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Sent Via Facsimile

January 16, 2008

The Honorable Tom Harkin
Chairman
Senate Committee on Agriculture,
Nutrition and Forestry
328A Russell Senate Office Building
Washington, DC 20510

The Honorable Collin Peterson
Chairman
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Saxby Chambliss
Ranking Member
Senate Committee on Agriculture,
Nutrition and Forestry
328A Russell Senate Office Building
Washington, DC 20510

The Honorable Bob Goodlatte
Ranking Member
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

Re: U.S. Cattle Industry Priorities for 2007 Farm Bill

Dear Chairmen Harkin and Peterson and Ranking Members Chambliss and Goodlatte,

We appreciate the considerable work that both the House and Senate have expended to complete the 2007 Farm Bill. As the House and Senate proceed to conference this legislation, R-CALF USA requests that you consider our members' highest priorities. R-CALF USA represents the interests of U.S. farmers and ranchers who raise and sell cattle, and these producers view the seven specific issues discussed below as critical to the future success of their U.S. cattle industry.

R-CALF USA's priorities reflect our members' understanding that the U.S. cattle industry is the last frontier for the concentrated meatpacking industry, as it is the only major livestock sector not vertically integrated from birth to plate. U.S. cattle producers seek to restore market competition by preventing concentrated meatpackers from exerting economic control over their industry, an action that leads to vertical integration and industry contraction.

The ongoing contraction of U.S. livestock industries is well advanced as evidenced by trends documented by the U.S. Department of Agriculture (USDA) in its Aug. 8, 2007, *Federal Register* notice regarding mandatory price reporting. The USDA documented the following trends that show an alarming contraction of U.S. livestock industries from 1980 to 2005:

- U.S. sheep and lamb operations declined from 120,000 to 68,000.
- U.S. hog and pig operations declined from 667,000 to 67,000.
- U.S. cattle operations declined from 1.6 million to 983,000.

Unless Congress takes aggressive steps to restore the competitiveness of the U.S. cattle industry, the contraction of our industry will accelerate. The 2007 Farm Bill is the appropriate vehicle to restore competition to the U.S. cattle industry, and the following priorities already contained in one or both versions of the 2007 Farm Bill are needed to accomplish this important objective. All of R-CALF USA's priorities fall under two titles within the 2007 Farm Bill: Titles X, Livestock Marketing, Regulatory, and Related Programs; and Title XI, Miscellaneous.

1) Adopt House and Senate Mandatory Country-of-Origin Labeling (COOL) Language: Mandatory COOL is needed to allow U.S. cattle producers to maintain the separate identity of their U.S. cattle industry and compete with the growing volumes of imported beef and cattle.

2) Adopt Senate Ban on Packer Ownership of Livestock: This ban would restore market integrity by targeting large packers that use packer-owned livestock to limit producers' market access and depress prices. The ban *only* prohibits *large* packers from owning and having day-to-day management control over livestock for more than 14 days before slaughter. The ban *exempts small packers* and does *not* interfere with alternative marketing arrangements where the producer maintains ownership and management control of livestock prior to slaughter.

3) Adopt Senate Establishment of Office of Special Council for Agricultural Competition: This measure is needed to ensure proper enforcement of the Packers and Stockyards Act (PSA). In 2006, the USDA Inspector General identified serious enforcement problems regarding the PSA, spanning over a five-year period, which were not corrected by USDA officials. This measure would improve transparency and coordination between USDA and the Department of Justice in carrying out proper enforcement actions to protect independent producers from unfair and deceptive practices.

4) Adopt Senate Authorization for Voluntary Arbitration: This measure is needed to make arbitration of disputes between producers and livestock and poultry companies voluntary, instead of forcing producers to sign binding, mandatory arbitration clauses as part of non-negotiable contracts. Arbitration is prohibitively expensive for producers, and limits their legal rights. Producers should not be denied a choice of whether to arbitrate a dispute.

5) Adopt Senate Requirement to Define "Unreasonable Preference or Advantage": The USDA has not defined this term under the PSA, though a definition is needed to ensure that packers do not discriminate against producers who market smaller volumes of livestock.

6) Adopt Senate Authorization for State-Inspected Packing Plants to Engage in Interstate Commerce: This measure is needed to allow state-inspected packers to sell meat across state lines, a practice that currently is prohibited under current law. This prohibition inhibits expansion of smaller state-inspected packing plants thus minimizing competition in the packing industry.

7) Remove Senate Language Regarding a National Animal Identification System (NAIS): The Senate included language to facilitate an NAIS even before Congress has determined if it is feasible, let alone needed. This language is premature as it provides tacit justification for a

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potentially onerous system that Congress has not explicitly authorized. R-CALF USA requests that this language be removed from the 2007 Farm Bill.

A final 2007 Farm Bill that adopts the foregoing recommendations would greatly enhance the competitiveness of the U.S. cattle industry for independent farmers and ranchers. Specifically, it would ensure that independent U.S. cattle producers' opportunities for profitability are not restrained by the concentrated meatpackers' desire to exert greater control over their industry.

Sincerely,

A handwritten signature in cursive script that reads "R. M. Thornsberry D.V.M." with a stylized flourish at the end.

R.M. Thornsberry, D.V.M.
President, R-CALF USA Board of Directors

Cc: Members of U.S. Congress