

# What's R-CALF USA Done for Me Lately?

## Substantive R-CALF USA Activities During Past 90 Days



**Feb. 12:** R-CALF USA sends a memorandum to USTR regarding the *Easterday v. USDA* court case in which a U.S. District Court has found that COOL can coexist with, and is in harmony with, the so-called NAFTA Marking Rules. R-CALF USA explains that this is the same issue that Canada and Mexico are trying to litigate at the WTO and that this U.S. court decision should help USTR in its defense of COOL at the WTO.

**Feb. 10:** R-CALF USA formally nominates three R-CALF USA members to serve on the Agriculture Secretary's Advisory Committee on Animal Health, which is the committee that will assist USDA in developing a completely new approach to improving animal disease traceability.

**Feb. 10:** R-CALF USA provides a written explanation to GIPSA regarding why the Nebraska fed cattle market continues to have a higher percentage of cash sales while the other regions (KS, OK, TX, and NM) have very low percentages of cash sales. We explained that a principal reason for this anomaly is that until recently, Nebraska had a prohibition against corporate ownership of feedlots and, therefore, Nebraska has fewer very large feedlots and more small, farmer-feeders than do the other regions. We also explained that the larger meatpackers are "gaming" Nebraska's cash market by exploiting their tremendous buying power. We believe they are able to purchase cash cattle in Nebraska for less by severely limiting access to the marketplace, thus explaining why Nebraska cattle are being discounted when compared to southern cattle.

**Feb. 8:** Even though Washington, D.C. was shut down due to winter storms (including the federal government), R-CALF USA arrived in D.C. by air and a three-hour train trip via Philadelphia, and held an uninterrupted meeting with the USDA Under Secretary, Deputy Under Secretary, and the GIPSA Administrator that lasted nearly two hours – which was far longer than we could have met under normal circumstances. This enabled R-CALF USA to delve into the issues with much greater detail than we've ever been able to accomplish with the busy USDA officials. A copy of R-CALF USA's presentation made to the USDA officials titled "Under Siege: The United States' Live Cattle Industry" is available at [www.r-calfusa.com](http://www.r-calfusa.com).

**Feb. 5:** R-CALF USA participates in a conference call with USDA Secretary Vilsack in which he announces that he has listened to the NAIS opponents and he is going to develop a new direction to animal disease traceability rather than to continue pursuing NAIS. This is a huge win for R-CALF USA.

**Feb. 2:** In a memorandum to USTR, R-CALF USA provides data that show Canada's COOL complaint is baseless and any difficulty Canada may be experiencing in marketing cattle to the U.S. is attributable, in large part, to Canada's irrational decision made in 1999 to overbuild its cattle herd beyond what the market could bear, in direct defiance of the very marketing signals that induced the U.S. to reduce its herd. The data show that Canada's over-supply problems have nothing to do with the U.S. COOL law and Canada is likely to continue wallowing in excess supplies until it significantly reduces its cattle herd size to a level more in equilibrium with the fundamental forces of supply and demand.

**Jan. 28:** In a formal letter to USTR and USDA, R-CALF USA provides evidence to show that Canada is providing subsidies on its cattle and beef to protect the Canadian cattle industry from market fluctuations in its domestic market. If Canada were doing this only to preserve its national food security by maintaining sufficient domestic production to meet domestic demand, its subsidies likely would not adversely affect U.S. cattle producers. But this is not what Canada is doing. Canada is overproducing for its domestic market and its subsidies are intended to maintain this overproduction even in the face of reduced, worldwide demand, with the effect of creating severe market distortions in the U.S. cattle market. R-CALF USA stated that because these subsidies require Canada to maximize its penetration of the U.S. market in order to unload or dump its excess production, the United States must act decisively to protect the U.S. market from Canada's anticompetitive actions. R-CALF USA stated that Canada's actions are harming U.S. cattle producers and R-CALF USA urges USTR and USDA to take immediate action to protect the U.S. market from Canada's unjust and inappropriate subsidies, as well as Canada's related, inappropriate action of attempting to undermine our domestic COOL law.

**Jan. 22-23:** The new administrator of USDA-GIPSA, J. Dudley Butler, attends R-CALF USA's 11<sup>th</sup> Annual Convention and tells R-CALF USA members that he will not allow the beef packers to "chickenize" the U.S. cattle industry.

**Jan. 15:** R-CALF USA provides USDA/DOJ with evidence showing that packers are converting cash cattle sales into captive supplies for future delivery. R-CALF USA showed that Hitch Enterprises had entered into an agreement to sell all of its fed cattle to National Beef Packing Co., which effectively eliminates competition for the cattle fed by Hitch in its feedlots that have a one-time capacity of 160,000 head.

**Jan. 14:** In response to USDA's proposal to put a government band aide on the U.S. cattle industry, R-CALF USA informs USDA that a \$200 million bonus buy for beef would help the meatpackers but would do no good for the cattle industry. R-CALF USA stated that USDA must restore market competition and any band-aide approach would do nothing but distract attention from the real solution and would mislead the public into thinking that such a band-aide approach is all that is needed to correct the huge problems in the U.S. cattle industry.

**Jan. 14:** R-CALF USA sends a memorandum to DOJ and USDA explaining that USDA should aggressively enforce the Packers and Stockyards Act (ACT) despite the unfavorable court decision that have been issued when individual producers have attempted to enforce the Act. The memorandum explains that if the USDA enforced the Act, its burden would be less than that of individual producers and the courts likely would look far more favorably at USDA than they have at individuals.

**Jan. 14:** R-CALF USA joins in a joint NAIS letter sent to the U.S. Senate and U.S. House urging a completely new approach to animal disease traceability. The letter urges Congress to adopt new traceability principles that would eliminate NAIS.

**Jan. 11:** In response to the American Meat Institute's (AMI's) public comments that side with Canada and Mexico in their World Trade Organization

(WTO) complaint against our domestic country-of-origin labeling (COOL) law, R-CALF USA sent a memo to the Office of the U.S. Trade Representative (USTR) informing it that the claim made by AMI – that COOL has discouraged U.S. meatpackers from purchasing Canadian cattle – was false. R-CALF USA's research showed that meatpackers were purchasing Canadian cattle at a deeper discount prior to COOL than they were during the first full week of January 2010 (which is well after COOL's implementation). This research showed that U.S. meatpackers are assigning a higher value to Canadian cattle relative to the value of domestic cattle *after* COOL than they were *before* COOL, which disproves AMI's baseless claim.

**Jan. 8:** Based on the knowledge that the U.S. Department of Agriculture (USDA) was inclined to rubber-stamp the previous Administration's over-30-month rule (OTM Rule) that unnecessarily exposes the U.S. to the introduction of bovine spongiform encephalopathy (BSE) from Canada, and the knowledge that only with a groundswell of support will we change USDA's direction, R-CALF USA worked directly with nine state-wide cattle organizations to send a personalized letter to each of the state-wide organization's congressional delegations. These grassroots letters called on their respective U.S. Senators and U.S. Representatives to make a personal contact with USDA Secretary Vilsack to urge him to rescind the OTM Rule.

**Jan. 6:** In response to a phone-call request from the Office of the U.S. Trade Representative (USTR), R-CALF USA submitted additional data in support of our U.S. country of origin labeling (COOL) law that show that the reduced demand for Canadian cattle and beef in the U.S. market is attributable to the fact that at least 13 countries that accept U.S. beef exports continue to ban beef from Canada. Singapore, e.g., specifically states, "Beef derived from cattle imported from Canada is not eligible," and Peru states, "Also, the meat cannot be derived from animals imported from Canada for immediate slaughter." The information provided by R-CALF USA show also that many global markets impose stricter import requirements for Canadian cattle than does the United States. As a result, the Canadian beef and cattle entering the U.S. and comingling with U.S. cattle and the U.S. beef supply are deemed unsafe by many U.S. export customers and this – not COOL – explains why there is a reduced demand for Canadian beef and cattle in the United States market.

**Dec. 31:** R-CALF USA submits comprehensive comments to the U.S. Department of Justice and USDA concerning the lack of competition in the U.S. cattle industry. The comments consist of 53 pages and contain 28 charts and graphs developed by R-CALF USA that demonstrate: 1) the U.S. cattle industry is shrinking in terms of its number of participants, herd-size and production capability; 2) the characteristics of both cattle and the cattle market make the cattle industry uniquely susceptible to abusive market power and exploitation by dominant meatpackers; 3) ten specific examples of market failure caused by abusive market power; and, 4) examples of known and suspected practices within the industry that constitute anticompetitive behavior and/or violations of antitrust statutes. In its conclusion, R-CALF USA called on the two agencies to

take immediate and decisive action to enforce the Packers and Stockyards Act (PSA) and halt the beef packers' anticompetitive use of captive supply cattle to manipulate and control the U.S. cattle market.

Dec. 18: R-CALF USA participated in a joint meeting in Washington, D.C., with USDA Under Secretary for Marketing and Regulatory Programs, Edward Avalos, and other APHIS officials to present the consensus reached by several organizations on how to improve disease traceability without NAIS. The groups jointly urged USDA to completely abandon its proposal to require premises registration and maintain a national data base. Instead, the groups urged USDA to use the pre-existing brucellosis and tuberculosis programs as models for animal identification, keep all information under state control, allow state animal health officials to decide how to record the contact information for the person responsible for the livestock, and begin identifying breeding-age cattle on a voluntary basis at the first point of sale. Importantly, the groups also urged USDA to focus on preventing the introduction of animal diseases at our borders.

Dec. 17: R-CALF USA met with congressional staffers to discuss COOL and the joint Senate letter that was being circulated by Senators Tim Johnson (D-SD) and Mike Enzi (R-WY) to encourage the USDA and the U.S. Trade Representatives Office (USTR) to aggressively defend COOL against the World Trade Organization (WTO) complaints filed by Canada and Mexico. R-CALF USA urged USDA to immediately begin a new rulemaking to close the loophole in the COOL law that allows the mislabeling of USA beef with a multi-country label. R-CALF USA explained that a new rulemaking may nullify the Canadian and Mexican complaints because these countries would be given an opportunity to express their concerns in the new rulemaking, making the WTO complaint premature. R-CALF USA also provided documentation showing that many countries that accept U.S. beef exports continue to ban beef from Canadian cattle, indicating that the reduced demand for Canadian cattle is due in large part to ongoing safety concerns, not COOL. The joint Senate letter in support of COOL was signed by 26 Senators and sent on Dec. 21, 2009.

Dec 17: R-CALF USA met with the new USDA Under Secretary for Marketing and Regulatory Programs, Edward Avalos, along with seven other USDA officials and gave a 37-page presentation on "The Debilitating Effects of Recently Weakened U.S. Livestock Disease Protections: A Call for Immediate Reform." The presentation documented the harm arising from USDA's relaxed BSE policies and urged USDA to restore previously weakened disease import restrictions to protect against BSE, FMD, brucellosis, TB, and other diseases. R-CALF USA called for the immediate overturning of the over 30-month rule (OTM Rule) that allows the importation of older cows and bulls from Canada, which have a higher risk for BSE. R-CALF USA cited USDA's own economic analysis that estimated the cost to the U.S. cattle industry for the privilege of being exposed to these higher-risk, imported cattle was over \$66 million per year, or \$1.3 million per week. R-CALF USA explained that USDA had a statutory

duty to protect the U.S. against the introduction of these higher-risk cattle and that this duty was not trumped by the international World Organization for Animal Health (OIE) that is calling for weaker standards than are necessary to adequately protect U.S. livestock and the people of the United States.

Dec. 17: R-CALF USA made a trade presentation in Washington, D.C., to USDA officials titled, "U.S. Trade Balance in the Trade of Cattle and Calves, Beef and Veal: A Disaster in the Making." The presentation explained that if U.S. trade policies are not immediately reformed, the increase in domestic beef consumption that the U.S. has experienced over the past 15 years would continue to be satisfied with imported beef, while the U.S. cattle industry continues to shrink.

Dec. 17: R-CALF USA hand-delivered to USDA a joint letter signed by 15 cattle and farm organizations that explains that USDA is wrong to continue following the international OIE's recommendations that call for a relaxation of U.S. disease standards below what is needed to protect the U.S. cattle herd from the introduction of foreign animal diseases. The letter urges the Secretary of Agriculture to immediately reverse the OTM Rule. The letter also calls for an immediate end to captive supplies and states, "We urge you to immediately declare unlawful the packers' practice of strategically shifting increased volumes of fed cattle from the competitive cash market to the packers' hoard of captive supplies."

Dec 16: R-CALF USA met with Grain Inspection, Packers and Stockyards Administration (GIPSA) Administrator J. Dudley Butler in Washington, D.C., to discuss the need to take immediate steps to halt the packers' use of captive supply cattle to depress domestic cattle prices. R-CALF USA provided numerous examples of various packer purchasing practices that needed to be investigated. Such practices include paying some large feeders the full market price for low quality cattle while imposing significant quality discounts on independent feeders, gaming the loophole in the COOL law to prevent an increase in demand for USA born and raised cattle, working in concert with retailers to keep beef prices high and consumption low so the market cannot properly respond to the current short supply of cattle with higher cattle prices, and shifting large numbers of cattle from the cash market to formula contracts and then establishing a base price for all the formula contracts on the very small percentage of fed cattle sold in the cash market. R-CALF USA explained that the U.S. cattle industry likely has lost thousands more independent feeders in 2009 due to horrendous financial losses and this loss will mean considerably less competition for feeder cattle sold by U.S. cow/calf producers in 2010. R-CALF USA requested immediate action to halt the packers' anticompetitive use of formula cattle contracts and other captive supply schemes and specifically asked for a moratorium on the packer practice of removing cattle from the competitive marketplace without establishing a price (formula cattle).

Dec 16: R-CALF USA met in Washington, D.C., with officials from USDA and the U.S. Department of Justice to discuss the logistics of the upcoming workshops the two agencies will jointly hold in 2010 to address "Agriculture and Antitrust

Enforcement Issues in Our 21<sup>st</sup> Century Economy." Five workshops will be held with the livestock workshop scheduled in Colorado on Aug. 26, 2010.

Dec 10: R-CALF USA joined with 53 other organizational members of the Commodity Markets Oversight Coalition to send a letter to each member of the U.S. House of Representatives in support of certain amendments to H.R. 4173, which would bring about greater transparency, oversight and accountability in the commodity futures markets and empower federal regulators with the authority and resources to protect against fraud, manipulation and excessive speculation.

Dec. 3: R-CALF USA submitted separate, comprehensive comments on USDA's proposed changes to the brucellosis program and to the bovine tuberculosis (TB) program. USDA has finally responded to R-CALF USA's longstanding request to increase testing and quarantine of Mexican cattle, which are a known source of TB introduction. R-CALF USA supported several of USDA's proposed changes, but objected strenuously to USDA's proposals that transfer disease control authority away from the States and attempt to implement the National Animal Identification System (NAIS).

Nov. 18: R-CALF USA drafted a letter to USDA, signed by 100 organizations, that urged the agency not to spend any of its 2010 appropriations to advance NAIS. Instead, the joint letter urges USDA to use its appropriations to end NAIS completely. R-CALF USA also joined in another letter, also signed by 100 organizations, urging Congress to stop all funding for NAIS.

Nov. 17: R-CALF USA drafted and sent a joint letter signed by 40 agriculture and consumer organizations to USDA requesting that the agency reverse the over-30-month rule (OTM Rule) that allows the importation of older cows and bulls from Canada, cattle that have a higher risk for bovine spongiform encephalopathy (BSE). The letter also requests that USDA not relax U.S. disease standards to meet the lower international standards set by the World Organization for Animal Health (OIE). The letter states that OIE standards are insufficient to protect the U.S. from the introduction of foreign animal diseases.

Nov. 16: R-CALF USA submitted comprehensive comments to the Food Safety and Inspection Service (FSIS) regarding implementation of interstate shipment of state-inspected beef, which is a new law R-CALF USA fought for and won in the 2008 Farm Bill. The comments urged FSIS not to follow through with its plan to impose stricter standards (i.e., standards the same as federal standards) on state-inspected meat plants than it requires for foreign meat plants (i.e., standards that are *equivalent* instead of *equal* to federal standards).

Nov. 16: R-CALF USA joined with 107 other organizations in a letter to the USDA Secretary that urged him to immediately suspend all direct or guaranteed loans for the construction or expansion of specialized hog or poultry production facilities. The letter explains how these loans have artificially contributed to the oversupply of these competing proteins