



**Comments on Renewal of the Farm Bill  
Submitted by Mr. Leo McDonnell of Columbus, MT  
on Behalf of R-CALF USA  
To the Senate Committee on Agriculture, Nutrition & Forestry  
Regional Farm Bill Hearing  
Great Falls, Montana**

August 17, 2006

The Ranchers-Cattlemen Action Legal Fund – United Stockgrowers of America (R-CALF USA) appreciates this opportunity to provide comments on the renewal of the Farm Bill through this submission by R-CALF USA member Leo McDonnell of Columbus, Montana.<sup>1</sup> R-CALF USA is a non-profit association that represents over 18,000 U.S. cattle producers in 47 states across the nation, along with 60 state and local affiliates. R-CALF USA's membership consists primarily of cow-calf operators, cattle backgrounders, and feedlot owners. Various main street businesses are associate members of R-CALF USA. R-CALF USA works to sustain the profitability and viability of the U.S. cattle industry, a vital component of U.S. agriculture. The renewal of the Farm Bill presents an important opportunity to strengthen the cattle sector and create a competitive playing field at home and abroad for United States cattle producers.

**I. Introduction**

The cattle industry is the largest single sector of U.S. agriculture, and the continued health of the sector is essential to creating strong, thriving rural communities all across the United States. In the past decade, U.S. cattlemen and women have faced significant obstacles in domestic and international markets. Since 1994, more than 122,000 cattle ranches and farms have closed down or otherwise exited the beef cattle business.<sup>2</sup> During the same period, the inventory of cattle and calves in the U.S. dropped from 101 million to just under 95 million.<sup>3</sup> The renewal of the Farm Bill provides an important opportunity to reform U.S. agriculture policies to create a competitive playing field at home and abroad for U.S. cattle producers. Without independent and profitable cattle producers, an increasingly vertically-integrated cattle and beef

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<sup>2</sup> U.S. Department of Agriculture, National Agricultural Statistics Service Agricultural Statistics Database, *U.S. and All States Data – Cattle and Calves*, 1994 – 2005.

<sup>3</sup> *Id.*

industry in the U.S. could dictate increased dependence on foreign beef supplies, thus raising beef supply and quality issues for U.S. consumers.

The Farm Bill should help U.S. cattle producers compete in honest and open markets and maintain their central role as the backbone of U.S. agriculture. In order to do so, the Farm Bill should make progress in five key areas: 1) honest competition in the domestic livestock market; 2) animal health and safety; 3) consumer information; 4) international trade; and 5) the development of initiatives to sustain a more prosperous and competitive cattle and beef sector. In recognition of the importance of our sector and the challenges it faces, the Farm Bill should contain a separate cattle and beef chapter encompassing each of these issues to ensure they receive the urgent attention they deserve and are addressed comprehensively.

## **II. Ensure Genuine Competition in the Domestic Cattle Market**

Consolidation in the meatpacking industry has grown at an alarming rate over the past few decades, as have abusive contracting practices. Market concentration and packer-dominated contracting practices have systematically undercut cattle producers and denied them an honest price in a competitive market. Concentration among meatpackers has more than tripled since the late 1970s, and today just four beef packing companies control more than 83 percent of the industry.<sup>4</sup> This level of concentration far exceeds other industries, and the rate of growth in concentration is unmatched among other industries for which the Census Bureau collects such data.<sup>5</sup> Such a high level of concentration is indicative of a severe lack of competitiveness in the industry, given that most economists believe competitive conditions begin to deteriorate once the four-firm concentration level exceeds 40 percent.<sup>6</sup>

At the same time that the meatpacking industry has been consolidating dramatically, packers have increasingly used non-traditional contracting and marketing methods that further erode the selling power of cattle producers. Thus, while the meatpacking industry has become more integrated horizontally (through consolidation), it has also been increasing its vertical coordination through its contracting practices. Such methods include purchasing cattle more than 14 days before slaughter (packer-fed cattle), forward contracts, and exclusive marketing and purchasing agreements. Together, the four largest packing companies employed such forms of “captive supply” contracting methods for a full 44.4 percent of all cattle they slaughtered in 2002.<sup>7</sup> And use of these captive supply methods has been increasing rapidly, rising 37 percent from 1999 to 2002.<sup>8</sup>

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<sup>4</sup> J. McDonald et al., “Consolidation in U.S. Meatpacking,” Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture, Agricultural Economic Report No. 785, February 2000 at 7 and M. Hendrickson and W. Heffernan, “Concentration of Agricultural Markets,” University of Missouri Department of Rural Sociology, February 2005, available on-line at <http://www.foodcircles.missouri.edu/CRJanuary05.pdf>. (Hereinafter McDonald).

<sup>5</sup> McDonald at 7.

<sup>6</sup> “Economic Concentration and Structural Change in the Food and Agriculture Sector: Trends, Consequences and Policy Options,” Report Prepared by the Democratic Staff of the Committee on Agriculture, Nutrition, and Forestry, United States Senate, Oct. 29, 2004 at 4 – 5.

<sup>7</sup> RTI International, “Spot and Alternative Marketing Arrangements in the Livestock and Meat Industries: Interim Report,” Report Prepared for the Grain Inspection, Packers, and Stockyard Administration, U.S. Department of Agriculture, July 2005 at 3-15.

<sup>8</sup> *Id.* at 3-17.

Captive supply practices push risks of price instability on to cattle producers and hold down cattle prices.<sup>9</sup> As prices for cattle are artificially depressed and become more volatile, it is cattle producers who pay the price, even when broader demand and supply trends should be increasing returns to producers. The impact of packer concentration and abusive contracting practices is evident in the declining share of each beef retail dollar that actually reaches cattle ranchers. The rancher's share of each retail dollar earned on beef was 47 cents in 2005, down from 56 cents in 1993.<sup>10</sup>

In the Farm Bill, steps must be taken to guard aggressively against anticompetitive practices and protect producers from the abuse of market power. There are two key components to this strategy: 1) strengthening tools to combat excessive concentration and enforce existing competition laws in the meatpacking industry; and 2) improving regulation to prohibit unfair contracting practices that deny market transparency and reduce producer bargaining power in open markets.

The Farm Bill should ensure that antitrust and competition laws are effectively and vigorously enforced. Numerous studies have criticized the failure of the USDA's Grain Inspection, Packers, and Stockyards Administration (GIPSA), the Department of Justice, and Fair Trade Commission to work together more aggressively to scrutinize mergers and acquisitions in the industry and to pursue a proactive strategy for preempting and remedying anticompetitive practices.<sup>11</sup> In January 2006, the USDA's Office of Inspector General (OIG) found a broad range of management problems within GIPSA that have severely undermined the agency's effectiveness.<sup>12</sup> The OIG found that GIPSA's investigative tracking system for violations of the Packers and Stockyards Act was inaccurate and incomplete, that GIPSA's process for managing investigations was inadequate, that GIPSA left important policy decisions unmade for months and even years, and that previous recommendations from the OIG and the GAO to strengthen GIPSA had not been fully implemented. As a consequence of these failures, GIPSA has referred only one competition investigation to the USDA's Office of General Counsel (OGC) for follow-up since the end of 2002, and the OGC has not filed any administrative complaints against the meatpacking industry since 1999.

Urgent steps are needed to ensure the law is enforced effectively to combat concentration and anticompetitive practices. The structure of the enforcement agencies should be reformed to ensure that there is one central coordinating office which has the full authority needed to vigorously pursue enforcement actions and which can be held accountable by Congress for

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<sup>9</sup> *Id.* at 3-18 – 3-22 and John M. Connor, "The Changing Structure of Global Food markets: Dimensions, Effects, and Policy Implications," Paper Presented to The Conference on Changing Dimensions of the Food Economy: Exploring the Policy Issues, The Hague, Netherlands, Feb. 6 - 7, 2003 at 8.

<sup>10</sup> USDA Economic Research Service, "Beef Values and Price Spreads," available on-line at <http://www.ers.usda.gov/briefing/foodpricespreads/meatpricespreads/>.

<sup>11</sup> See, e.g., General Accounting Office, *Packers and Stockyards Programs: Actions Needed to Improve Investigations of Competitive Practices*, GAO/RCED-00-242, Sept. 2000 and General Accounting Office, *Justice's Antitrust Division: Better Management Information Is Needed on Agriculture-Related Matters*, GAO-01-188, April 2001.

<sup>12</sup> USDA Office of Inspector General, *Audit Report: Grain Inspection, Packers and Stockyards Administration's Management and Oversight of the Packers and Stockyards Programs*, Report No. 30601-01-Hy (January 2006).

effectively enforcing the law. Agencies should report regularly to Congress on cases referred, pursued, and prosecuted. Market consolidation thresholds that trigger enforcement action should be established. Protections should be put in place to ensure that producers complaining of anticompetitive practices are not retaliated against by packers and processors. If needed, additional dedicated funding should be available to the agencies responsible for enforcement.

On the issue of market coordination and unfair contracting practices, the Farm Bill should strengthen the law in order to prohibit packer ownership, end captive supply, and guarantee a minimum open market volume. In addition, the law should require processors to bargain in good faith and prohibit other unfair contract practices by:

- Requiring a fixed base price in formula contracts and ban “tournament” or “ranking system” payments;
- Ensuring cattle purchase contracts include a clear disclosure of producer risks and duration, termination, renewal, and payment factors;
- Requiring contracts to be traded in open, public markets and prohibiting confidentiality clauses; and
- Improving termination and arbitration provisions to ensure cattle producers can retain and enforce their rights.

In previous comments R-CALF USA suggested that the Farm Bill should include language to strengthen Livestock Mandatory Price Reporting. However, the precipitous drop in U.S. fed cattle prices that began in January 2006 and continues through today, despite widespread reports of tight cattle supplies and strong beef demand, demonstrate the need to immediately reauthorize Livestock Mandatory Price Reporting in accordance with recommendations recently made by the GAO.<sup>13</sup> The U.S. cattle industry needs more accurate and complete market data and we urge the Senate Agriculture Committee to work to resolve the differences between the Senate and the House. We support the recommendations proposed by Senators Charles Grassley and Tom Harkin and trust that transparency in the market can be improved by extending and strengthening Livestock Mandatory Price Reporting as quickly as possible.

### **III. Safeguard Health and Safety**

Following the discovery of a Canadian cow with bovine spongiform encephalopathy (BSE) in Washington State in 2003, more than 50 countries banned U.S. cattle and beef imports, costing the U.S. industry billions of dollars. The U.S. exported more than \$3 billion in fresh, chilled or frozen beef in 2003, which fell to \$0.5 billion in 2004 and \$0.8 billion in 2005. Meanwhile, U.S. imports of fresh, chilled or frozen beef have risen since 2003. The U.S. imported \$2.4 billion of fresh, chilled or frozen beef in 2003 and \$3.3 billion in 2005. The result of declining exports and rising imports has been a significant trade deficit in fresh, chilled or frozen beef. The deficit totaled \$2.8 billion in 2004 and \$2.5 billion in 2005.

Closure of foreign markets is preventing a rebound in the domestic cattle sector at a time when such a resurgence would otherwise be expected, with growing domestic beef demand and the closure of the border to imports of cattle from Canada for much of the 2003 to 2005 period. Instead of the normal rebound in the cattle cycle, the loss of export markets and live cattle price

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<sup>13</sup> Government Accountability Office, *Livestock Market Reporting: USDA Has Taken Some Steps to Ensure Quality, but Additional Efforts Are Needed*, GAO-06-202, Dec. 2005.

volatility are thwarting a full recovery in the domestic cattle and beef sector. Restraints in external markets are artificially reducing the size of the U.S. cattle industry, as imports are increasing and seizing a large share of domestic consumption.

- In 2003, all cattle and calf marketings totaled 56.8 billion pounds.<sup>14</sup> In 2004, the volume marketed fell to 53.8 billion pounds, and in 2005 it fell again to 53.1 billion pounds.<sup>15</sup>
- The number of cattle operations in the U.S. dropped from 1,013,570 in 2003 to 982,510 in 2005, and the cattle and calf inventory fell from 96 million head to 95 million from 2003 to 2005.<sup>16</sup>
- Overall U.S. beef production (domestic and export combined) declined 6 percent from 2003 to 2005 (by quantity).<sup>17</sup>
- From 2003 to 2005, production employment in the animal (except poultry) slaughter industry fell from 134,900 to 128,800 and production employment in meat processing fell from 96,900 to 93,800.<sup>18</sup>
- U.S. beef imports increased both in absolute terms and as a portion of domestic consumption from 2003 to 2005. Beef imports accounted for a higher portion of domestic U.S. consumption in 2005 (12.9%) than they did in 2003 (11.1%).<sup>19</sup>

Though some key export markets, such as Japan, have promised to loosen their import bans on U.S. beef, it is unlikely that this partial market opening will allow for the full resumption of previous export volumes. While the U.S. has struggled to negotiate even limited access for U.S. cattle and beef exports to foreign markets, the domestic market has been thrown open to a much broader range of imports from abroad. As a result, cattle and beef imports into the U.S. face lower standards than U.S. exports must meet overseas, giving foreign countries an excuse to keep their markets closed due to the potential risks posed by the lower health and safety standards the U.S. applies to its imports.

In the case of Japan, for example, USDA agreed to allow imports of Japanese beef with no age limits while securing access to Japan only for U.S. beef from animals aged 20 months or younger. The broad opening to Japanese beef makes the U.S. the only major beef-consuming country in the world to accept beef from a BSE-infected cattle herd – regardless of the scope of the disease problem in that country and without requiring the more stringent BSE risk mitigation measures recommended by the OIE (World Organization for Animal Health). This lack of a coherent BSE protection policy presents a major obstacle to United States cattle producers who seek to protect their herds from disease and market their high-quality product around the world.

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<sup>14</sup> USDA, *Meat Animals Production, Disposition, and Income 2003 Summary* at 1 (April 2004).

<sup>15</sup> USDA, *Meat Animals Production, Disposition, and Income 2004 Summary* at 1 (April 2005) and USDA, *Meat Animals Production, Disposition, and Income 2005 Summary* at 1 (April 2006).

<sup>16</sup> U.S. Department of Agriculture, National Agricultural Statistics Service, Agricultural Statistics Database, *U.S. and All States Data – Cattle and Calves*.

<sup>17</sup> U.S. Department of Agriculture, Production, Supply and Distribution Database, *Meat, Beef and Veal*, available on-line at <http://www.fas.usda.gov/psd/> (hereinafter “USDA PSD Database”).

<sup>18</sup> U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, Animal (except poultry) Slaughter and Meat Processing, Production Workers, NAICS 311611, 311612 and 311613. While these numbers include other animal products such as pork and lamb, the decline in employment since 2003 contrasts markedly with steady or growing employment in these sectors over the previous ten years.

<sup>19</sup> USDA PSD Database.

The Farm Bill should lay out an aggressive, comprehensive global strategy for protecting the integrity of the United States cattle and beef supply. Ultimately, global markets for U.S. products will not re-open fully if U.S. health and safety standards, particularly import standards, are perceived as inadequate. The Farm Bill should direct USDA to engage with other countries to upwardly harmonize global import standards for beef. These standards must provide the highest level of protection for animal health and food safety and rely on sound science. The Farm Bill can ensure that USDA makes health and safety a top priority as it works to restore global export markets for U.S. beef by:

- Closing loopholes in the U.S. feed ban that were identified by an international scientific panel convened by USDA;
- Instructing USDA to adopt the most stringent BSE risk mitigation measures recommended for both imports and exports by the OIE pending an international agreement on BSE standards;
- Employing more FSIS meat inspectors to work the lines in the large processing plants rather than using HACCP inspection so that Specified Risk Materials (SRMs) and other prohibited cow parts are not entering the food system;
- Allowing voluntary BSE testing by U.S. packers; and
- Directing USDA to take the lead in bringing countries together to upwardly harmonize BSE standards that would allow trade of safe cattle and beef products to resume and prevent any further global spread of the disease.

A coherent, global approach to health and safety in the cattle and beef sector will protect livestock health, ensure that products coming into the U.S. face standards as high as U.S. exports face overseas, provide producers with certainty and predictability, and confirm for consumers at home and abroad that U.S. cattle and beef is among the safest, highest-quality product in the world.

Finally, while R-CALF USA agrees that animal identification can play an important role in controlling and tracking disease, it is absolutely essential that any mandatory animal identification system be fully funded by the government and implemented through federal, state and tribal cooperation. The Farm Bill should ensure that any animal ID system maintains current programs and leaves jurisdiction over such programs to the respective states. A federalized or nationalized animal ID system that ignores the role of states and tribal authorities will impose undue burdens on producers while providing limited protection to animal health and consumer safety. Any producer-related liability associated with animal ID must cease when the animal changes ownership as long as proper animal husbandry practices have been followed.

#### **IV. Provide Information to Beef Consumers**

Congress passed mandatory Country of Origin Labeling (COOL) for beef and other agricultural products in 2002. The American people in poll after poll support knowing what country their food comes from, and domestic producers believe that labeling provides an excellent opportunity for promoting high-quality U.S agriculture products.<sup>20</sup> Due to historical anomalies in country-of-origin marking rules and the marking practices of the Bureau of Customs and Border Patrol, beef and other perishable products are some of the few items

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<sup>20</sup> See, e.g., John VanSickle et al., “Country of Origin Labeling: A Legal and Economic Analysis,” University of Florida Institute of Food and Agricultural Science, May 2003. (Hereinafter VanSickle).

consumers purchase in the U.S. that lack country of origin information.<sup>21</sup> The vast majority of other developed countries have already implemented country-of-origin labeling programs for such products, including beef.<sup>22</sup> The track record with fish and shellfish country-of-origin labeling proves that such labeling can be implemented to the benefit of both consumers and industry in the U.S. Unfortunately, despite broad public support and the proven success of similar programs, COOL implementation was recently delayed until 2008 due to widespread misunderstandings about the costs and benefits of COOL.

The Farm Bill should restore COOL by moving its implementation date as close as possible to the original date passed by Congress. In addition, the Farm Bill should outline an implementation approach that ensures COOL is administrated in the most simple and cost-effective manner for producers while providing the full scope of information to consumers contemplated in the original COOL law. The GAO and independent analysts have expressed concern that initial plans for COOL implementation outlined by USDA are unnecessarily burdensome and expensive, and could be simplified significantly.<sup>23</sup> In the 2004 interim final rule for country-of-origin labeling for fish and shellfish, there were significant revisions and simplifications to the labeling and recordkeeping requirements outlined in the initial proposed rule by USDA.<sup>24</sup> Cost-saving revisions that do not weaken the substance of the COOL law should be considered in any final implementing rules for COOL for beef.

Packers should be capable of identifying those animals exclusively born and raised in the U.S., whose meat qualifies for a “U.S.” label of origin under COOL, without passing along undue additional costs and legal liabilities to producers. Current marking and sealed conveyance requirements for cattle imported from Canada and Mexico due to health and safety concerns, together with any necessary modifications to marking law and regulations which exempt imported cattle from regular import marking requirements, should be sufficient to ensure that packers have all of the information they need to comply with COOL without imposing additional burdens on cattle producers. Finally, the Farm Bill should establish technology grants for COOL-related or other meat traceability programs to facilitate their implementation.

## **V. Address Global Distortions in Cattle and Beef Trade**

While the Farm Bill does not typically address U.S. trade policy, these policies have significant impacts on U.S. cattle producers, and it is therefore important that the Farm Bill examine whether U.S. trade policies are consistent with broader policy goals for the cattle and beef sector. The U.S. has not enjoyed a significant trade surplus in cattle and beef trade since 1997 in dollar terms, and the deficit in the sector has exploded over the past few years, hitting more than \$3.3 billion in 2005. Given the supply-sensitive nature of the market for U.S. cattle, the growing trade deficit in both cattle and beef has a profound impact on the U.S. cattle industry. The lack of harmonization of health and safety standards outlined in Section III, above,

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<sup>21</sup> See, e.g., General Accounting Office, *Country-of-Origin Labeling: Opportunities for USDA and Industry to Implement Challenging Aspects of New Law*, GAO-03-780, Aug. 2003. (Hereinafter GAO-03-780).

<sup>22</sup> *Id.*

<sup>23</sup> See, e.g., GAO-03-780 and VanSickle.

<sup>24</sup> See *Mandatory Country of Origin Labeling of Beef, Lamb, Pork, Fish, Perishable Agricultural Commodities, and Peanuts; Proposed Rule*, 68 Fed. Reg. 61,944, Oct. 30, 2003 and *Mandatory Country of Origin Labeling of Fish and Shellfish; Interim Final Rule*, 69 Fed. Reg. 59,708, Oct. 5, 2004.

plays a large role in the loss of U.S. export markets. United States' competitiveness is also undermined by large subsidies and high tariffs on cattle and beef in other countries, while the U.S. market is one of the most open in the world and U.S. cattle producers receive no trade-distorting subsidies. It will also be important that USDA become more engaged in researching how exchange rates play into agricultural trade flows and monitoring the manipulation of exchange rates.

Congress outlined a number of steps that should be taken to eliminate the gross distortions plaguing global cattle and beef trade in the Trade Act of 2002.<sup>25</sup> There have been varying degrees of progress in meeting these objectives in ongoing negotiations at the World Trade Organization (WTO). In the Trade Act of 2002, Congress called for reduction of foreign tariff levels to meet U.S. levels,<sup>26</sup> which would require substantial reductions in beef tariffs by trading partners such as Japan and Korea. It is too early to tell whether this goal will be met in the Doha Round because of on-going discussions around the scope of carve-outs for sensitive products and the extent of tariff reductions, though negotiators have agreed in principle to a formula that would cut higher tariffs more steeply than low tariffs. Congress also called for the elimination of "subsidies that decrease market opportunities for U.S. exports or unfairly distort agriculture markets" in the Trade Act of 2002.<sup>27</sup> Significant progress has been made on this objective, as WTO negotiators have agreed in principle to eliminate export subsidies in agriculture by 2013 and called for substantial reductions in trade-distorting domestic support.

Finally, because of the limited time periods in which perishable products can be marketed, Congress also called for the creation of special rules on perishable and cyclical agricultural products such as cattle and beef and timely access for growers of such products to import relief mechanisms.<sup>28</sup> R-CALF USA is troubled by the possibility that the special safeguard for agriculture that currently exists for beef could be given up by the U.S. at the WTO without the establishment of special rules for perishable and cyclical agriculture as directed by Congress. Preserving the right of developing countries to employ the special safeguard for agriculture while eliminating the right to do so for developed countries such as the U.S. could result in a mismatch of market opportunities that puts U.S. cattle producers at a competitive disadvantage. While the U.S. has tabled a proposal for special rules for perishable and cyclical agriculture within the Doha Rules negotiations, the proposal excludes livestock and meat products.

There is no doubt that further trade liberalization without special safeguards will erode the market for the U.S. cattle industry. This could happen even in the absence of unfair trade practices. The U.S. Trade Deficit Review Commission noted, "Easy availability of imports can limit price increases either by expanding available supply or reducing the ability of businesses to raise prices in order to pass on increases in their costs."<sup>29</sup> This dynamic is particularly apparent in the cattle and beef industry, where, as former U.S. International Trade Commission

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<sup>25</sup> 19 U.S.C. § 3802.

<sup>26</sup> 19 U.S.C. § 3802(b)(10)(A)(ii).

<sup>27</sup> 19 U.S.C. § 3802(b)(10)(A)(iii).

<sup>28</sup> 19 U.S.C. § 3802(b)(10)(A)(ix) – (x) and (B)(i).

<sup>29</sup> "The U.S. Trade Deficit: Causes, Consequences and Recommendations for Action," Final Report of the U.S. Trade Deficit Review Commission, Nov. 14, 2000 at 26.

Chairwoman Lynn Bragg observed, “The concentration of packers increases the packers’ leverage relative to cattle producers, thus providing packers the ability to use imports to reduce domestic live cattle prices and/or prevent price increases.”<sup>30</sup>

The International Trade Commission has confirmed the importance of the structure of the domestic beef market in determining the impact of trade on cattle producers. It stated, “market structure {of the cattle and beef industry} suggests that processors can eventually pass most, if not all, of any decrease in the price of wholesale beef that results from increased import access ... on to U.S. cattle producers in terms of lower slaughter cattle prices.”<sup>31</sup> The Commission also noted the high sensitivity of cattle prices to increases in beef supply. The Commission stated that each percentage point of increase in beef supply was likely to translate into a decrease in live cattle prices of 2 percent.<sup>32</sup> Therefore, as the Committee considers what reforms to competition policy are needed to ensure that U.S. cattle producers receive an honest price in an open domestic market, it should also consider how these market dynamics interact with trade policy to impact the prices received by U.S. cattle producers.

In addition, the Farm Bill should create a global marketing information program – building upon existing data sources such as the FAO – to provide regularly updated information by country on commodity prices, supply and consumption trends, exchange rate impacts, and the dominant market shares of trading companies in order to help U.S. producers better target potential export markets. This need for better trade information was highlighted in the report of the bipartisan U.S. Trade Deficit Review Commission, which noted, “The growing importance of trade in our economy and the needs of government and businesses for information to be able to make good decisions make it essential that data on international trade in goods and services be relevant, accurate, and timely.”<sup>33</sup>

## **VI. Support a Stronger, More Competitive Cattle and Beef Sector**

The Farm Bill should sustain the cattle industry’s health and competitiveness by removing impediments to growth and investing in strategic development initiatives. A number of new or expanded initiatives to strengthen and support the domestic cattle and beef sector should be considered in the Farm Bill, such as:

- An increase in direct purchases of beef in the school lunch program and stronger rules of origin for beef benefiting from the program;
- Federally-funded pilot projects on mini-packing facilities;
- Conversion of the Livestock Risk Protection pilot program into a permanent program with nation-wide coverage and sufficient funding to underwrite risk insurance for cattle producers;
- Grants, loans and loan guarantees for renewable energy and energy efficiency improvements, as well as financial assistance to cope with spikes in energy costs;

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<sup>30</sup> *Live Cattle from Canada*, Inv. No. 731-TA-812 (Final), USITC Pub. 3255, Nov. 1999 at 50.

<sup>31</sup> *U.S. – Australia Free Trade Agreement: Potential Economywide and Selected Sectoral Effects*, Inv. No. TA-2104-11, USITC Pub. No. 3697 at 41, fn. 1 (May 2004).

<sup>32</sup> *Id.* at 44.

<sup>33</sup> “The U.S. Trade Deficit: Causes, Consequences and Recommendations for Action,” Final Report of the U.S. Trade Deficit Review Commission, Nov. 14, 2000 at ch. 7.

- Conservation programs that sustain wildlife and habitat as well as the rancher, and reward agricultural producers for taking measures to improve their land in a sustainable manner;
- Incentives and assistance programs for producer cooperatives and grower-owned value-added enterprises, research and development projects, and rural banking and economic development initiatives; and
- Initiatives to develop renewable energy sources, such as ethanol, soy diesel, juniper trees, wind, and poultry litter and rendered specified risk material.<sup>34</sup> Increased availability and use of these fuels can help grow and improve the livestock industry in the U.S. and create jobs in the U.S.

To increase the competitiveness and marketability of the U.S. cattle and beef, current law should also be reformed to allow for the interstate shipment of state-inspected meat. In addition, producers should have the right to vote on the beef check-off periodically in order to make sure it is being used to adequately promote their product and represent their needs, along with maintaining accountability to those who fund it.

## **VII. Conclusion**

The Farm Bill presents an important opportunity to reform U.S. agriculture policy to level the playing field for U.S. cattle producers. A dedicated cattle and beef chapter in the Farm Bill should guarantee a competitive domestic market for cattle and beef, strengthen safeguards for health and safety, improve consumer information, address global distortions in cattle and beef markets, and establish new and expanded programs to support the continued vitality of the largest sector of United States agriculture.

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<sup>34</sup> See, e.g., 70 Fed. Reg. 58576, 58595 (Oct. 6, 2005).