

**Testimony Submitted by Bill Bullard  
CEO, R-CALF USA  
to the  
House Agriculture Appropriations Subcommittee  
March 20, 2014**

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**AGENCY: USDA-Grain Inspection, Packers and Stockyards Administration (GIPSA)**

**Request: No legislative riders to limit or restrict the Secretary's rulemaking and enforcement authority under the Packers and Stockyards Act of 1921**

On behalf of the members of the Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA), I am submitting this testimony to urge the Committee to prevent the inclusion of any legislative riders in the 2015 appropriations bill that would have the effect of limiting or restricting the Secretary of Agriculture's ability to write rules necessary to properly implement, administer and enforce the Packers and Stockyards Act of 1921.

R-CALF USA is the largest producer-only trade association representing the United States cattle industry and has members in 43 states. In addition to its thousands of individual members, R-CALF USA has affiliated organizations in nine states that include the South Dakota Stockgrowers Association, Independent Cattlemen of Nebraska, Independent Cattlemen of Wyoming, Buckeye Quality Beef Association of Ohio, Colorado Independent CattleGrowers Association, Independent Beef Association of North Dakota, Modoc County and Calaveras County Cattlemen's Associations in California, Morrow County Livestock Growers in Oregon, and the Navajo County Cattlemen's Association in Arizona.

R-CALF USA's members and affiliates have been harmed by Congress' inclusion of legislative riders in each of the past three fiscal years that effectively prevented the Secretary from preserving and protecting competitive marketing opportunities for independent livestock sellers. During each of the past three fiscal years, the Secretary has been inexplicably prohibited

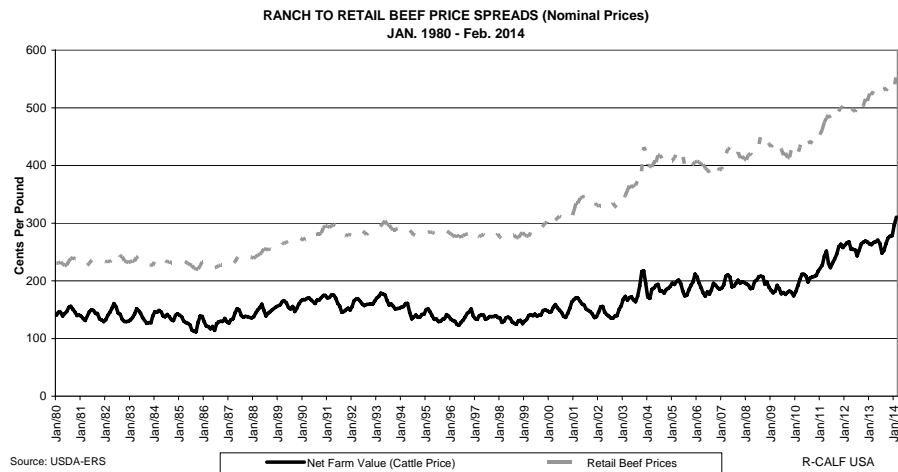
from writing rules pursuant to the Packers and Stockyards Act to ensure that independent livestock sellers are treated fairly in the marketplace, that they are not discriminated against, that they are not subjected to deceptive or fraudulent buying practices, that their fellow livestock sellers (*i.e.*, their competitors) are not receiving undue preferences or advantages from meatpackers, and from ensuring that if a packer violates the Packers and Stockyards Act and causes an independent producer irreparable injury, then that producer could seek meaningful protections under the Packers and Stockyards Act. The effect of the Secretary's congressionally-induced failure to properly implement and enforce the Packers and Stockyards Act is that the competitiveness of the U.S. cattle markets has been seriously eroded.

Congress was misled regarding the impacts of its previous riders. Congress was told the previous riders were needed to preserve for independent producers the opportunity and freedom to choose how they would market their cattle. The effect of those riders, however, was opposite. They enabled the meatpackers to greatly accelerate the destruction of the U.S. cattle industry's only price-discovery market – the spot or cash market – upon which the base price of virtually all cattle is determined, regardless of whether the cattle are sold on a carcass weight basis, under a forward contract or marketing agreement, or under a formula contract. The four largest meatpackers control approximately 84 percent of the cattle market and for the past three fiscal years they were able to restrict independent producers from having timely access to the marketplace. This restriction effectively coerced producers into abandoning the competitive cash market and to, instead, enter some form of marketing contract with the packers, particularly formula-type contracts. The USDA chart below shows the impact the packers' egregious actions have had in the Texas-Oklahoma-New Mexico fed cattle market. The competitive cash market in

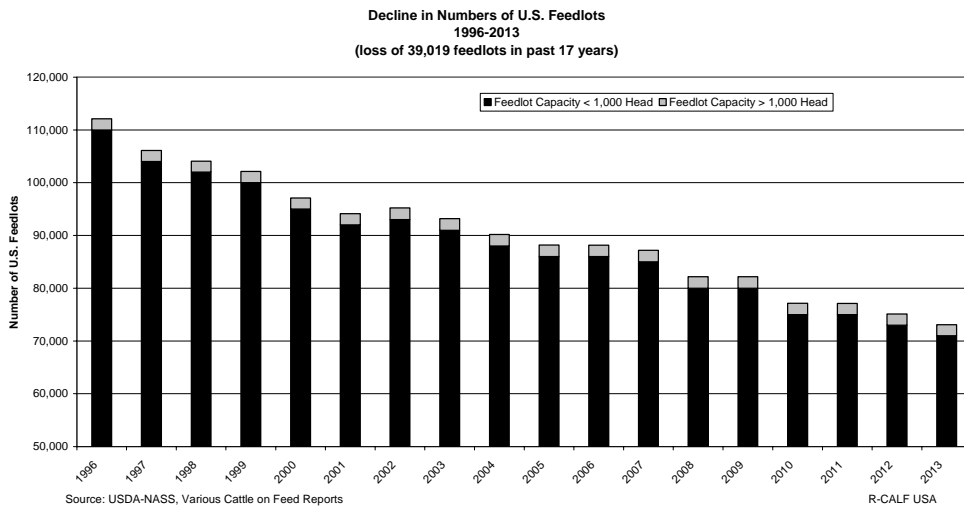
that region has all but disappeared and is, in fact, far too thin to be at all useful for determining a truly competitive price for U.S. cattle.

Texas-Oklahoma-New Mexico Breakdown of Volume by Purchase Type							2011	2012	2013
	2005	2006	2007	2008	2009	2010			
Cash	47.2%	42.5%	36.7%	31.5%	26.4%	21.5%	17.0%	10.2%	6.1%
Formula	42.2%	42.2%	48.4%	53.3%	60.4%	66.9%	72.7%	76.0%	83.0%
Forward Contract	3.1%	5.0%	4.4%	5.8%	5.4%	4.9%	4.4%	5.4%	4.0%
Negotiated Grid	7.5%	10.3%	10.5%	9.3%	7.8%	6.7%	5.9%	8.4%	6.9%

Congress was also misled by claims that consumers would be harmed by higher beef prices if the Secretary attempted to subject the nation’s packers to the Packers and Stockyards Act. But, USDA data depicted in the chart below clearly show that the packers are, over time and with impunity, paying farmers and ranchers less for their cattle and charging consumers higher-and-higher, record-breaking prices for beef. In the past several years the packers have charged more to convert live cattle into beef than in any time in history – which is opposite the outcome Congress should expect based on the packers’ boastful efficiency claims.



It is important to note that the vast majority of what is left of our nation’s cattle farmers and ranchers, who now number only about 729,000, are cow/calf producers who eventually sell their calves to feedlots that fatten them for slaughter. In turn, the vast majority of what is left of our nation’s feedlots are smaller feedlots that are exiting our industry at an alarming rate. Prior to and during the years that Congress maintained its riders (a period during which the Packers and Stockyards Act was not fully implemented or enforced), the packers were insulated from having to fully comply with the Packers and Stockyards Act statute. As a result, the demise of our industry’s smaller feedlots that increasingly encountered market access restrictions accelerated. As shown below, independent feedlots are fast losing competitive marketing opportunities while packers are allowed to capture control of their live cattle supply chain (largely through the elimination of the competitive cash market in favor of contractual arrangements with preferred feedlots – a process known as chickenization). Today, the only segment of the U.S. feedlot industry that is growing is the segment consisting of the 69 largest feedlots with one-time capacities of over 50,000 head, and many of these mega-feedlots are owned by the packers themselves. Surely it is not Congress’ intent to continually eliminate economic opportunities for independent cattle feeders by shielding meatpackers from congressionally-passed statutes.



Rather than to continue passing riders to continually insulate the packers from statutory requirements, which without implementing regulations are largely unenforceable, Congress should be supporting the Secretary’s efforts to restore robust competition to the fast shrinking U.S. cattle industry. The shrinking U.S. cattle industry is the packing industry’s *Last Frontier*, though it too is fast traversing the same path as did the poultry and hog industries toward a fully vertically integrated model – which necessarily eliminates marketing opportunities for independent producers – that requires far few participants than does its counterpart – a fully competitive model, which Congress should, instead, be embracing. The chart below shows the results of Congress’ past decisions to not ensure open and competitive markets for independent livestock producers. It shows the U.S. lost more than 9 of every 10 hog producers that were in business and contributing to their rural economies in 1980, and more than 4 of every 10 cattle producers, who likewise are no longer making the critical economic contributions to their rural communities that is derived from creating significant value from natural resources. I implore you to preserve and protect the U.S. cattle market by excluding all legislative riders that would limit or restrict the Secretary’s ability to write rules to implement and enforce the Packers and Stockyards Act.

