



March 28, 2007

The Honorable Ike Skelton
Member of Congress
2206 Rayburn House Office Building
Washington, D.C. 20515-2504

Dear Congressman Skelton,

Thank you for your invitation to suggest what can be done to ensure that the 2007 Farm Bill is an improvement over the 2002 Farm Bill. As the President of the Board of Directors of R-CALF USA, a national trade association that exclusively represents the interests of U.S. cattle farmers and ranchers, I am pleased to respond to your invitation with the added benefit knowing the collective desires of 15,000 cattle-producing R-CALF USA members from across the nation.

What the U.S. cattle industry needs incorporated into the 2007 Farm Bill to remain competitively viable in the global economy are four basic competition-related reforms:

First: Congress must put in the hands of U.S. cattle producers the tools they need to effectively compete against ever-growing volumes of imported beef and cattle.

To accomplish this objective, Congress must direct the United States Department of Agriculture (USDA) to immediately implement mandatory Country-of-Origin Labeling, which reserves the USA label only for beef exclusively born, raised, and slaughtered in the United States. This will ensure that U.S. cattle producers can maintain the separate identity of their U.S. cattle industry and distinguish their exclusive USA cattle and USA beef from among competing nations' cattle and beef. Accordingly, I encourage you to support H.R. 357 and S. 404.

Second: Congress must take from the hands of the largest meatpackers the tools they currently use to interfere with, and gain an advantage in, the competitive marketplace.

To accomplish this objective, (1) Congress must ensure the proper enforcement of the Packers and Stockyards Act (P&S Act) by establishing an Office of Special Counsel at USDA to oversee both investigations under, and enforcement of the Act. (2) Congress must amend the P&S Act to prevent unfair or deceptive practices, to define "unreasonable preference or advantage," and to correct a recent misinterpretation by the U.S. appellate court system: a meatpacker should not be allowed to avoid the P&S Act's jurisdiction by claiming it engaged in unfair market practices (that are harmful to the economic wellbeing of producers) in order to maintain competitiveness with other meatpackers, that are likewise engaged in the same unfair

practices. (3) Congress must take steps to reduce the volume of captive supplies (livestock owned, fed, and controlled by meatpackers well in advance of slaughter), as the accumulation of these supplies causes a drastic thinning of the competitive cash market, resulting in an overall devaluation of all live cattle below the value that an otherwise competitive market would dictate. Banning packer ownership of livestock and requiring a certain percentage of daily slaughter to be purchased from the cash market would minimize the negative effects of current captive supply use. (4) Congress must take steps to prohibit the use of certain anti-competitive, forward contracts that are not transparent and that do not contain a firm base price. (5) Congress must remove the deterrent to expansion currently imposed on state inspected meatpacking plants, which are currently prohibited from engaging in interstate commerce. This deterrent can be lifted by allowing the interstate shipment of state inspected beef. Many of these important reforms are presently included in S. 622, S. 305, and S. 786. A bill number is not yet available for legislation to allow the interstate shipment of state inspected beef or to require a firm base price in forward contracts.

Third: Congress must ensure that all trade agreements contain adequate safeguards to reflect the supply-sensitive nature of the U.S. cattle industry, and special rules to reflect the perishable nature of the products produced by the U.S. cattle industry.

To accomplish this objective, Congress must ensure that special rules are included in the WTO and in all bi-lateral and multi-lateral trade agreements for perishable products like cattle and beef; cattle and beef must be considered like/kind products; rules of origin must include a born, raised, and slaughtered standard; quantity and price safeguards must be established; and health and safety import standards must be harmonized upward, not downward from current U.S. levels.

Fourth: Congress must ensure that the U.S. maintains the highest level of health and safety standards to prevent the introduction of foreign animal diseases and pests and to reinforce the reputation of the U.S. cattle industry as producers of the safest and most wholesome products that are produced under the best of conditions.

To accomplish this objective, Congress must take steps to counteract the radical policy shift recently initiated by the USDA, which has abandoned longstanding U.S. import restrictions established to prevent the introduction of foreign animal diseases in favor of attempting to mitigate disease spread after it is introduced. Unfortunately, the Animal Health Protection Act does not contain standards with which to measure the USDA's performance in preventing the introduction of foreign animal diseases nor does it expressly state under what conditions the USDA is to impose import restrictions for this purpose. Congress should provide greater clarity and direction to the USDA in this regard by amending the Animal Health Protection Act in the 2007 Farm Bill. In addition, Congress should take immediate steps to (1) prevent the USDA from continually relaxing BSE-related import standards for both Canada and Japan as this action subjects the U.S. cattle industry to increased exposure to BSE. (2) Prevent the USDA from relaxing our foot and mouth disease (FMD) disease protections via its proposal to allow a region

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of FMD-affected Argentina to begin importing fresh and chilled beef into the United States. (3) Require the USDA to impose more effective restrictions on the importation of cattle from Mexico in light of recent testimony by the USDA Office of Inspector General that indicates that approximately 75 percent of all bovine tuberculosis cases detected under U.S. slaughter surveillance originated in Mexico.

In addition to the four basic reforms mentioned above, the 2007 Farm Bill should be used to prohibit the USDA from imposing a costly and onerous mandatory animal identification system on the U.S. cattle industry. Instead, Congress should take steps to strengthen and expand the time-proven Brucellosis surveillance and vaccination program, which involves the placement of a permanent metal ear tag in breeding females. This current disease trace-back system, if strengthened and combined with the state brand laws in 17 states, would significantly improve the United States' current disease trace-back capabilities as desired by U.S. animal health officials.

Finally, the 2007 Farm Bill is the ideal vehicle to make needed reforms to the current beef check-off program. Amendments are needed to this current program to (1) allow U.S. cattle producers to use their check-off contributions to promote beef that is exclusively born, raised, and slaughtered in the U.S., rather than to promote generic beef regardless of its origin; (2) provide for a periodic referendum every five years; (3) allow direct contracting of the program with vendors to avoid possible conflicts of interest; (4) limit representation by any one national policy organization on the Cattlemen's Beef Board to no more than 40 percent; (5) expand the definition of eligible program contractors to include organizations formed after the implementation of the program; and (6) limit contract awards to prevent any recipient from receiving more than 30 percent of annual award amounts.

Congressman Skelton, I greatly appreciate this opportunity to present recommendations for the 2007 Farm Bill on behalf of myself and the membership of R-CALF USA. If you would like further details regarding any of the recommendations mentioned above, please contact me and I will gladly provide you with additional information.

Sincerely,

A handwritten signature in cursive script that reads "R. M. Thornsberry DVM". The signature is written in black ink and is positioned above the typed name and title.

R.M. Thornsberry, D.V.M.

President, R-CALF USA Board of Directors