

Fighting for the U.S. Cattle Producer!



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Dear Cattle Producing Friend

What does the rest of 2016 have in store for your U.S. cattle industry? The answer is up to us.

After 18 years of herd liquidation that started in 1996, cattle inventories fell to a 73-year low while over 171,000 beef cattle producers and 84,000 independent cattle feeders exited our industry. When the dust finally settled U.S. beef production fell to the lowest level in two decades. Responding to this incredible shortage of beef and cattle, prices for your cattle in 2014 climbed to the highest nominal levels in our history.

Amidst all of this, the National Cattlemen's Beef Association (NCBA), which represents large multinational meatpackers: Tyson, Cargill, JBS and National Beef, told a U.S. federal court that U.S. cattle producers don't want their beef labeled with a USA country of origin label.

The NCBA said: "beef is beef, whether the cattle were born in Montana, Manitoba, or Mazatlán." The NCBA claims there is no difference between beef produced from U.S. cattle and beef produced from Canadian or Mexican cattle. According to them, beef produced from cattle sourced from anywhere in the world is just the same as beef from your U.S. cattle.

With this message, the NCBA worked with Canada, Mexico and the World Trade Organization (WTO) to convince Congress to repeal country of origin labeling (COOL). And Congress did.

With COOL gone, there is now a worldwide effort to render the origins of U.S. cattle irrelevant on a global scale. The effort includes relegating U.S. farmers and ranchers to nothing more than raw-product suppliers to the multinational meatpackers' global supply chain.

The Trans-Pacific Partnership Free Trade Agreement (TPP) is being pushed by the NCBA and meatpackers. The TPP states the origin of beef is wherever the animal is slaughtered. This means when cattle are imported from Brazil, Argentina, Mexico, Canada or Nicaragua and slaughtered by JBS or Tyson in a U.S. packing plant, the meat will be labeled as "Product of the USA."

We were deceived. *We now know the real reason COOL was repealed was to help multinational meatpackers steal the good name and reputation of U.S. cattle producers and put it on beef from foreign-sourced cattle for duty-free distribution to TPP countries, including the United States.* **Your reputation is worth billions of dollars.** Our own USDA helped gift this incredibly valuable asset to the multinational meatpackers. You got nothing.

R-CALF USA is the only association that testified before the U.S. International Trade Commission (ITC) that the TPP should be rejected because it destroys competition between the U.S. live cattle industry and live cattle industries from around the world. The ITC's investigation reveals that even with the addition of Japan, and even after 15 years of operation, the TPP will not reverse the horrendous trade deficit the U.S. has with the 11 other TPP countries. The ITC found that the U.S.

beef trade deficit with TPP countries was nearly \$2.8 billion in 2015 alone. This ongoing deficit in the trade of beef is weakening the economic viability of our industry.

With both cattle supplies and beef production so low, and with steady beef demand, cattle prices were expected to remain at historical highs from 2015 until 2018, at which time herd rebuilding was projected to cause prices to *gradually* subside. **But something went terribly wrong.**

Recall June 2015 when the U.S. House of Representatives repealed COOL. Up until then fed cattle prices were steady and strong (\$160.70 per cwt in May). But in June prices tumbled by more than \$9 per cwt and kept tumbling through December. When the dust settled the market had lost an astounding \$36 per cwt just since May. Fed cattle prices never fell so far or so fast at any other time in the history of our industry.

Calf prices fell just as hard, if not harder. In May 2015, feeder calves weighing 550 pounds were bringing \$286.41 per cwt. By December, prices fell to \$194.28, representing a loss of over \$506 per head for U.S. cow/calf producers! This wasn't caused by competitive market fundamentals. No, **this was the result of manipulation within our U.S. fed cattle market.**

In early January, R-CALF USA asked the U.S. Senate Judiciary Committee to investigate the cause of the 2015 cattle price collapse so we can prevent it from ever happening again. In response to our request, the Judiciary Committee in April asked the United States Comptroller General to conduct the investigation through his agency, the Government Accountability Office (GAO). In addition, Senate Judiciary Committee Chairman Charles Grassley immediately introduced legislation to ban packer ownership of livestock, which will help reduce the control that multinational meatpackers presently have over our markets.

On May 26, the GAO accepted the request to investigate the cause of the 2015 price collapse. In fact, the U.S. Comptroller General is now investigating the changes that have occurred within our markets during the past 10 years. (2005 was the last year meatpackers purchased more than one-half of their cattle supplies in the competitive cash market. Today, the volume in the competitive cash market is below 22 percent.)

This unprecedented investigation is our last best chance to stop the multinational meatpackers from capturing control over our live cattle supply chain through vertical integration. They already accomplished this capture in both the poultry and hog industries. We call the processes of capturing control over livestock supply chains "chickenization." So, **this is our last chance to stop the meatpackers from chickenizing our cattle industry.** We hope you will help us.

R-CALF USA members are also dissatisfied with paying into a beef checkoff program that funnels tens of millions of dollars to the NCBA – the same organization that fights to repeal COOL, that helps meatpackers vertically integrate the cattle supply chain, and that supports free trade agreements that marginalize U.S. cattle producers by weakening their competitiveness.

During the time the NCBA-controlled, mandatory beef checkoff program has been in place, per capita beef consumption fell from 79 pounds to 54 pounds while per capita chicken consumption increased from 51 pounds to 83 pounds. Yet, there is no mandatory checkoff program for chicken growers! **It is way past time for independent cattle producers to take back their beef checkoff program.**

In May, R-CALF USA filed a lawsuit in federal court against the beef checkoff program. Our lawsuit alleges it is a violation of the U.S. Constitution for the USDA to allow one-half of all checkoff taxes to be siphoned off by private state entities that use those taxes to promote the message that beef from cattle produced anywhere in the world is just as good as USA beef. In July, we helped introduce two new bills in Congress to prohibit any lobbying groups from receiving checkoff dollars and to make the checkoff program voluntary.

R-CALF USA is the largest producer-only cattle association in the United States. We recently included sheep producers within our ranks. We need to continue building our producer-focused organization throughout the rest of 2016.

No organization is fighting harder or more effectively to prevent multinational meatpackers from chickenizing your U.S. cattle industry. R-CALF USA has been successfully fighting against this for 16 years and we're likely the only reason you still have independent farmer-feeders bidding against the multinationals for your feeder calves. But we need your support to fight even harder. We are worried that many more independent feeders are continuing to exit our industry following the 2015 price collapse. **Alarming, our steadily declining calf prices are now about half of what they were less than two years ago. We must act quickly!**

Let's win-back COOL. Let's restore competition to our fed cattle market and strengthen competition in our feeder cattle market. Let's put an end to cattle-price manipulation. Let's defeat trade agreements that marginalize cattle producers. Let's stop USDA from importing beef from disease-affected countries like Brazil, Argentina and Namibia. Let's eliminate the corruption and misuse of the beef checkoff program. **Help us begin winning on each of these goals this year!**

If you join R-CALF USA, winning on all or most of these goals will be what's in store for your cattle industry in 2016 and beyond. R-CALF USA works only for you – the U.S. cattle and sheep producer – and not for the multinational meatpackers that want to control you and your production.

Whether you are a small or large cow/calf producer, yearling operator or sheep producer, or a small or large feedlot operator, we work for your economic interests.

We do not receive any government checkoff funds. We do not receive pharmaceutical, banking, meatpacker or other corporate contributions. We do not share our membership list with anyone. And, all of our revenues are generated by membership dues and contributions from your fellow cattle producers and local business that rely on the cattle industry. In short, **no other organization is so exclusively devoted to cattle producers and sheep producers as is R-CALF USA.**

Please join today. For just \$50 per year or \$140 for three years, you will have a substantial say in whether your cattle industry continues heading in the direction the multinational meatpackers want it to go or if it will stand up and defend its independence so our children and grandchildren will have the opportunity to be independent farmers and ranchers.

To join, please send memberships and contributions in the enclosed envelope or at www.r-calfusa.com and click on "Membership."



Bill Bullard, CEO
R-CALF USA