Making the U.S. Cattle Industry Great Again

Priorities for the New Administration/Congress

by

Bill Bullard, CEO, R-CALF USA

January 18-19, 2017
The New Administration/Congress

• Restore then Preserve Competition
  – Country of Origin Labeling
  – GIPSA Rules
  – Antitrust Enforcement
  – Price Manipulation in Cattle Markets

• Support Beneficial Trade, Not Just Trade
  – Livestock Disease Import Restrictions
  – Economic Realities & Global Governance
  – Protect Our Nation’s Sovereignty

• Reclaim the Beef Checkoff for All Producers
• Restore Private Property Rights
Today's U.S. Cattle Industry

- **Four Large Packers**: Slaughter approx. 85% of all U.S. fed cattle, 22.6 million head in 2015.
- **2,189 Large Feedlots**: Fed approx. 87% of all fed cattle in 2015 while 71 of the largest feedlots fed 33% of all fed cattle.
- **25,000 Farmer Feeders in 2015**: (Reduced from 110,000 in 1996) These smaller feeders fed approx. 13% of all fed cattle.
- **729,000 Beef Cattle Operations**: Including seed stock producers, cow/calf producers, backgrounders, and stockers.
- **Only 69,000 U.S. Beef Cattle Operations**: Have a herd size over 100 head.
- **Since 1980, approx. 544,000 Beef Cattle Operations**: Have exited the industry at a rate-of-loss of about 17,000 operations per year.
Country of Origin Labeling

• Provide Producers the Tool that Facilitates Competition at the Retail Level.
  – Empowers consumers & producers
  – Prevents packers from leveraging cheap supplies to drive down cattle prices

• Brazil 5th largest importer, expected to export about 209 million ponds in 2017. (USDA estimated 88 million pounds in its rule).

  » March & September 2016 GAIN Reports
Figure 7 Global heavy steer prices*

Source: IPCVA (Argentina, Paraguay); MLA (Australia); Esalq/Cepea (Brazil); INAC (Uruguay); USDA (US), Canfax (Canada)

* Indicative heavy steers including grassfed and grainfed categories
Did COOL Work?

A 2010 USDA study found that consumers are willing to pay more for “beef produced entirely within the United States.”


The WTO panel noted that Canadian affidavits reported “price discounts for imported animal and meat as a result of the COOL requirements[.]”

2011 WTO Panel Reports at ¶7.488 (emphasis added).
Priority No. 1

• **We must restore mandatory COOL that reserves the USA label only for beef that is born, raised, and slaughtered in the U.S.**

• Immediate Action: Call your congressional delegation and urge them to draft/support mandatory COOL legislation for beef. Tell them the new legislation must close the WTO-exploited loopholes.
WTO-Exploited Loopholes

• Exemptions (for certain establishments and for processed food items) limited the amount of beef subject to labeling.
  – 67% of Beef and 84% of Pork Exempt.

• COOL labels did not accommodate cattle raised in two countries and, therefore, were vague and inaccurate.
GIPSA Rules
Farmers Fair Practices Rules

- Packers & Stockyards Act of 1921 prohibits unfair, unjustly discriminatory or deceptive practices; granting undue or unreasonable preferences or advantages; and does not require a showing of competitive injury.
Proposed Rule

• Unfair, unjustly discriminatory or deceptive practices
  • 12 examples: Per se; retaliation; failure to ensure accurate scales or accurate electronic evaluation systems; harm to competition
  • No harm to competition but affirmative business justification defense

• Undue Preferences or Advantages
  • 6 examples: For lawful communication; contending legal violation; arbitrary reason; race or religion; legitimate business justification; and harm to competition
Scenarios for Undue Preference or Advantage

• In return for a feedlot’s commitment of all its cattle:
  – packer promises to pay all costs plus $30 per head.
  – packer offers a stop-loss contract, promising no losses greater than $30 per head.
  – packer offers a $30 per head across-the-board payment not related to weight or quality.
  – packer agrees to consistently pay more than the cash price, even when quality of cattle is significantly lower.
  – packer sends feedlot a year-end bonus of $0.10 per pound for all cattle committed during the year.
Interim Final Rule

• A finding that the challenged conduct or action adversely affects or is likely to adversely affect competition is not necessary in all cases. Certain conduct or action can be found to violate sections 202(a) and/or (b) of the Act without a finding of harm or likely harm to competition.
Scenario for Competitive Injury

• A cattle feeder testifies before Congress that packers are manipulating the cattle futures market. In response, the Big 4 Packers retaliate by refusing to bid on the cattle feeder’s cattle.
Why Are GIPSA Rules Needed?

• The Big 4 Packers Possess Monopsony Power, which Reduces Competition
• To Restore Competition, Must Either Break-up the Monopsonies or Subject them to Regulation
• Neither the Administration nor Congress has the Will to Break-up the Big 4 Packers
• Thus, their conduct must be regulated to preserve competition
• GIPSA Rules Are Needed to First Restore and then to Preserve Competition
Priority No. 2

• We must support GIPSA rules that properly implement the P&S Act to prevent anticompetitive, monopsonistic practices.

• Immediate Action: Call your congressional delegation and urge them to support the finalization of the GIPSA rules.
Antitrust Enforcement

• Sherman Antitrust Act of 1890
  – Prevents monopolistic conduct that harms the competitive process, but not individual competitors.

• Clayton Act of 1914
  – Prohibits certain business practices that are conducive to the formation of harmful monopolies.
  • Section 7 cited as basis for 2008 enforcement action against JBS/National Beef Packing Company.

• Packers and Stockyards Act of 1921
  – Prohibits conduct that harms individual market participants
Weekly "Buyer Power" Index (HHI) for Purchases from Consolidated Beef Producers Compared to the DOJ/FTC Critical Value of 1800

Week Ending Date

- DOJ/FTC Critical Value
- HHI
- No Buyer
Antitrust Enforcement

• 40-year Lack of Antitrust Enforcement
  – Unchecked mergers, acquisitions, territory apportionment, collusion, price manipulation

• Stiegert et al., 2011: Packers switch between cooperating (colluding) and competing depending on whether short-term cattle supplies are tight (competition phase) or plentiful (cooperation/collusion phase). According to this study, the packers’ margins declined significantly when they had to compete and fed cattle prices were reduced 8-9 percent when they cooperated.
R-CALF USA’s Enforcement Requests

• 2008 JBS/Smithfield Beef & National Beef
• 2009 JBS/Pilgrim’s Pride (substitute protein)
• 2010 JBS/McElhaney Cattle Company (final gathering point)
• 2012 JBS/XL Four Star Beef (Idaho and Nebraska)
• 2013 Shuanghui’s Acquisition of Smithfield Foods
• 2014 Tyson’s Acquisition of Hillshire Brands Co
• 2016 Friona Industries Acquisition of Two of Cargill Cattle Feeders’ Feedlots
Disconnect Between Retail Beef Prices and Live Cattle Prices

Index of the Inflation Adjusted Price of U.S. Slaughter Steers and Heifers Compared to the Retail Beef Price Index (1982-84 = 100) BLS data

C. Robert Taylor, Auburn University
Exploitation of Producers & Consumers

Farm-to-Retail Price Spread for Beef
(in constant 2016 dollars)

$/cwt


prepared by C. Robert Taylor, Auburn University
Exploitation of Producers & Consumers

Retail Beef Value
(in constant 2016 dollars)

\[ \text{\$/cwt} \]

\[ \begin{align*}
\text{\$350} & \quad \text{1990} \\
\text{\$400} & \quad 1991 \\
\text{\$450} & \quad 1992 \\
\text{\$500} & \quad 1993 \\
\text{\$550} & \quad 1994 \\
\text{\$600} & \quad 1995 \\
\text{\$650} & \quad 1996 \\
\text{\$700} & \quad 1997 \\
\end{align*} \]

\[ \text{month} \]

preparing by C. Robert Taylor, Auburn University
Priority No. 3

• We must begin to aggressively enforce antitrust laws before we reach the point where there is no longer any meaningful competition to preserve, i.e., before the competitive processes and competitive marketing channels (e.g., salebarns, farmer-feeders, order buyers, packer buyers) are dismantled.
Price Manipulation in Cattle Markets

- Beginning in Mid-2015, Cattle Prices Fell at a Record Pace and by a Record Amount Despite the Fact that Market Fundamentals Suggest Cattle Producers Should be Enjoying the Very Best of Times.

  - How did the expected 3 plus-year upside in cattle prices (based on industry’s limiting biological characteristics) get compressed into less than 18 months (July 2013 – November 2014)?
The Last Frontier

Number of U.S. livestock Operations

Source: USDA-NASS

Type of Livestock Operations

Beef Cattle  1,272,950
Swine  667,000
Diary  335,270
Sheep  120,000

1980
2012

R-CALF USA
Decline in Numbers of U.S. Feedlots
1996-2015
(loss of 84,920 feedlots in past 19 years)

Source: USDA-NASS, Various Cattle on Feed Reports

R-CALF USA
Supply Chain Capture
Destruction of Price Discovery
## LMR Purchase Type Breakdown by Region

### NATIONAL

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>52.1%</td>
<td>49.4%</td>
<td>47.3%</td>
<td>42.6%</td>
<td>38.8%</td>
<td>37.4%</td>
<td>32.6%</td>
<td>26.0%</td>
<td>23.1%</td>
<td>23.1%</td>
<td>21.3%</td>
<td>25.6%</td>
</tr>
<tr>
<td>Formula</td>
<td>33.2%</td>
<td>34.3%</td>
<td>37.4%</td>
<td>39.1%</td>
<td>43.7%</td>
<td>43.1%</td>
<td>47.4%</td>
<td>54.8%</td>
<td>59.8%</td>
<td>56.8%</td>
<td>57.0%</td>
<td>57.6%</td>
</tr>
<tr>
<td>Forward Contract</td>
<td>4.8%</td>
<td>7.2%</td>
<td>6.8%</td>
<td>11.2%</td>
<td>9.5%</td>
<td>11.9%</td>
<td>13.2%</td>
<td>12.0%</td>
<td>10.8%</td>
<td>15.8%</td>
<td>17.5%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Negotiated Grid</td>
<td>9.9%</td>
<td>9.0%</td>
<td>8.5%</td>
<td>7.1%</td>
<td>8.0%</td>
<td>7.6%</td>
<td>6.7%</td>
<td>7.2%</td>
<td>6.3%</td>
<td>4.3%</td>
<td>4.2%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

### TEXAS - OKLAHOMA - NEW MEXICO

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>47.2%</td>
<td>42.5%</td>
<td>36.7%</td>
<td>31.5%</td>
<td>26.4%</td>
<td>21.5%</td>
<td>17.0%</td>
<td>10.2%</td>
<td>6.1%</td>
<td>3.0%</td>
<td>2.6%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Formula</td>
<td>42.2%</td>
<td>42.2%</td>
<td>48.4%</td>
<td>53.3%</td>
<td>60.4%</td>
<td>66.9%</td>
<td>72.7%</td>
<td>76.0%</td>
<td>83.0%</td>
<td>84.6%</td>
<td>85.9%</td>
<td>82.4%</td>
</tr>
<tr>
<td>Forward Contract</td>
<td>3.1%</td>
<td>5.0%</td>
<td>4.4%</td>
<td>5.8%</td>
<td>5.4%</td>
<td>4.9%</td>
<td>4.4%</td>
<td>5.4%</td>
<td>4.0%</td>
<td>7.4%</td>
<td>9.3%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Negotiated Grid</td>
<td>7.5%</td>
<td>10.3%</td>
<td>10.5%</td>
<td>9.3%</td>
<td>7.8%</td>
<td>6.7%</td>
<td>5.9%</td>
<td>8.4%</td>
<td>6.9%</td>
<td>5.1%</td>
<td>2.1%</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

### IOWA - MINNESOTA

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>73.9%</td>
<td>68.8%</td>
<td>68.8%</td>
<td>66.7%</td>
<td>63.9%</td>
<td>65.6%</td>
<td>61.8%</td>
<td>56.4%</td>
<td>54.6%</td>
<td>57.0%</td>
<td>56.7%</td>
<td>50.9%</td>
</tr>
<tr>
<td>Formula</td>
<td>7.2%</td>
<td>8.4%</td>
<td>8.2%</td>
<td>9.0%</td>
<td>10.3%</td>
<td>11.2%</td>
<td>10.9%</td>
<td>20.5%</td>
<td>23.2%</td>
<td>20.3%</td>
<td>20.2%</td>
<td>21.1%</td>
</tr>
<tr>
<td>Forward Contract</td>
<td>7.1%</td>
<td>10.2%</td>
<td>13.3%</td>
<td>16.7%</td>
<td>13.2%</td>
<td>13.9%</td>
<td>17.1%</td>
<td>13.2%</td>
<td>13.8%</td>
<td>17.1%</td>
<td>16.1%</td>
<td>20.1%</td>
</tr>
<tr>
<td>Negotiated Grid</td>
<td>11.8%</td>
<td>12.6%</td>
<td>9.7%</td>
<td>7.6%</td>
<td>12.6%</td>
<td>9.3%</td>
<td>10.2%</td>
<td>9.9%</td>
<td>8.4%</td>
<td>5.7%</td>
<td>7.0%</td>
<td>7.9%</td>
</tr>
</tbody>
</table>
Including the Futures Market

- Unprecedented limit moves in single year
- Major disconnect between futures price and cash price
- Market fundamentals do not explain the larger moves
- Big orders attributed to big market moves were made manually, not electronically
- Cattle futures market has become extremely thin where today a 200 lot market order can turn the cattle futures market on its head
- CFTC investigation of 400 orders taken April 28, 2016
Manipulation With Captive Supplies
Captive Supply Study

  - When captive supply reaches 20 percent of total cattle procurement, “[b]eyond this point, the U.S. fed cattle price decreases approximately $0.20/cwt ~ $0.40/cwt for each percent increase in the captive supply share.”
  - 2015 reduction: $10.90-$21.80 per cwt, or between $136.25 and $272.50 per head
## Market Investigation Timeline

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 5, 2016</td>
<td>Investigation Request</td>
</tr>
<tr>
<td>Jan. 14, 2016</td>
<td>Staff Briefing</td>
</tr>
<tr>
<td>Jan. 22, 2016</td>
<td>First Follow-up</td>
</tr>
<tr>
<td>Feb. 3, 2016</td>
<td>Second Follow-up</td>
</tr>
<tr>
<td>Mar. 9, 2016</td>
<td>Third Follow-up</td>
</tr>
<tr>
<td>Mar. 28, 2016</td>
<td>Fourth Follow-up</td>
</tr>
<tr>
<td>April 20, 2016</td>
<td>Request to GAO</td>
</tr>
<tr>
<td>May 10, 2016</td>
<td>S.2911 (Sen. Grassley)</td>
</tr>
<tr>
<td>Oct. 23, 2016</td>
<td>GAO Briefing</td>
</tr>
</tbody>
</table>
Priority No. 4

• We must pass legislation to stop the Big 4 from using captive supply cattle to capture control of the live cattle supply chain.

• Immediate Action: Call your congressional delegation and urge them to cosponsor Sen. Grassley’s ban on packer ownership of livestock, S. 2911
October 21, 2016

“Recent data from USDA shows the near-record to historically wide spreads between cash fed cattle values and boxed beef and retail prices. This indicates windfall cumulative margins beyond the production sectors of the beef industry.”

- Nebraska Cattlemen -
Beneficial Trade, Not Just Trade or Smart Trade, Not Stupid Trade

• Livestock Disease Import Restrictions
  – USDA is systematically dismantling U.S. disease-related import restrictions.
    • TB from Mexico and Canada
    • FMD from Argentina, Brazil, and Namibia.
    • BSE from Europe (5 BSE cases in 2015)
    • Catastrophic consequences.
Economic Realities & Global Governance
Measuring Economic Strength

GDP = C + I + GS + X – M

C is consumption
I is investment
GS is government spending
X – M is net exports
Net exports strengthen; Net imports weaken
($737 billion goods deficit lowered GDP 3%)
U.S. - 20 FTAs Trade Balance In Cattle, Beef, Beef Variety Meat and Processed Beef

Fed Cattle Prices (per cwt.)

Exports: Billions of Pounds

Relationship Between Export Volumes and Fed Cattle Prices

Canadian - U.S. FTA

NAFTA

Source: USDA - ERS
TPP Trade Balance in Live Cattle, Beef, Beef Variety Meats, and Processed Beef

Source: USDA FAS Global Agricultural Trade System Data
Domestic Consumption in Excess of Domestic Production
1962-2015

Total Domestic Consumption

- Imported Beef and Beef from Imported Cattle
- Widest spread in history of industry
- Beef produced Exclusively from USA Cattle

Source: USDA-FAS; USDA-ERS
020130 - Bovine Boneless Fr/C (2015)
Beef Cuts

Metric Tons

Canada - 180,000
Australia(*) - 80,000
Mexico - 70,000
Nicaragua - 5000
Uruguay - 5000
New Zealand(*) - 10,000
Costa Rica - 0
Japan - 0
Honduras - 0
Ireland - 0
Chile - 0
Beneficial Trade, Not Just Trade

- Cattle industry does not overproduce
- Extremely sensitive to changes in supply
- Not the low-cost producer

- TPP
  - Beef is Beef: Origin is Country Where Animal Is Slaughtered
  - No Safeguards for Import Surges
  - Invites Foreign Governments and Foreign Corporations to Challenge Food Safety Standards
  - Will Not Reverse U.S. Trade Deficit in Cattle and Beef
Do U.S. Cattle Producers Benefit Automatically from Increased Exports?

• Not if packers source the beef exported to the new market from imported cattle or imported beef.

• Not if the packers leverage their market dominance to capture the share received from increased sales that a competitive market should allocate to producers.

• TPP: USITC’s optimistic prediction is that after 15 years, the net benefits (new exports minus new imports) would be $457 million in increased sales - roughly one half the number of cattle typically slaughtered each week. ~250,000 head.
Priority No. 5

• We must renegotiate current trade agreements such as NAFTA and CAFTA and oppose the TPP to:
  – allow the U.S. to maintain import restrictions for countries with ongoing disease problems
  – protect the supply-sensitive cattle industry
  – designate the origin of beef as the country where the animal was born, raised, and slaughtered.
  – provide the U.S. cattle industry a meaningful opportunity to achieve more balanced trade with its trade-agreement partners.

• Action: Urge congressional delegation to oppose TPP
United States Sovereignty

• Self-imposed erosion of national sovereignty the United States is experiencing at the hands of the World Trade Organization (WTO).
• The WTO is the global, governing body authorized by trade agreements to adjudicate trade rules.
• In 2015 the WTO threatened the U.S. with an ultimatum to either repeal its domestic COOL law or face economic sanctions.
• Congress quickly capitulated and repealed the U.S. statute that required COOL for beef and pork.
• The chief member of the WTO panel that issued the coercive ultimatum was not an independent judge. Instead, he was a Mexican national – a citizen of one of the two countries that brought the COOL complaint to the WTO.
United States Sovereignty, Con’t.

• Turned basic rules of procedure and evidence, which are hallmarks of U.S. jurisprudence, on their head.

• The U.S. now subjects its laws and lawmaking powers to a subverted WTO procedure whereby U.S. law becomes subservient to trade agreement rules as interpreted not by independent judges but by WTO panels.

• Much less about tariff reduction and much more about global governance and global standardization.

• **Priority No. 6:** We must withdraw from the now established global process whereby U.S. law becomes subservient to trade agreement rules as interpreted by WTO panels.
Beef Checkoff Program

• Perhaps the greatest hypocrisy in the history of the U.S. cattle industry.
• The resulting cattle tax revenues total about $80 million per year and are collected by state beef councils that retain half the taxes and remit the other half to the national beef checkoff program.
• Most of the $40 million in cattle taxes received by the national beef checkoff program is paid to the National Cattlemen’s Beef Association (NCBA), a lobbying organization that represents both multinational meatpackers and producers.
• More than 82 percent of the NCBA’s total funding is derived from the federal cattle tax.
• The NCBA’s political mantra is its call to get government out of agriculture. The NCBA lobbies against cattle-producer initiatives on the basis that it does not want the government involved in the cattle industry. Yet, the NCBA is the single-largest benefactor of the $80 million government-mandated cattle tax that funds government speech.
The cattle tax cross-subsidizes the NCBA’s lobbying efforts, it promotes the anticompetitive message that beef is beef regardless of whether the cattle were born and raised in Honduras, Nicaragua, Mexico or the United States, and the federal government’s audit determined that hundreds of thousands of cattle tax dollars were improperly spent by the NCBA.

Jan. 2017 Checkoff Reapportionment
  - Domestic producers lose 2 seats on CBB
  - Importers gain 1 seat on CBB (KS, NE, SD, IA, OK)
Dairy, Beef, Veal Producers Pay $1/head

State Beef Councils

Federation State Beef Councils

Cattlemen’s Beef Board

Operating Committee

Promoting, Researching, Educating, Safeguarding

Importers Pay $1/head or equivalent
Strategy

• Judicial Branch
  – Unconstitutional for federal government to compel producers to fund the private speech of state beef councils

• Legislative Branch
  – S.3200 Voluntary Checkoff Program Participation Act
  – S.3201 Commodity Checkoff Program Improvement Act of 2016
Priority No. 7

• We must repeal the National Beef Checkoff Program as it now exists or, alternatively, pass legislation that would: 1) prohibit any lobbying organization from contracting with the checkoff program; 2) allow U.S. cattle producers to promote USA beef; and/or 3) require the checkoff program to be purely voluntary

• Immediate Action: Encourage your two senators to cosponsor the two checkoff bills: S. 3200 and S. 3201.
Private Property

• Pre mid-70s: National interest to populate federally managed lands.
• Federal government now pursuing a systematic campaign to remove ranchers and their livestock from those lands.
  – The vested water and grazing rights being impaired or revoked.
  – Land-use restrictions are rendering some grazing lands uneconomical to operate.
  – Laws pertaining to endangered species, conservation, and water are being interpreted and implemented in a manner that demonizes the very ranchers who, for generations, dedicated their lives to the stewardship of the air, land and water, for which their ranching operations were dependent.

• We must reverse the federal government’s ongoing campaign to curtail if not end grazing on federally managed lands by independent cattle and sheep ranchers and restore a cooperative, helpful, respectful and non-litigious relationship between federal land management employees and U.S. ranchers.
U.S. Cow-Calf Returns Per Bred Cow

Source: U.S. cow-calf production costs and returns per bred cow, USDA-ERS

Operating costs do not include: Hired labor, Opportunity cost of unpaid labor, Capitol recovery, costs of equipment, Opportunity costs of land, Taxes and insurance or General farm overhead

R-CALF USA
Cost Per Cow of Raising One Calf

1996: $867
2015: $1,368
Increase: $501

Source: USDA-ERS

R-CALF USA
70
“Annually, the calculated gross margin for slaughtering steers and heifers in 2015 was the third highest in the last two decades; the higher years were 2003 and 2006. Note that those higher years were pre the latest cowherd liquidation and resulting packer excess capacity period and also were pre-recession. This year could easily surpass 2015’s level by more than 30% and set a new 20-year high beef packer margin.” (Emphasis in original).
Market Access Risk

Packer concentration has empowered packers to become market gatekeepers, where the many cattle sellers have too few cattle buyers.

18 weeks in which there was only one market participant, four weeks in which there were none . . . . So we consistently can see region by region where we had a presence where the region is dominated by one buyer, clear and simple.

- Bruce Cobb, CEO, Consolidated Beef Producers, 2010 -
while cattle prices were collapsing from 2014-2015, a) U.S. beef production declined by about 2%, b) the total supply of beef decreased by about .05%, c) and domestic consumption increased by about .03%. These facts belie industry claims that cattle prices fell because we began rebuilding our herd and increasing production, and that production increased because we fed our cattle too long. Instead, the fact that likely had the most impact on declining cattle prices was the ~14% increase in imports.