

# The Cattlemen's Newsletter

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## Our Mission

R-CALF USA's mission is to represent the U.S. cattle industry in trade and marketing issues to ensure the continued profitability and viability of independent U.S. cattle producers.

## U.S. Cattle Producers Support Creekstone Farms in Legal Battle to Voluntarily Test for BSE

**BILLINGS, MONT. (March 24, 2006)** Creekstone Farms Premium Beef, at a news conference Thursday in Washington, D.C., announced that it has filed a lawsuit against the U.S. Department of Agriculture (USDA) to get permission to voluntarily test all of its cattle for bovine spongiform encephalopathy (BSE).

"R-CALF USA supports Creekstone in this effort because voluntary testing for BSE likely would help reopen and maintain certain export markets for U.S. beef, which in turn, would certainly benefit the thousands of independent cattle producers this organization represents," said R-CALF USA CEO Bill Bullard. "The U.S. economy is based on free enterprise, and Creekstone is simply trying to meet the demands of its customers – a key objective for any successful business."

Almost two years ago, R-CALF USA called on USDA to permit cutting-edge packers like Creekstone Farms to voluntarily test for BSE 100 percent of the animals processed there.

"Instead of thwarting innovation, USDA should be applauding and facilitating Creekstone's entrepreneurial spirit," Bullard asserted. "Creekstone is leading the beef-processing industry into a new era – one that is predicated on meeting the needs and wants of its customers, and in so doing, Creekstone has discovered a reasonable, efficient, and timely means for resuming export trade with Japan. Other like-minded meat processors are sure to follow if Creekstone's efforts attract financial rewards."

Except for a short time this winter, U.S. beef shipments to Japan have been banned since the December 2003 discovery of a BSE-positive cow that was imported into Washington state from Canada.

In 2005, U.S. cattle and beef exports were only 27 percent of their 2003 level (in dollar terms), while U.S. cattle and beef imports in 2005 were at 134 percent of their 2003 level. R-CALF USA believes the U.S. needs an aggressive, comprehensive strategy for resuming beef exports that fully protects animal health, that improves the marketability of U.S. beef through meeting various requirements demanded by our export customers, and that also supports consumer confidence in the safety of U.S. beef. Currently, cattle and beef imports into the U.S. face lower standards than our exports must meet overseas, and this

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## Cattle Producers Encouraged to Attend Upcoming Trial in Class Action Suit Against 'Big 4' Packers

**BILLINGS, MONT. (March 29, 2006)** A federal trial begins Monday in Aberdeen, S.D., in which jurors will consider claims that from April 2, 2001, to May 11, 2001, the four largest U.S. beef packers disregarded errors by the U.S. Department of Agriculture (USDA) in the agency's reports of boxed-beef prices that resulted in significant financial losses to cattle producers across the country who conducted business with these packers during that timeframe.

The lawsuit was filed two and one-half years ago by three cattle producer-plaintiffs – Herman Schumacher of South Dakota, Michael Callicrate of Kansas, and Roger Koch of Nebraska – all of whom are proud members and staunch supporters of R-CALF USA. Each of these men sold cattle to the defendant-packing companies during the misreporting period.

In June 2004, U.S. District Court Judge

Charles Kornmann certified the case as a class action on behalf of all cattle producers who sold fed cattle on the cash market, or a basis affected by it, during the misreporting period to any of the four packer defendants: Tyson Fresh Meats Inc., formerly IBP Inc.; Cargill Meat Solutions, d/b/a Excel Corporation; Swift & Co., formerly known as ConAgra Beef Co.; and National Beef Packing Co., formerly known as Farmland National Beef Packing Co. The defendants control about 80 percent of the market for beef products in the United States. These packers filed motions to have the case dismissed, but in January, Kornmann denied those requests.

"The trial is expected to last two weeks," noted R-CALF USA Co-Founder and Former President Leo McDonnell. "We realize most producers are busy with calving right now, but we want to encourage them to come out and show

support for their industry, even if they can only be there for a few days.

"It'd be nice if we could see plenty of cowboy hats in the courtroom for the duration of this monumental event," McDonnell continued. "This is a particularly important case in light of Monday's decision by the Supreme Court not to hear an appeal by cattle producers in the Pickett v Tyson case. Even though jurors originally determined that Tyson had manipulated market prices, in an unprecedented and controversial move, the judge overturned the jury's unanimous verdict. The judge's decision was later upheld by the U.S. 11th Circuit Court of Appeals.

"Combine that with recent government documents showing that for decades the Grain Inspection, Packers and Stockyards Administration

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## Partners Create 'Rancher-2-Rancher' Relief Fund to Help Producers Hurt by Texas Wildfires

**BILLINGS, MONT. (March 22, 2006)** R-CALF USA and the Independent Cattlemen's Association of Texas (ICA) have jointly established the "Rancher-2-Rancher Relief Fund" to assist ranchers in the Texas Panhandle who suffered damages as a result of the recent wildfires in the area. This set of fires resulted in the largest and longest-lasting blaze in Texas history.

The fires caused several fatalities, and more than 1 million acres of productive pasture were charred. While original estimates of livestock deaths totaled around 10,000, officials now think it could be less, but advise that counts are still ongoing. At least 2,500 miles of fence were destroyed. Many structures – homes, barns and outbuildings – were ruined, as were numerous vehicles and other pieces of equipment.

Although a timely rain over the weekend helped to quell the flames, several areas still are without electricity and are likely to remain so for several days. Cattle producers must now deal with dead, dying or displaced animals, and must also try to cope with the financial devastation of the tragedy and the uncertainty of what the future holds for their families.

"We want to be able to help these folks get their lives back on track," said R-CALF USA President and Region V Director Chuck Kiker, of Beau-

mont, Texas. "After a hit from Hurricane Rita last year, my own family had to deal with some significant challenges, and it took a few weeks to get the operation back in order.

"While that disaster was a major setback, we certainly weren't dealing with the total and absolute devastation of our livelihood like many of these Panhandle producers," Kiker continued. "With pasture grazing suddenly gone and hay prices high due to drought conditions across the state, these producers are facing unanticipated expenses that will have a tremendous impact on the survival of their cattle operation. Our hope is that this fund can ease that burden."

ICA Executive Director Bill Hyman said he is dismayed at the reports of damage and loss of livestock and property.

"Ranches that represent generations of hard work have been destroyed overnight, and we need to respond with all the support we can muster to help our fellow ranchers," Hyman emphasized.

To make a donation, send a tax-deductible check made out to the "Rancher-2-Rancher Relief Fund" and mail it to: Rancher-2-Rancher Relief Fund, P.O. Box 30715, Billings, MT 59107.

Fellow ranchers across the country who wish to donate hay can call the Texas Department of Agriculture's "Hay Hotline" at 1-877-429-1998.

Also, hay, grain and fencing supplies can be dropped off at Pampa's rodeo grounds and the Roberts County Airport in Miami.

Individuals who want to make various material donations, as well as producers in need of resources or whose homes were damaged by fire can visit [www.texasvipers.org](http://www.texasvipers.org) so matches can be found. The website is operated by Texas Volunteers in Plains-Area Emergency Response System (Texas VIPERS).

Texas Cooperative Extension (TCE), in partnership with the U.S. Department of Agriculture's (USDA's) Natural Resource Conservation Service and Farm Service Agency, are holding educational meetings throughout the Panhandle to share information producers will need to make important management decisions due to losses from recent fires. The schedule is: March 23, 9 a.m. CST, Gray County Annex meeting room, 12125 E. Frederic, Pampa; March 23, 2 p.m. CST, First Baptist Church, 206 West 2 St., New Mobeetie; March 23, 7 p.m. CST, Family Life Center, 300 S. Carhart, Clarendon; March 28, 9 a.m. CST, Miami Community Center, 103 Main St., Miami; March 29, 8 a.m. CST, Childress City Auditorium Foyer Room, City Park, Childress; and March 29, 11 a.m. CST, Bura Handley Community Building – Club Room, 10th and Amarillo streets, Wellington.

## New State Affiliate Organization Forms in Ohio

**ZANESVILLE, OHIO (March 10, 2006)** Buckeye Quality Beef Association Inc. (BQBA) has become the newest Ohio cattlemen's organization, as well as the newest affiliate organization of R-CALF USA. R-CALF USA Co-Founder and Former President Leo McDonnell spoke to about 80 producers at BQBA's kick-off fund-raiser at Muskingum Livestock Auction where more than \$3,000 for R-CALF USA and BQBA was contributed.

McDonnell opened the evening by stating that R-CALF USA is the most progressive national cattle-producer organization representing independent, forward thinking cattlemen.

"This is a great industry, but at times we are too entrenched in old thoughts and ways," McDonnell said. "Obstructionist actions by USDA and NCBA are blocking you from testing cattle for Japan so you can meet international consumer demand, and it has cost the U.S. cattle industry and some of your more progressive packers billions and billions of dollars.

"A global market is no different than our domestic market, and the consumer is king," McDonnell continued. "Continued obstructionism to Country-of-Origin Labeling (COOL) and fair trade policy will weigh heavy on U.S. cattle producers in the very near future."

R-CALF USA Ohio Membership Chair and BQBA President David Hutchins donated a pureblood, Angus bull for the fund-raiser. BQBA Vice President Larry Queen donated a hind quarter of beef for the event.

"We now have an established voice and identity with the cattle industry in Ohio," said Hutchins. "We have created an avenue to create opportunities for future endeavors.

"It gives us an official identity to deal with cattle industry issues in Ohio," noted Hutchins. "R-CALF is having influence east of the Mississippi.

"There is a significant opportunity for R-CALF in the eastern United States because of the population," continued Hutchins. "We have the western membership, and a southeastern field coordinator, so the untapped area is in the east."

"Trade issues are important," noted BQBA Director Craig George. "Imports from Canada that other countries have banned have been affecting the producers in Ohio.

"When your imports outweigh your exports, you have a problem," continued George. "COOL would help because when people go to the supermarket, they are going to buy U.S. beef."

"We wanted to get more people interested in our affiliate and R-CALF," said BQBA Director Lee

Lapp. "We need to get COOL implemented rather than national Animal ID because it will help me more as a producer."

McDonnell said he was excited to see R-CALF USA stretching into new territory and said he expects growth in BQBA to be rapid because of the group's enthusiasm and dedication.

"It was just over a year ago when Dave Hutchins became a member of R-CALF, and he told me he planned to take our message to cattle producers in every corner of the state and educate them as to which organization is truly – and exclusively – working on their behalf," McDonnell recalled. "He got a couple of other cattle producers to jump on board, and look at what they've accomplished in such a short amount of time.

"And for these folks to contribute so much at a debut event tells me Ohio producers recognize what needs to be done to successfully deal with the many issues facing the domestic cattle industry these days," McDonnell continued. "R-CALF thanks you for the support, and we're glad to have you on board."

Becky Palombo, of West Mansfield, is the secretary. Trevor and Chelsi Stover, of Lexington, serve as treasurers for the new organization. For more information about BQBA you may contact David Hutchins at 937-246-6374.

## More Than 100 New Members Join During Iowa Meetings

**South Central Iowa (March 17, 2006)** R-CALF USA CEO Bill Bullard recently toured south central Iowa and spoke to more than 360 producers about factors affecting the U.S. cattle market and what action they should take to ensure a profitable and viable live cattle industry long into the future. More than 100 participants took the opportunity to become members of R-CALF USA.

Bullard pointed out that producer profits ought to be going through the roof because of 2005's decreased slaughter numbers and the overall increase in beef demand.

"In addition, our industry is experiencing the largest spread between domestic production and domestic consumption in 40 years, yet, prices are falling because packers cast a cloud over the industry by closing plants in January and by following these plant closings with an absence from the cash market for a two-week period," Bullard explained. "Packers are again using their captive-supply cattle to stay out of the market for extended periods, particularly in the Kansas and Texas markets.

"Canadian cattle are adding to those captive supplies by entering the U.S. at a rate of 100,000 head per month and these cattle have been selling for well under U.S. prices, at \$76 cwt to \$78 cwt for Select Grades 1 and 2," he noted. "Once again, access to cheaper imported cattle and unlimited access to captive-supply cattle have given packers control over the price of your cattle, and they're using this control to drive your prices down.

"As long as cattle producers stand by and say nothing, packers will continue to manipulate the market and push USDA and Congress to expedite free trade agreements with as many cattle-producing nations as they can," Bullard continued. "Packers will push to lower current health and safety standards in the U.S. so that countries with lower standards may export their beef and cattle to us, and packers will procure as many cattle as they

can through captive-supply arrangements in order to stay out of the cash markets as much as possible."

Bullard said independent U.S. cattle producers immediately must take steps to rebuild and compete for their share of the domestic market, and that R-CALF USA's four-step plan could help them survive in this highly competitive beef industry.

"First, we must implement Mandatory Country-of-Origin Labeling (M-COOL), so you will have the tools to compete in the global market," Bullard pointed out. "Secondly, we must limit the packers' use of captive-supply cattle, thereby removing the tools they are using to interfere with your competitive market.

"Third, we must ensure that special rules and safeguards are included in trade agreements that recognize the perishable and cyclical nature of your industry, and finally, we must work to maintain the highest health and safety standards in the world to protect your industry from the introduction of foreign animal diseases and to ensure the highest quality and safest product for your customers," concluded Bullard.

A team of five R-CALF USA Iowa members worked to make the meetings in Lamoni, Creston and Russell a huge success: Monte Akers, of Kellerton; Terry Barnes, of Lamoni; Charles Beck, of Kellerton, Iowa; Tom Osborn, of Grand River; and Jim Werner, of Diagonal. Creston Livestock Auction, Iowa State Savings Bank, and First National Bank sponsored the meal served at Creston. Russell Sale Co. hosted the Russell meeting and also sponsored the meal.

"Everything Bill said makes sense, such as COOL and the reasons we need it," Akers said. "American packing companies are going to South America and building plants so that once trade opens with those countries, they will be able to ship cheap beef back here, duty-free.

"The control that USDA will have with the Animal ID database is a large concern to producers here," continued Akers. "The paperwork that will come along with the program will put a lot of small producers out of business. Worry about vertical integration of the cattle industry is also a huge issue in this part of the country."

Werner said he was really pleased with the outcomes of the meetings, and acknowledged the support from area media and event sponsors.

"We have a lot of work ahead of us, but this is a good foundation," Werner said. "In this area, awareness of R-CALF was low, and these meetings have given us a good start."

"Complacency is a huge issue, so we try to get people to listen to the R-CALF message and begin to think about cattle-producer issues," said Beck. "Sure, we want members and money, but we want people to get involved in their industry more, to become proactive in order to remain in the business we have chosen."

"Bill Bullard does a wonderful job of explaining the history of the industry up to the present day," said Barnes. "I think that everyone that was involved in organizing these meetings came away with a lot of energy and excitement about growing the organization.

"Niche marketing opportunities may disappear if Animal ID is implemented, since everyone's product would bear the same information," Barnes continued. "I have always been in favor of COOL because it gives us a level playing field to compete in the global market and a chance to distinguish my product."

"It doesn't cost a thing to come to the meetings, so the least producers can do is come and listen with an open mind to what is going on in the industry," noted Osborn. "We tell producers that R-CALF is an organization that represents the producer only."

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## Study Says Chips in ID Tags Are Vulnerable to Viruses *By John Markoff, New York Times*

(March 15, 2006) A group of European computer researchers have demonstrated that it is possible to insert a software virus into radio frequency identification tags, part of a microchip-based tracking technology in growing use in commercial and security applications.

In a paper to be presented today at an academic computing conference in Pisa, Italy, the researchers plan to demonstrate how it is possible to infect a tiny portion of memory in the chip, which can hold as little as 128 characters of information.

Until now, most computer security experts have discounted the possibility of using such tags, known as RFID chips, to spread a computer virus because of the tiny amount of memory on the

chips.

The tracking systems are intended to improve the accuracy and lower the cost of tracking goods in supply chains, warehouses and stores. Radio tags store far more data about a product than bar codes and can be read more quickly. They have even been injected into pets and livestock for identification.

The chips have already prompted debate over privacy and surveillance, given their tracking ability. Now the researchers have added a series of worrisome prospects, including the ability of terrorists and smugglers to evade airport luggage scanning systems that will use RFID tags in the future.

In the researchers' paper, "Is Your Cat In-

fecting With a Computer Virus?," the group, affiliated with the computer science department at Vrije Universiteit in Amsterdam, also describes how the vulnerability could be used to undermine a variety of tracking systems.

The researchers asserted that the RFID demonstration had not used the commercial software that collects and organizes information from RFID readers. Rather, it used software that they designed to replicate those systems.

The researchers have posted their paper and related materials on security issues related to RFID systems at [www.rfidvirus.org](http://www.rfidvirus.org).

## Korea FTA Could Provide Substantial Benefits to U.S. Cattle Producers

**BILLINGS, MONT. (March 15, 2006)** In February, the U.S. Trade Representative (USTR) announced its intent to negotiate a free trade agreement (FTA) with the Republic of Korea. Korea is the world's 10th largest economy and the United States' seventh largest export market, with an annual gross domestic product (GDP) of \$1 trillion.

On Tuesday, Doug Zalesky, a Colorado cattle producer who chairs R-CALF USA's International Trade Committee, testified in Washington, D.C., at the interagency Trade Policy Staff Committee hearing on this particular FTA. USTR had sought public comments to assist the office in "amplifying and clarifying negotiating objectives for the proposed agreements and to provide advice on how specific goods and services and other matters should be treated under the proposed agreement."

Korea traditionally has been an important market for U.S. beef exports – the third largest market for U.S. beef products before closing its border after the December 2003 discovery of a BSE-positive Canadian cow in Washington state.

R-CALF USA's position, regarding any FTA, is that U.S. cattle producers can compete and thrive in global markets if the rules that regulate those markets are fair. Today, U.S. exports of cattle and beef are thwarted by high import tariffs abroad, large subsidies to cattle producers and beef producers in other countries, and a failure to

harmonize health and safety standards to allow for increased trade while protecting animal health and consumer safety. While many of these issues may be most comprehensively addressed at a global level, progress can also be made through a strategic program of bilateral and regional negotiations, and this particular negotiation presents an important opportunity to address some of these distortions with a country that has been a key export market.

"Once negotiations commence, Korea must agree to drastically reduce its high tariffs on U.S. beef products," said Zalesky.

"Additionally, an FTA with Korea should include special rules for perishable and cyclical products with very limited marketing periods – cattle and beef – that would provide U.S. cattle producers with automatic safeguards of effective and speedy relief mechanisms that would trigger automatically if producers are faced with the severe risks of import surges or price volatility," Zalesky explained. "Inclusion of such fundamental rules – an obvious prerequisite to market liberalization – will facilitate competition in the global marketplace while simultaneously allowing the U.S. and other nations to maintain viable cattle industries.

"Any FTA providing preferential access to the U.S. cattle and beef market should include a 'born, raised and slaughtered (BRS) rule of origin for

beef, which would present significant advantages for the U.S. cattle industry," said Zalesky. "Currently, the U.S. only requires cattle to be slaughtered in a country to be considered an originating good from that country, and the current inadequate rule of origin continues to be applied in other FTAs.

"Inclusion of a BRS rule of origin will prevent third-country producers from taking advantage of market access negotiated in the agreement and ensure that the benefits of the agreement accrue to its participants," noted Zalesky.

"It's important that trade agreements achieve the right balance between the size of new export markets opened for U.S. producers and the volume of potential foreign production given preferential access to the United States, and the Korea FTA provide an opportunity to move toward such balance by addressing harmful market distortions in a vitally important export market," he added.

"With each of these elements in place, potential harm to our domestic cattle industry can be minimized, and if Korea reciprocates those benefits to the U.S., these steps will also help build support in the domestic cattle industry for fair and balanced trade, and help safeguard the livelihoods of thousands of independent U.S. cattle producers," Zalesky concluded.

## News Bytes

**NDA Hires Homeland Security Veterinarian - LINCOLN (March 29, 2006)** Nebraska Department of Agriculture (NDA) Director Greg Ibach today announced the hiring of Dr. Janice Mogan. She will serve as NDA's first Homeland Security Veterinarian.

Dr. Mogan, whose salary is funded through a United States Department of Agriculture grant, will work directly with NDA's Emergency Coordinator, State Veterinarian, and emergency response team to further enhance and develop emergency response plans for foreign animal disease. Her role will also entail working with farmers and ranchers as well as agricultural organizations on a state, regional and national level.

**BSE Testing Changes on Hold - WASHINGTON (Dow Jones)** The U.S. will hold off on scaling down its "enhanced" mad-cow disease testing program until beef trade and safety issues have been resolved with major foreign markets, U.S. Department of Agriculture Secretary Mike Johanns said March 27.

Johanns, when asked by reporters when USDA will set a new normal level for testing, said the department "would like to see if we can get things straightened out with Japan and some of

our other trading partners...I'd like to get these issues resolved."

The USDA sharply raised the number of cattle it was testing for mad-cow disease, or bovine spongiform encephalopathy, in response to the first BSE case discovered in the U.S. in December 2003. The effort, an "enhanced" BSE surveillance program, was designed to assess the prevalence of BSE in U.S. herds and then eventually end once that was completed.

Johanns said he still has not yet decided on a new normal level for annual BSE testing once the special enhanced program ends.

**Japanese Shun U.S. Beef, Eat Australian - (By Yuri Kageyama, AP Business Writer, March 27, 2006)** Australian beef was once viewed as tough and tasteless compared to its U.S. counterpart, but that stereotype is vanishing on quality upgrades by switching feed to grain, instead of just grass, to cater to the Japanese palate.

The numbers tell the story: Australian beef now makes up 51 percent of the beef consumed in Japan. Australian beef shipments to Japan surged 45 percent to 412,000 tons last year from 284,000 tons in 2003.

Beef imports from New Zealand have also grown, more than doubling to 38,000 tons from 17,000 tons over the same period, although most of the cows are grass-fed.

Canadian beef, banned in 2003 with American beef, is re-entering the Japanese market. Still a minor player at about 5 percent of the market ahead of the ban, Canadian beef also has potential to grow because the cattle are grain-fed.

**FMD Rapidly Increasing in Egypt - CAIRO (March 20, 2006)** Health ministry officials report of foot-and-mouth disease (FMD) in cattle have increased rapidly in recent weeks. Although FMD is a relatively constant feature of farm life, a new wave of the disease has struck Egyptian cattle with unusual strength, say local veterinarians.

According to the European Commission for the Control of FMD, the disease has been regularly reported in Egypt over the last half-century.

While veterinarians say the disease is easily contained on a technical level, they complain that a lack of funding could hurt prevention measures in the case of an epidemic.

# Senators Begin Process of Reforming Packers and Stockyards Administration

**BILLINGS, MONT. (March 10, 2007)** During a U.S. Senate Agriculture Committee hearing on Thursday, a bipartisan group of six lawmakers charged that a U.S. Department of Agriculture (USDA) agency, the Grain Inspection, Packers and Stockyards Administration, or GIPSA, had – for almost a decade – consistently failed to enforce anti-competition laws and regulations, had demonstrated a long history of incompetence in conducting and completing investigations, and had perpetually endorsed and encouraged an attitude of indifference among its employees by ignoring auditors' recommendations for improvements in the oversight of the Packers and Stockyards (P&S) Act.

The P&S Act, established in 1921, was designed to ensure fair trade practices and competitive marketing conditions in livestock, meat and poultry markets, as well as to protect producers from packers' anti-competitive practices. In January, USDA's Office of Inspector General (OIG) issued yet another scathing report on GIPSA's mismanagement of its duties and concluded that significant improvements in management, planning and policy formulation were needed.

Sen. Tom Harkin, D-Iowa, has introduced legislation that would reorganize USDA to more aggressively pursue unfair, deceptive and anti-competitive market behavior. Passage of Harkin's bill will be critical, and R-CALF USA will push for its passage, especially if there is no significant progress from GIPSA in the next 90 days.

"Failures to protect livestock producers reach all levels of USDA," Harkin said. "For over five years, the Department essentially took no action against unfair market practices and high-level USDA officials let it happen. We need changes at USDA to better confront bad actors in livestock and poultry markets."

Committee Chairman Sen. Saxby Chambliss, R-Ga., said he was greatly concerned and disheartened with the message OIG's latest report sends to the American public, consumers, and participants in the livestock marketplace. He also said he could not emphasize enough his frustration and discomfort on behalf of U.S. farmers and ranchers.

"It is totally unacceptable for our government to conduct business in this way, and I fully expect the Department of Agriculture to swiftly and honestly respond to actions in the marketplace that might signal anti-competitive behavior," Chambliss asserted. "Not doing so calls into question the ability of the Department to oversee the Packers and Stockyards Act generally and greatly threatens the confidence livestock market participants extend to the government."

"A handful of large packers are asserting control over the market causing a serious disadvantage to our family-run ranches," said Sen. Craig

Thomas, R-Wyo., in advance of the hearing. "The fact that the meatpackers could be controlling prices makes me wonder if they're getting too big for their britches."

A similar sentiment was echoed by Sen. Ken Salazar, D-Colo., earlier this week when he spoke of his intentions for this hearing: "U.S. cattlemen deserve to have protection from anti-competitive practices and deserve to know that proper checks and balances are in place so they're protected against any type of discriminatory practice that may occur."

R-CALF USA agrees wholeheartedly that GIPSA urgently needs to be rehabilitated and revamped, and detailed plans and solutions to accomplish that feat are outlined in the organization's position paper titled "Competition in the U.S. Cattle and Beef Market," which can be accessed at [www.r-calfusa.com](http://www.r-calfusa.com) under the "Competition Issues" link.

R-CALF USA Marketing Committee Chair Randy Stevenson noted that GIPSA has received more than \$4 million to conduct a study – due late this year – that will involve both producers and meatpackers in the examination livestock market issues, with the hope that the end result provides market participants a clear look at modern-day market functions.

"During Thursday's hearing, we repeatedly heard agreement that legal specialists need to get involved in P&S investigations early in the process, and the same process should be applied to the investigative contract GIPSA has let out to examine the effect of captive supplies on the cash market," said Stevenson, an independent feedlot operator from Wyoming. "In other words, without legal specialists involved, that study will yield results just as hollow as everything GIPSA has delivered since 1997. Will those contracts just present results based on an academic standard, or will they use legal expertise to present results consistent with legal standards?"

In October, USDA appointed Texas cattleman James Link as the new GIPSA administrator and assigned Link the task of putting GIPSA's house back in order. Link acknowledged OIG's identification of four major areas of weakness in the P&S Program: 1) bad recordkeeping; 2) poor investigation management; 3) lack of policy vision and decision; and 4) lack of follow-through on the recommendations of earlier reviews. He said OIG had offered 10 recommendations that he has accepted all 10, and that he has established an aggressive schedule to implement them.

Link was given two assignments: 1) to report to the committee within 30 days findings on whether a high-ranking USDA official's promise in 2003 of a "top-to-bottom review" of GIPSA actually occurred; 2) to report to the committee, in 90 days, his progress in implementing OIG's recommenda-

tions for improvement. If his efforts are not successful, Chambliss told Link another hearing could be scheduled.

Repeatedly during the hearing, senators referred to Link as "the new sheriff in town," and R-CALF USA is looking forward to Link's leadership to correct the multitude of anti-competition issues that have existed for years within GIPSA.

"We'll support Link in his efforts to correct the dismal situation he inherited, but first and foremost, R-CALF offers its praise for the bipartisan effort of this team of Senators who recognized the longstanding problems at GIPSA and went to bat for accountability by demanding corrective follow-up by the agency," said R-CALF USA Director of Government Relations Jess Peterson. "R-CALF agrees that serious flaws exist at GIPSA and we will continue to strongly support passage of Senator Tom Harkin's legislation that would strengthen P&S and improve competition in livestock markets."

"We could even step up our support of that legislation by a notch or two if, after 90 days, we don't see much progress in Link's efforts to reform the agency," said Stevenson, in agreement. "GIPSA already has had two previous chances to get its act together, and since the agency hasn't done so yet, the time could be ripe for a structural change. I'm sure Mr. Link has good intentions, but perhaps, so he can actually succeed and accomplish these monumental tasks, there should indeed be a structural change at GIPSA."

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## New Scholarship Foundation Accepting Applications

United Stockgrowers of America Foundation for Research, Education, and Endowment (USA FREE) is accepting scholarship applications for the Leo and Sam McDonnell Scholarship Foundation. This scholarship has been named in tribute to Leo and Sam McDonnell, and their legendary leadership in R-CALF United Stockgrowers of America (R-CALF USA). It is our hope future generations of cattle producers will follow in the footsteps of R-CALF USA's great leaders. With our sights set on the future, we would like to encourage and assist our future leaders achieve their educational goals.

Scholarship applications will be accepted from graduating high school seniors or students currently attending an eligible post secondary institution. The applicant or an immediate family member must be an R-CALF USA member in good standing. Finalist must be available for an interview, either on-sight or by phone, with the selection committee. Four \$2500 scholarships will be awarded.

**The 2007 scholarship deadline is July 1,**

*(Continued on page 7)*

# Cattle Producers Support Oman FTA in Testimony Before U.S. Senate Finance Committee

**BILLINGS, MONT. (March 06, 2006)** Today, R-CALF USA provided testimony to the U.S. Senate Finance Committee in support of the U.S.-Oman Free Trade Agreement (Oman FTA). Oman is a net importer of beef, but so far its market has been largely untapped by U.S. cattle producers.

"Under the Oman FTA, Oman's tariffs on all imports of beef products from the U.S. go to zero immediately. Oman, which exports very little beef to the world, will also receive duty-free and quota-free access to the U.S. after a quota on imports from Oman phases out in 10 years," said Doug Zalesky, chair of R-CALF USA's International Trade Committee. "The net impact on cattle and beef trade under this FTA should be to allow U.S. producers to access more of the Omani beef market and build an important strategic presence in the Middle Eastern region."

While R-CALF USA supports the Oman FTA, it is important to note this agreement does not incorporate the rules of origin for cattle and beef that R-CALF USA has consistently sought in preferential trade agreements.

"R-CALF believes that preferential trade agreements should include a 'born, raised and slaughtered' (BRS) rule of origin for cattle and beef to ensure that the benefits of the agreement accrue to product of the country, or countries, participating in the agreement," Zalesky noted. "While the failure to include a BRS clause in the Oman

FTA is not especially significant, failure to do so in other ongoing trade negotiations could be critical.

"In other agreements, the rules of origin must be strengthened so that third countries are not allowed to benefit from access to the U.S. market without providing reciprocal access to U.S. products," he continued.

While supporting the Oman FTA, R-CALF USA will continue to push for improvements in overall U.S. trade policies regarding cattle and beef and assess future trade agreements on a case-by-case basis. In particular, R-CALF USA believes U.S. trade negotiators should pursue a strategic program of bilateral, regional, and multilateral trade negotiations that:

- Reduce global market distortions such as high import tariffs abroad, restrictive quotas, and large subsidies to cattle and beef producers in other countries;
- Upwardly harmonize health and safety standards to allow for increased trade while protecting animal health and consumer safety;
- Include a 'born, raised and slaughtered' rule of origin for beef receiving preferential market access; and
- Create special rules for cattle and beef trade that reflect the highly perishable nature of our product and the special needs of our produc-

ers by protecting them from import surges and excess price volatility.

R-CALF USA continues to encourage significant reforms in U.S. and international trade policies affecting cattle and beef. Over the past decade, the United States' cattle and beef industries lost significant ground in international trade. The U.S. has not enjoyed a dollar surplus in cattle and beef trade since 1997, and the deficit in this sector has increased over the past six years, hitting more than \$3.3 billion in 2004, according to data from the U.S. Department of Commerce. At the same time, the historical volume deficit has reached new highs, while imports of beef, largely from Canada, have reached record highs.

"USDA (U.S. Department of Agriculture) reports that the United States was the second largest exporter of beef in the world in the year 2000," Zalesky noted. "Unfortunately, the U.S. has regressed to the rank of ninth in overall beef exports for 2004.

"Until distortions in international cattle and beef markets are addressed comprehensively at a global level, the U.S. should pursue FTAs strategically to move toward these goals," Zalesky emphasized. "Because the Oman FTA represents an important step in the right direction for U.S. cattle and beef producers, R-CALF USA urges Congress to support this agreement."

## 'Big 4' Suit... (Continued from page 1)

(GIPSA) has consistently failed to correct – or even investigate – complaints that anti-competitive practices by the big packers have resulted in lower prices for livestock producers," McDonnell continued. "The outcome of this trial is critical because it could determine whether producers will be able to maintain a level playing field in our domestic cattle markets."

The misreporting of boxed beef prices occurred at the start of mandatory reporting of boxed beef prices, which took effect April 2, 2001. Under the mandatory reporting law, the packers were required to report twice daily to USDA certain information on cattle prices, including prices being received by the packers for boxed-beef cuts. USDA's duty was to then release the price information to the public, so cattle producers and other market players would have accurate, up-to-date information on cattle prices for their business operations. During the misreporting period, the prices the packers reported contained substantial errors that actually underreported the price the packers were receiving for boxed beef, which had the effect of depressing the prices cattle producers received for fed cattle sold to the packers during the same time period.

The reporting errors occurred in Choice and

Select USDA boxed beef prices, with Choice prices underreported by between \$1 per hundred-weight (cwt) to more than \$6 cwt during the period, and Select prices generally underreported by about \$1 cwt for most of the period. The lawsuit alleges the packer-defendants violated the federal Packers and Stockyard Act (PSA), which prohibits unfair and deceptive practices by packers and stockyards. The suit claims the packers' conduct was unlawful because the packers knew from their internal records what prices they were receiving for boxed beef, while the sellers of fed cattle accepted lower prices for their cattle because of the inaccurately reported USDA boxed-beef prices.

"These packing companies were trading on inside information to reap a windfall profit at the expense of cattle producers," asserted Johnny Smith, co-owner of Fort Pierre Livestock Auction in Fort Pierre, S.D. "The packers knew both the real prices they were getting for their beef products, and the falsely lower prices being reported by USDA. Fed-cattle sellers only had access to the false price information, and so were short-changed by the packers who had the true price information from their own records."

The plaintiffs intend to prove the four packer-defendants caused total damages to cattle-producer class members exceeding \$40 million.

The trial follows on the heels of a December

2005 U.S. Government Accountability Office (GAO) report that showed more than half of the government's audits revealed inaccuracies, omissions or undocumented transactions by the packers.

"That particular report raised serious questions in my mind as to whether the published price reports accurately represented true market conditions," said Smith. "Market conditions affect how much money producers receive for their cattle."

Additionally, a January report released by USDA's Office of Inspector General (OIG) concluded GIPSA administrators had prevented employees from conducting investigations into complaints of anti-competitive activities and price manipulation by packers, and that USDA staff were falsely inflating the numbers of such investigations.

## *Food for Thought...*

"Believe in yourself! Have faith in your abilities! Without a humble but reasonable confidence in your own powers you cannot be successful or happy." ~ Norman Vincent Peale (1898 - 1993)

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# USDA and Congress Must Act to Restore Fairness in Ag Markets

*An editorial by Senator Tom Harkin*

A quick lesson in agricultural history shows that producers have long struggled to survive in markets that are often dominated by much larger economic entities. Going back over 100 years, Congress has rightly sought to even out this imbalance of economic power and protect opportunities for individual producers. Yet despite laws prohibiting unfair, dishonest or monopolistic trade practices, these producers feel the brunt of rapid consolidation and economic concentration across our nation's food and agriculture sector.

To address these problems, we first have to insist on enforcing the laws already on the books. Among the most important of these is the landmark Packers and Stockyards Act of 1921, which prohibits meat and poultry packers from engaging in unfair, deceptive or anti-competitive practices. The law's enforcement is assigned to USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA).

I had heard a lot from producers – and from back channels out of USDA – raising questions whether the Packers and Stockyards Act was being fully enforced. So I asked USDA's Inspector General to investigate. What the Inspector General found was even worse than I suspected. Besides flat-out inaction, USDA management was blocking employees from investigating complaints of anti-competitive conduct and even covering up the lack of enforcement by inflating the number of investigations listed in annual reports. To examine these failures and improprieties, I worked on a bipartisan basis to set up a hearing of the Senate Committee on Agriculture, Nutrition and Forestry, where I am ranking Democratic member.

We also clearly need new legislation to spur USDA enforcement action and to strengthen producer protections in the face of tremendous changes in the structure of our food and agriculture industry. That is why I wrote the "Competitive and Fair Agricultural Markets Act of 2006" (S. 2307) and just recently introduced it with bipartisan backing.

To boost enforcement of the Packers and Stockyards Act and related laws, the bill creates a new USDA position of special counsel on competition matters. This special counsel will be appointed by the president and approved by the Senate in order to impose greater accountability.

The legislation also would remove several legal obstacles that now prevent producers from prevailing under the Packers and Stockyards Act in cases involving unfair and manipulative practices. And it updates the Agricultural Fair Practices Act to spell out a number of specific new legal rights for producers in contract arrangements. Producers would have at least three days after signing a production contract to review and cancel it. The bill outlaws confidentiality clauses, which have been used to block producers from even getting advice from a family member or lawyer. It prevents companies from terminating contracts without sufficient notice when producers have been required to make large capital investments under the contract. The bill also prohibits a company from refusing to deal with a producer or a group of producers simply because of membership in a cooperative or association formed to bargain for better prices or terms. And it includes a number of other specific legal rights for producers as well.

I intend to keep on pushing USDA to enforce the law, and I will work to enact legislation to protect producers from unfair and anti-competitive market practices. Legislation such as I've just proposed cannot solve all of the problems, but it would go a very long way toward restoring a fair fighting chance for agricultural producers and strengthening their opportunities to stay in business, remain on the land and continue making a contribution to our rural economy.

*Editor's Note: S. 2307 is sponsored by Sens. Tom Harkin (D-IA), Michael Enzi (R-WY), and Craig Thomas (R-WY). Encourage your Senators to support this bill.*

**Scholarship...** (Continued from page 5)

**2006.** All applications for the Leo and Sam McDonnell Scholarship Foundation must be post marked no later than July 1, 2006. Please visit [www.r-calfusa.com](http://www.r-calfusa.com) to download a printer-friendly version of this scholarship application.

Return complete application to: Leo and Sam McDonnell Scholarship Foundation, R-CALF USA, P.O. Box 30715, Billings, MT 59107.

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## John West Named Southeastern Field Coordinator

**BILLINGS, MONT. (March 2, 2006)** Florida native John West has accepted a position with R-CALF USA as the organization's Southeastern Field Coordinator, assigned to cover the states of Texas, Alabama, Georgia, Tennessee, Louisiana, and Florida. West's primary responsibility will be membership development throughout the southeastern United States.

"This is an exciting time for the U.S. cattle industry," commented West. "R-CALF USA is the largest voluntary cattlemen's organization in the country and it is making a difference in terms of the industry's viability and profitability.

"I am committed to furthering the interests of independent livestock producers throughout the nation, and I'm proud to have the opportunity to focus on a region I grew up in and know," West continued. "Cattle producers in the Southeast face unique challenges, and it is very important to give producers and state affiliates a strong voice in policy."

"It has been very rewarding communicating with cattle producers about the issues and learning what issues impact southeastern producers the most," West said. "R-CALF has been well received once producers are made aware of the issues that R-CALF is pursuing, our positions on those issues, and the positive effect they have on the profitability of grassroots cattle producers."

"There is no question that John's experiences in the industry, his knowledge of the issues, and his ability to network and communicate with people makes him a natural choice for R-CALF," said R-CALF USA President and Region V Director Chuck Kiker. "He has a clear understanding of the production and marketing challenges producers face in the Gulf Coast region and he hasn't hesitated to provide a voice for producers.

"John is a particularly valuable asset to R-CALF and to cattle producers throughout the Southeast," Kiker said. "R-CALF USA welcomes John to his position as we look toward expanding our membership in the region."

West was born and raised in Pasco County, Fla., where his family runs a substantial beef cattle and citrus operation. In 1992, West moved to Grapevine, Texas, where he was active in the Future Farmers of America (FFA) and exhibited purebred Santa Gertrudis cattle. He graduated from Grapevine High School in 1995.

West attended Connors State College in Warner, Okla., on a livestock judging scholarship while studying for his degree in agriculture. In 1998, he transferred to Texas A&M University at College Station, Texas. While attending Texas A&M, West was an active member of the Saddle & Sirlon Club. West graduated in December 2003 with a Bachelor's Degree in Animal Science.

Before accepting his position at R-CALF USA, West was a financial representative for the Northwestern Mutual Financial Network.

## CJUSA on its way

Be on the lookout for the Summer 2006 issue of *Cattlemen's Journal USA* which will be in mail boxes mid-May. If you would like to place an advertisement in this or any future issue, please contact the magazine office at **1-888-258-7212**. The deadline for the Summer 2006 edition is April 20. Also, your ideas, input, and letters to the editor are greatly appreciated. Please contact *CJUSA* if you do not receive your copy so that we may update our mailing lists.

*Creekstone...* (Continued from page 1)

mismatch undermines U.S. cattle producers and may also give foreign countries yet another excuse to keep their markets closed to U.S. beef products.

R-CALF USA Director of Government Relations Jess Peterson attended the news conference and said R-CALF USA's policy has always been in support of voluntary BSE testing.

"R-CALF appreciates the work of the Administration and its efforts to open beef export markets through negotiations," Peterson said. "R-CALF is serious about gaining entrance into these markets, and if the consumer is calling for testing and a packer is willing to meet that demand, those packers should be free to do so. Cattle producers will benefit from having options and opening a market with increased consumer confidence."

Bullard said R-CALF USA is extremely disappointed that USDA has continued to deny Creekstone Farm's requests to test for BSE.

"The cost to U.S. cattle producers and many of our packers has been in the billions of dollars," Bullard pointed out. "On top of that, even if USDA quits obstructing these market requests, it will be years until the U.S. fully recovers these export markets from competing sources. Much has been lost due to delays USDA has inflicted on our industry's commerce.

"The agency has forced Creekstone into a corner, causing this particular processor to seek a last-resort solution through litigation," Bullard said. "R-CALF calls upon USDA to resolve the matter by immediately reversing its policy on voluntary BSE testing."