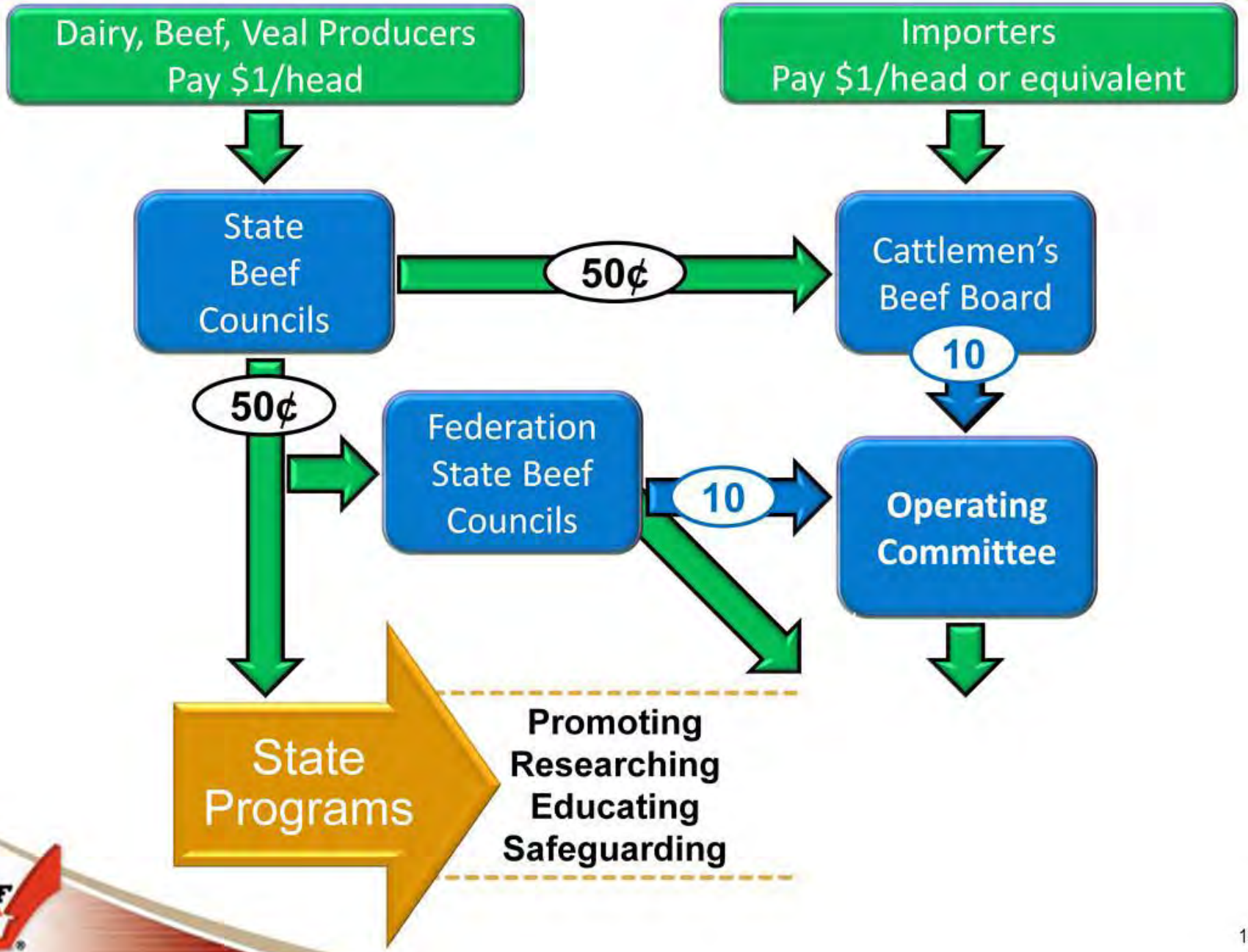
- Perhaps the greatest hypocrisy in the history of the U.S. cattle industry.
- The resulting cattle tax revenues total about $80 million per year and are collected by state beef councils that retain half the taxes and remit the other half to the national beef checkoff program.
- Most of the $40 million in cattle taxes received by the national beef checkoff program is paid to the National Cattlemen's Beef Association (NCBA), a lobbying organization that represents both multinational meatpackers and producers.
- More than 82 percent of the NCBA's total funding is derived from the federal cattle tax.
- The NCBA's political mantra is its call to get government out of agriculture. The NCBA lobbies against cattle-producer initiatives on the basis that it does not want the government involved in the cattle industry. Yet, the NCBA is the single-largest benefactor of the $80 million government-mandated cattle tax that funds government speech.

Beef Checkoff Program, Con't.

- The cattle tax cross-subsidizes the NCBA's lobbying efforts, it promotes the anticompetitive message that beef is beef regardless of whether the cattle were born and raised in Honduras, Nicaragua, Mexico or the United States, and the federal government's audit determined that hundreds of thousands of cattle tax dollars were improperly spent by the NCBA.

- Jan. 2017 Checkoff Reapportionment
  - Domestic producers lose 2 seats on CBB
  - Importers gain 1 seat on CBB (KS, NE, SD, IA, OK)

- .


Dairy, Beef, Veal Producers
Pay $1/head
Importers
Pay $1/head or equivalent
State
Beef
Councils
50¢
Cattlemen's
Beef Board
10
50¢
Federation
State Beef
Councils
10
Operating
Committee
State
Programs
Promoting
Researching
Educating
Safeguarding

Strategy

- Judicial Branch
  - Unconstitutional for federal government to compel producers to fund the private speech of state beef councils
- Legislative Branch
  - S.3200 Voluntary Checkoff Program Participation Act
  - S.3201 Commodity Checkoff Program Improvement Act of 2016

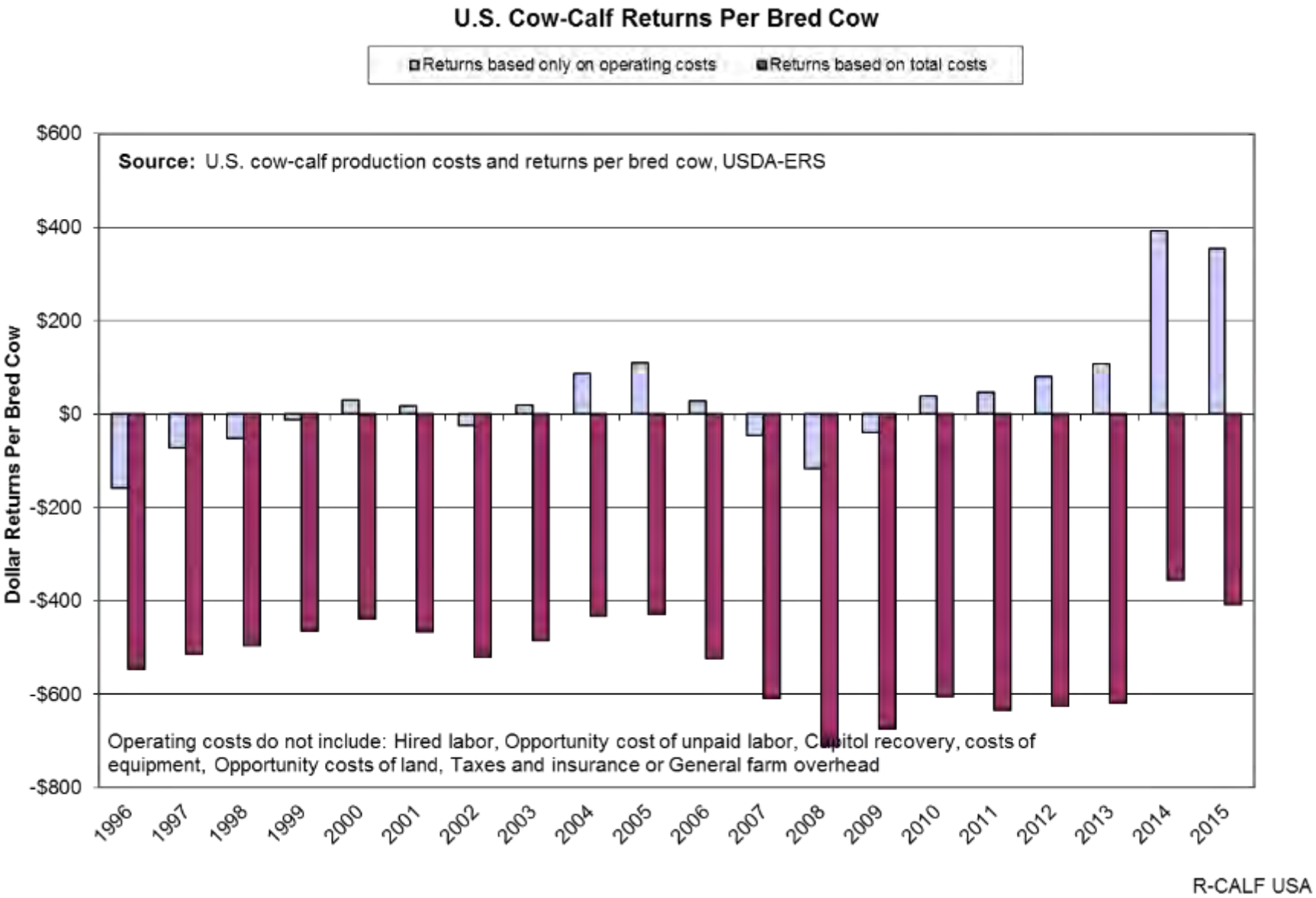
Priority No. 7

- We must repeal the National Beef Checkoff Program as it now exists or, alternatively, pass legislation that would: 1) prohibit any lobbying organization from contracting with the checkoff program; 2) allow U.S. cattle producers to promote USA beef; and/or 3) require the checkoff program to be purely voluntary

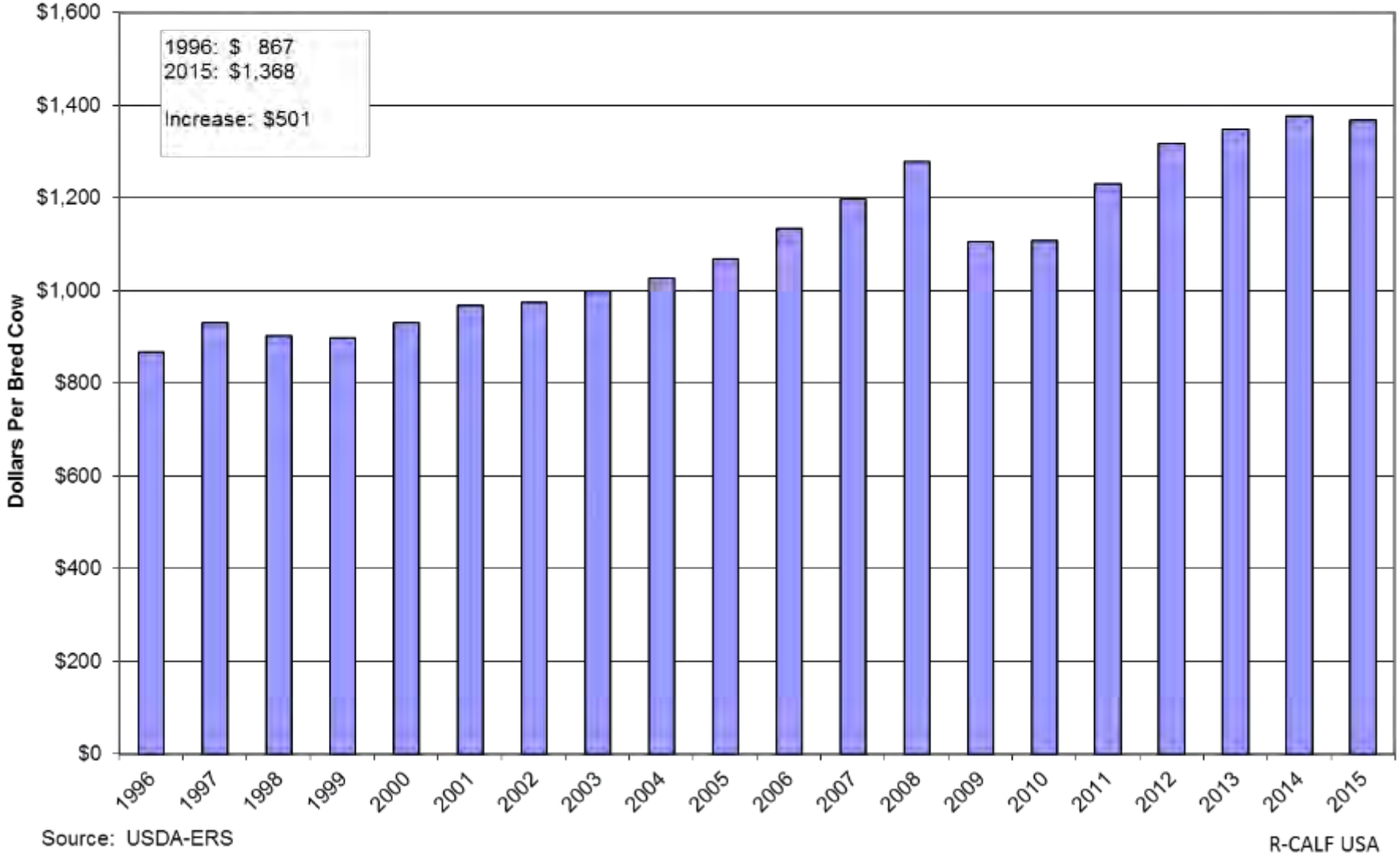
- **Immediate Action: Encourage your two senators to cosponsor the two checkoff bills: S. 3200 and S. 3201.**

Private Property

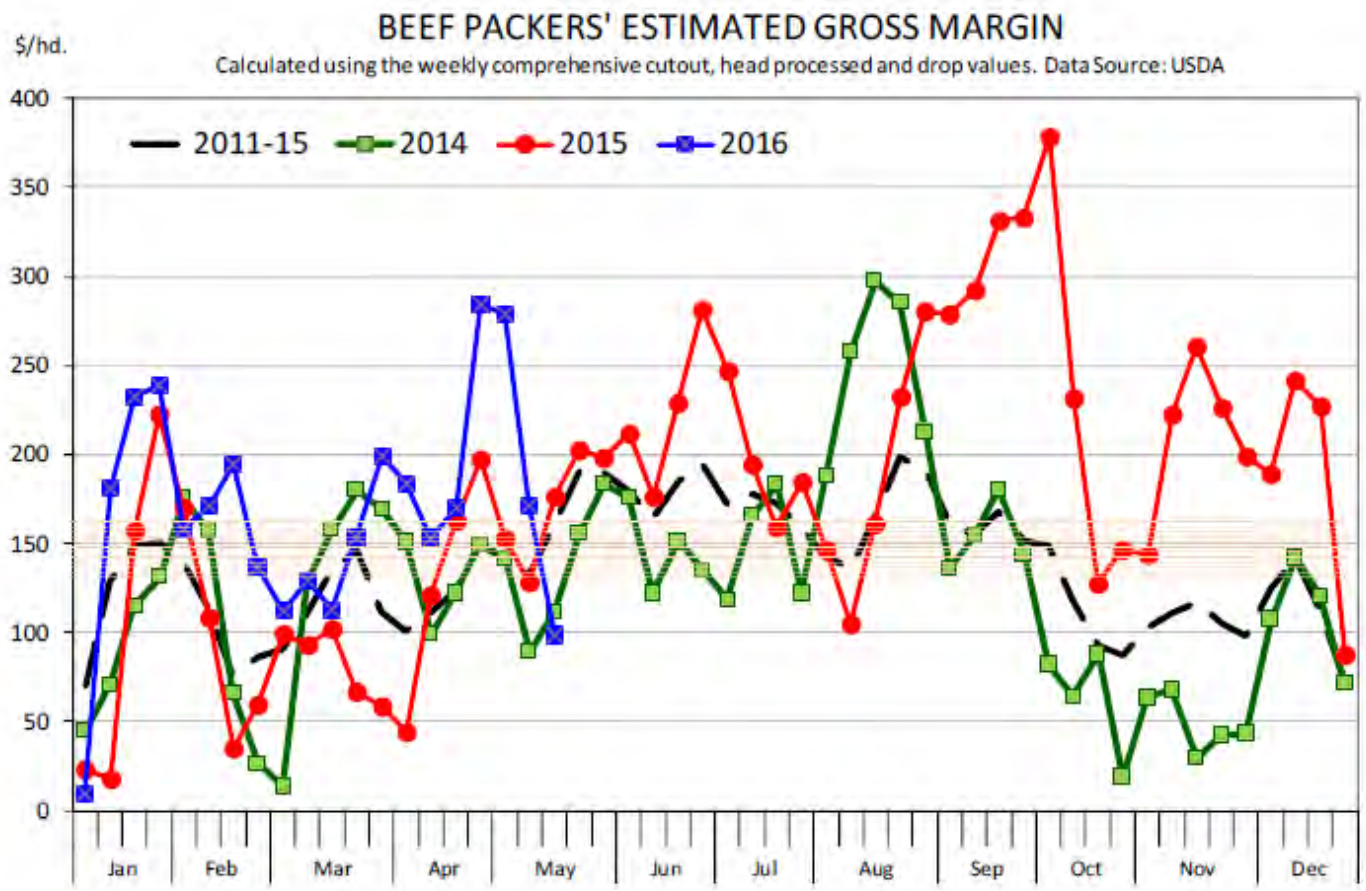
- Pre mid-70s: National interest to populate federally managed lands.
- Federal government now pursuing a systematic campaign to remove ranchers and their livestock from those lands.
  - The vested water and grazing rights being impaired or revoked.
  - Land-use restrictions are rendering some grazing lands uneconomical to operate.
  - Laws pertaining to endangered species, conservation, and water are being interpreted and implemented in a manner that demonizes the very ranchers who, for generations, dedicated their lives to the stewardship of the air, land and water, for which their ranching operations were dependent.
- *We must reverse the federal government's ongoing campaign to curtail if not end grazing on federally managed lands by independent cattle and sheep ranchers and restore a cooperative, helpful, respectful and non-litigious relationship between federal land management employees and U.S. ranchers.*


U.S. Cow-Calf Returns Per Bred Cow
Returns based only on operating costs
Returns based on total costs
Source: U.S. cow-calf production costs and returns per bred cow, USDA-ERS
Dollar Returns Per Bred Cow
$600
$400
$200
$0
-$200
-$400
-$600
-$800
Operating costs do not include: Hired labor, Opportunity cost of unpaid labor, Capitol recovery, costs of equipment, Opportunity costs of land, Taxes and insurance or General farm overhead
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
R-CALF USA

Cost Per Cow of Raising One Calf



Daily Livestock Report, CME Group, Vol. 14, No. 97 / May 17, 2016



Daily Livestock Report, CME Group, Vol. 14, No. 177 / September 7, 2016

"Annually, the calculated gross margin for slaughtering steers and heifers in 2015 was the third highest in the last two decades; the higher years were 2003 and 2006. Note that those higher years were pre the latest cowherd liquidation and resulting packer excess capacity period and also were pre-recession. This year could easily surpass 2015's level by more than 30% and set a new 20-year high beef packer margin." (Emphasis in original).

Market Access Risk

Packer concentration has empowered packers to become market gatekeepers, where the many cattle sellers have too few cattle buyers.

18 weeks in which there was only one market participant, 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.

- Bruce Cobb, CEO, Consolidated Beef Producers, 2010 -

while cattle prices were collapsing from 2014-2015, a) U.S. beef production declined by about 2%, b) the total supply of beef decreased by about .05%, c) and domestic consumption increased by about .03%. These facts belie industry claims that cattle prices fell because we began rebuilding our herd and increasing production, and that production increased because we fed our cattle too long. Instead, the fact that likely had the most impact on declining cattle prices was the ~14% increase in imports.