

# Cattlemen's Newsletter

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## R-CALF USA: NFU Is Irresponsibly Misrepresenting the Voluntary COOL Bill

R-CALF USA and the National Farmers Union (NFU) once worked together to support, pass and maintain mandatory country of origin labeling (COOL). As recently as June 8, 2015, the two groups were signatories to a letter addressed to congressional leaders informing them that their respective organizations "remain steadfast in their opposition to any efforts to undermine COOL through repeal or any other measure."

"COOL is extremely important to our organizations and to the American public. We oppose any legislation that would repeal any portion of the COOL law. We urge Congress to stand up for America's consumers, farmers and ranchers by rejecting any effort to unilaterally repeal a popular food label even before the WTO process has concluded." Their joint letter concluded.

But the NFU suddenly changed its position and lately has been touting voluntary COOL as the solution to the ongoing World Trade Organization (WTO) dispute against mandatory COOL.

In a news release issued today, the NFU stated that the bill to repeal mandatory COOL and replace it with a voluntary clause introduced by Senators John Hoeven (R-N.D.) and Debbie Stabenow (D-Mich.) is the solution to Canada and Mexico's complaint filed at the World Trade Organization (WTO).

"The voluntary program will allow for those who would like to use an origin label to continue to do so, while preventing labels from being misused or misleading," NFU President Roger Johnson said.

"This statement is irresponsible and deceptive," countered R-CALF USA CEO Bill Bullard adding:

"The only entity in the multi-segmented beef

supply chain that possesses both the unilateral power to affix a label or not affix a label is the meatpacker that buys live animals and then converts those live animals into consumable meat.

"Anyone who would claim that a cow/calf producer in Montana, Iowa, Michigan, South Dakota, Nebraska or anywhere else can continue to have the meat from their cattle labeled with a voluntary COOL label after they sell their animals into the multi-segmented beef supply chain is being outright deceptive," Bullard said.

Currently, the United States, Canada and Mexico are involved in the arbitration phase of the dispute in which the WTO will ultimately determine what damages, if any, Canada and Mexico are entitled to recover through retaliatory tariffs as a result of the implementation and operation of the U.S. COOL law. Canada and Mexico claim they are entitled to recover over \$3 billion annually. However, the U.S. Trade Representative (USTR) states their claim is grossly overstated and the maximum amount that Canada and Mexico should be able to recover is less than \$91 million annually.

To put this into perspective, the U.S. lost a previous WTO case against Brazil involving the U.S. cotton program. The WTO ruled in Brazil's favor and determined that Brazil would suffer \$147 million in damages each year. In 2010, the U.S. offered to pay Brazil a one-time payment of \$300 million to settle the entire matter. And that is what the U.S. did.

"The amount the U.S. paid Brazil to settle the cotton case is more than three times the amount the USTR has determined is the maximum amount Canada and Mexico can possibly claim against our mandatory COOL law," said R-CALF USA Bill Bullard.

Bullard contends this example clearly demonstrates that there are more and better options available to the U.S. than to just repeal COOL or to weaken it by making it voluntary. He said in addition to negotiating a one-time cash settlement as we did with Brazil, other options include obtaining an agreement to maintain mandatory COOL in return for granting Canada and Mexico other concessions in ongoing trade negotiations, or for concessions in ongoing trade disputes involving sugar subsidies, softwood lumber, or restrictions on liquid milk and wheat access, to name just a few.

But he said that NFU's disregard of its own member-policies that expressly support "mandatory" COOL is now effectively foreclosing the opportunity available for R-CALF USA and over 140 other U.S.-based organizations that want to preserve mandatory COOL.

"Most or all of the groups want to improve COOL and believe we can effectively address the WTO's complaints that many meat products are presently exempt from labeling because they are considered ingredients in processed foods, sold in food service establishments, or sold in stores that do not meet the definition of a retailer.

"We can fix these legitimate concerns and doing so will greatly benefit U.S. consumers and U.S. producers while simultaneously addressing the WTO complaint," Bullard said adding, "but we are now being hindered by the irresponsible and unsupportable statements being made by the NFU.

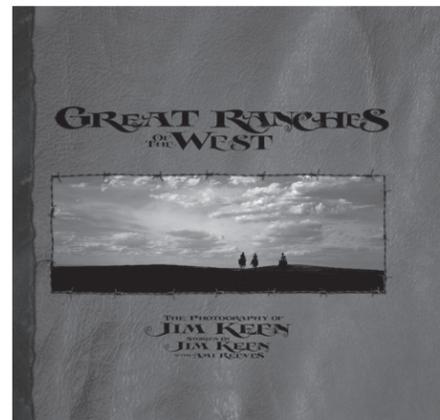
"It is one thing to be at odds with groups that are ideologically opposed to your position but quite another to be obstructed by an organization that is disregarding and/or contradicting its own policies," Bullard concluded.

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—Sandra Carey

## President Signs Fast Track Bill that is Certain to Further Destroy America's Dwindling Commercial Sheep Industry; Cattle Industry to Follow

According to R-CALF USA, the recent signing of the highly controversial Trade Promotion Authority bill, also known as Fast Track, by President Obama signals a new wave of free trade agreements that will only add to the United States' already burgeoning trade deficit. The measure was widely touted as the catalyst needed to assure passage of the soon-to-be-completed Trans-Pacific Partnership (TPP) free trade agreement that includes the United States and 11 other countries.

R-CALF USA CEO Bill Bullard said there is an obvious reason that the Fast Track bill was unable to pass Congress until after the President and the GOP leadership began in earnest to promise political favors, twist arms, and actually retaliate against congressional members who initially voted against the legislation.

"Fast Track barely passed Congress because it is bad public policy and it is a fundamentally flawed piece of legislation," he said.

In 2012 several members of Congress requested the U.S. Department of Agriculture (USDA) to conduct an investigation to determine why U.S. sheep prices had collapsed and why the commercial sheep industry was in a state of decline. The investigation completed in 2013 concluded that a principal cause for the commercial sheep industry's demise was imported lamb that was entering the U.S. at low prices.

Most of the low-cost lamb entering the U.S. is imported

from Australia, and the rest is imported from New Zealand. Soon after the U.S. entered a free trade agreement with Australia, the U.S. sheep industry began importing more lamb and mutton than the domestic sheep industry could produce.

"Our sheep industry is now the first U.S. livestock industry to be outsourced and the only reason for that is because the President uses Fast Track authority to pass free trade agreements that benefit multinational corporations while harming specific industries in the U.S., like the sheep industry," Bullard said.

Bullard said that because the TPP includes both Australia and New Zealand, the commercial sheep industry in the U.S. is likely to shrink even more and, he warns, "Because the sheep industry is the cattle industry's canary in the coal mine, our cattle industry is certain to follow."

According to data compiled by R-CALF USA, the U.S. trade deficit with the 20 countries the U.S. currently has free trade agreements with was over \$2 billion in 2014 in the trade of cattle, beef, beef variety meats and processed beef.

"In just the past 25 years we have accumulated a trade deficit of over \$40 billion with these 20 free trade countries and the new Fast Track bill will guarantee that these deficits continue to mount.

"The Fast Track bill represents a continuation of our nation's failed trade policies that have all but destroyed our

commercial sheep industry and are now poised to drain the economic vitality out of our U.S. cattle industry," Bullard concluded.

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## U.S. Economic Model Shows COOL Losses Overstated by Billions

In a 41-page brief to the World Trade Organization (WTO), the United States Trade Representative (USTR) demonstrated that Canada and Mexico inappropriately overstated their losses related to the U.S. mandatory country of origin labeling (COOL) law by billions of dollars.

Using its own partial equilibrium economic model to more accurately estimate the true trade effects of mandatory COOL on Canada and Mexico, the USTR determined that the maximum amounts that Canada and Mexico can possibly claim as a result of the United States' implementation of mandatory COOL is less than \$91 million annually.

"This is a far cry from the more than \$3 billion that Canada and Mexico have been claiming as damages arising from our mandatory COOL law," said R-CALF USA CEO Bill Bullard.

Bullard said the USTR's estimate of less than \$91 million in damages resulting from COOL reinforces the message that 142 groups sent to the U.S. Senate last month to urge the rejection of any effort to repeal COOL or to weaken it by converting it to a voluntary program. The groups made their request in part because, "Canada and Mexico have threatened an absurdly high penalty designed to frighten the U.S. Congress into rashly repealing COOL."

According to Bullard, Canada's and Mexico's scare tactics worked brilliantly and a bill to repeal COOL in the U.S.

House of Representatives passed 300 to 131 in early June amidst claims that Canada and Mexico were already moving towards instituting retaliatory tariffs on U.S. exports that could reach as high as \$3.6 billion per year.

Reacting also to Canada's and Mexico's unsubstantiated claims that the WTO would authorize their collection of billions of dollars through retaliatory tariffs, the U.S. Senate agriculture committee scrambled in July to introduce two COOL repeal bills of their own. The first repeal bill, sponsored by Senate Agriculture Committee Chairman Pat Roberts (R-Kans.) was identical to the House repeal bill. The second repeal bill, sponsored by Senators John Hoeven (R-N.D.) and Debbie Stabenow (D-Mich.), was also identical to the House repeal bill but with the addition of a provision granting the Secretary of Agriculture the authority to establish a voluntary COOL program.

In support of its contention that neither Canada nor Mexico can prove the damages they claim, the USTR's brief argues that both Canada's and Mexico's methodologies for calculating losses were flawed. In one example, the USTR describes how Canada claimed that its export revenue losses resulting from COOL were \$1.61 billion annually. However, Canada's total export value of affected livestock in 2014 was \$1.744 billion, which the USTR described as the second highest level after the 2007 level,

which was before the economic recession.

"It is alarming that Congress and others who are supporting COOL repeal and/or voluntary COOL are so eager to defer to Canada's and Mexico's saber rattling rather than to critically analyze their outrageous claims – It isn't even remotely possible that COOL could cause Canada to experience export revenue losses that are nearly as high as their near-record exports in 2014," Bullard commented.

In a notice issued today, the WTO has scheduled an arbitration hearing for September 15-16, 2015 in Geneva, Switzerland, to hear evidence presented by the United States, Canada and Mexico regarding the impact that COOL has had on Canada's and Mexico's livestock exports.

"This notice further demonstrates that Congress and supporters of both COOL repeal and voluntary COOL alike are premature in their efforts to eliminate our mandatory COOL law.

"We hope that a careful review of USTR's brief will encourage Congress to withdraw their bills to eliminate mandatory COOL and to reaffirm their support for America's consumers, farmers and ranchers by defending our nation's sovereign right to inform consumers as to the origins of their food," concluded Bullard.

## Agriculture Secretary Rushes Headlong to Increase Beef Supplies, Lower Cattle Prices, and Jeopardize Herd Health

Recently, Agriculture Secretary Tom Vilsack rushed to finalize two proposed rules that would increase imports of fresh beef from 14 states in Brazil and from Northern Argentina. Foot-and-mouth disease (FMD), one of the most contagious diseases known to infect cattle, is endemic in northern Brazil and the Secretary admits in his proposal for Argentina that the active FMD virus appears to be present in niches or patches in the country. The two rules will go into effect in 60 days.

Vilsack stated in both proposed rules that he expected the increased imports of fresh beef associated with the two rules to reduce producer welfare, lower U.S. beef prices, and lower U.S. beef production. He did not provide any other reason for his decision to relax longstanding FMD restrictions from the two countries.

R-CALF USA met with the White House Office of Management and Budget (OMB) on June 12 and informed the White House that it believed Vilsack was in violation of at least three of the U.S. Department of Agriculture (USDA's) authorizing statutes by proposing the two rules that had

no other purpose than to cause harm to rural American ranchers.

According to R-CALF USA, Congress established USDA's purpose to be that of building the economic health of rural areas, improving the quality of life of people living in rural and nonmetropolitan regions of the nation, and of fostering a family farm system of agriculture.

"Finalizing rules that the Secretary knows will lower U.S. cattle prices, lower U.S. beef production, and increase the risk of infecting the U.S. cow herd with FMD demonstrates the Secretary's blatant disregard for USDA's mission," said R-CALF USA CEO Bill Bullard adding:

"The effect of these rules will be to further erode the economic condition of Rural America and reduce economic opportunities for independent ranchers, which is exactly the opposite of what the Secretary should be doing."

Bullard said his group also informed the OMB that that the recent Pedv outbreak that killed approximately 8 million pigs and the ongoing outbreaks of avian influenza that have so far caused the deaths of over 50 million chick-

ens and turkeys are examples that demonstrate the USDA is ill-equipped to contain major disease outbreaks before they wipe out millions of animals.

Those examples were reinforced in May when the U.S. Government Accountability Office (GAO) issued a report stating that the USDA does not even know how many veterinarians it would need for an emergency response to an animal disease outbreak, "such as a large-scale outbreak of foot-and-mouth disease in livestock."

"With these rules the Secretary is knowingly exposing the U.S. live cattle industry to an unnecessary and avoidable risk of FMD and he is doing so knowing full well that he is also undermining the statutory purpose of the USDA," Bullard said.

"Consumers and livestock producers alike should be appalled by the Secretary's actions that are clearly designed to put the interests of multinational importers well ahead of the interests of Rural America," he concluded.

## R-CALF USA Texas Member James Stotts' Letter to the Editor on Country of Origin Labeling (COOL)

Dr. Editor

As of June 10, 2015 the U.S. House of Representatives passed HR 2393 which will deny all Americans from knowing where their beef, chicken or pork comes from. Country of Origin Labeling (COOL) of our food is essentially on its way out, if we don't fight to stop the greed of Multi National companies. Three hundred of our U.S. Representatives have already caved to greed of Multi National Meat Packers and foreign trade tribunals (WTO).

My Congressman, Texas Representative Mike Conaway, introduced HR 2393 as "a targeted response that will remove uncertainty, provide stability and bring us back into compliance." In actuality it is a targeted response that will benefit the Multi National Meat Packers only, remove any certainty about where our meat comes from, provide stability for the Packers alone and force Americans into compliance with a ruling made by foreigners concerning our laws. All the while we get cheated out of knowing where our food comes from. Some people might question which country Mike Conaway is actually representing and for all of you Free Traders, this just proves that American Sovereignty and its laws are trumped by trade laws.

Not all Representatives are like Mr. Conaway. Some actually support American sovereignty like Rep. Rosa DeLauro (D-CT). She spoke for seven minutes on behalf of COOL and all of the Americans who support it. Rep. DeLauro said it all when she said, "People deserve to know where their food comes from. American farmers and ranchers deserve the opportunity to distinguish their products. It is an economic truism that complete and accurate information is one of the cornerstones of a free market."

June 25, 2015 the Senate Ag Committee held their hearing on COOL with five witnesses wanting to repeal COOL and the Ag Committee knew these witnesses would be against COOL and one witness that I would have assumed to be for COOL turned out to be for voluntary COOL. With witnesses like these COOL never stood a chance.

The big Multi National Meat companies and their associations have been fighting the Labeling Law since its inception in 2002. The Multi Nationals have been getting the World Trade Organization (WTO) involved for years and the latest WTO ruling is Mexico and Canada can retaliate in trade with the U.S. in November. We already import 85% of Canada's beef in one form or another, mostly going into the unlabeled restaurant and food service industry, how much more do we have to take? I for one have had enough of this Anti American betrayal from both parties trying to outdo the other, all in an effort to placate foreign interests before the interests of the American people.

As I have said in previous letters to the editor, "Americans should not be taking-buying protein from Mexico, when millions of Mexican citizens need their cattle, hogs, chickens and their meats to stay in Mexico and be buyable to their citizens." Just because we can pay more for their meat and cattle than they can doesn't mean that we should buy their food sources from them. It begs the question, should Multi National grain companies buy grain from Ethiopia and sell to us? We can pay more for it but should we take their food sources from them?

In the Livestock Weekly of June 11, 2015 on page 10, "Mexico estimates the U.S. Law COOL has cost them \$653 million in damages." Anyone want to hazard a guess at how much it is costing American taxpayers to now support 1/4 of Mexico's citizens, here in the U.S. illegally, through welfare, prisons and jobs lost to the illegals? I believe that it can be safely said that it involves only billions and billions of dollars.

Our fight with the WTO is not over yet because now Canada and Mexico will go to its Tribunal and try to prove that we have hurt them monetarily. If the WTO Tribunal were comprised of caring individuals they would insist that Mexico not sell any beef, pork or chicken until all of their own people are fed and clothed first. The Tribunal would also insist that Canada clean up their BSE problem once and for all so as not to feed their own people contaminated protein much less the rest of the world.

The NCBA and other Multi National Meat Packer lackeys can beat the export drum all they want but it won't make a difference to those other countries who want to be assured that the beef from America actually came from American cattle not Canadian or Mexican cattle. In February, of this year, it was reported that 5 different nations were wanting assurance that the beef they imported didn't come from Canada, proving that the world wants to know where their beef comes from. Voluntary COOL, that some people want, has already proven to be not enough because we had voluntary COOL for years and the Packers wouldn't label the meat for us but they would tell all of the foreign countries where the meat comes from. If it is good enough for the world, why not us?

283 groups representing millions of American consumers, farms, ranches, manufacturing and communities have sent repeated letters to Congress showing strong support of COOL. A 2014 Consumer Reports survey found that 90% of consumers support COOL. How is it that only 300 people who are obviously out of touch with their constituents as well as consumers kill the only decent law that Americans have been afforded in years?

When Congress changes American laws in order to placate a few Multi National Meat Packers and other nations, if that is not treason, it is at least a betrayal.

James Stotts



Llano, TX

## CHECKOFF CORNER

Joe Pongratz is the chair of R-CALF USA's Checkoff Committee. I am writing this to bring everybody up to date as to what is happening in regards to the Beef Checkoff program.



We don't currently have an update on the checkoff.

Joe Pongratz

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## R-CALF USA Convention Goers Reaffirm Support for Mandatory COOL and Tackle Other Critical Issues Facing Their Industry

At their 16th annual convention and membership meeting held in Denver, Colo., last week, R-CALF USA members tackled several tough issues facing their U.S. cattle and sheep industries. Among those issues was mandatory country of origin labeling (COOL) and two new resolutions regarding COOL passed the first phase of R-CALF USA's resolution adoption process. This first phase involves the approval of policy resolutions by the members attending the annual convention. The second phase, which will occur within 45 days of the convention, involves a mail-out ballot to all of the groups voting members as they will ultimately decide whether a convention-passed policy will become the official membership policy of R-CALF USA.

The first COOL resolution reflected the group's serious concern that the World Trade Organization's (WTO's) adverse ruling against COOL was both improper and an encroachment on U.S. sovereignty.

The group wrote, "WHEREAS, the WTO has ruled against the sovereignty of the United States' consumer using a conflicted panel with a plaintiff trade representative as a judge. BE IT RESOLVED that R-CALF USA calls for the President and Congress to immediately withdraw the U.S. from the WTO."

The second COOL resolution addresses one of the factors the WTO cites as a contributor to the discrimination of foreign livestock – the fact that while the origins of all livestock are being reported, only about one-half of all beef sold in the U.S. is actually required to be labeled under the law. The reason for this is because commodities

sold at restaurants or are ingredients in processed food items are exempt from the law's labeling requirements. To correct this deficiency, the group's members affirmed that they "support expanding the mandatory country-of-origin labeling to include all meats and meat products at all points of sale, so that the consumer will be fully informed about the origin of their food."

In response to U.S. Agriculture Secretary Tom Vilsack's pending final rule to allow the importation of fresh beef from Argentina and Brazil, countries that are known to harbor the live foot-and-mouth disease (FMD) virus, the group passed a strong resolution in opposition to the Secretary's plan. The resolution states that no imports of cloven-footed animals or fresh meat products from such animals should be allowed from any region where the presence of FMD is known or suspected or from regions that are not free of FMD without vaccination.

In direct response to the presentation by Wyoming rancher and attorney Tracy Hunt that disclosed the motivation behind the Global Roundtable for Sustainable Beef (see discussion below), the group expressed its outrage toward the corporate-led effort to control the U.S. live cattle supply chain. It did so by passing a resolution that denounced the Global Roundtable for Sustainable Beef.

Two additional resolutions were passed that addressed specific private property rights concerns. The first opposes the listing of sites on the National Register of Historic Places without first obtaining written consent from the private property owner upon whose land the particular place of interest resides. The second is an attempt by the group to prevent members of Congress from using the National Defense Authorization Act (NDAA) to reauthorize such non-germane projects as historic preservation and environmental initiatives. The group states that the scope of the NDAA should be limited to the defense of the United States of America.

In addition to the initial passage of resolutions, the group also nominated three current R-CALF USA directors to serve a second term on the board. Those directors are R-CALF USA President Bryan Hanson from S.D., Director Alan Pruitt from N.C., and Director Jaime Oberling from Ill.

To fill the director positions open because the current directors had served their maximum two terms, Mont. rancher Jack Owen was nominated to replace Mont. rancher Maxine Korman and Colo. rancher Gerald Schreiber was nominated to replace Wyo. rancher Dr. Taylor Haynes.

All of the resolutions and nominations will be included in a mail-out ballot for a vote by all voting members of

R-CALF USA before they become the organization's official policies or representatives, respectively. Voting members of R-CALF USA are defined as members who own cattle.



### Speakers Deliver during R-CALF USA's 16th Annual Convention

R-CALF USA's two-day convention in Denver, Colo. was jumpstarted by Angus Mc McIntosh, Ph.D., who has served as an expert witness in nationally renowned private property rights lawsuits. McIntosh provided a detailed analysis of the process the courts have used to confirm that western ranchers have acquired significant property rights on lands that they graze but that the federal government manages under what is called a split estate. McIntosh

also explained why farmers and ranchers east of the 100th Meridian, which essentially divides the United States between east and west, should be concerned about the federal government's efforts to restrict western ranchers' water rights, grazing rights and easement and right-of-way rights acquired on federally managed lands.

McIntosh exclaimed, "If they (government officials) can take property rights

away from westerners because of endangered species or a potential endangered species, then they can start to tell you how to farm in the east using the same factors."

Wyoming rancher and attorney Tracy Hunt provided an exceptional presentation demonstrating how the World Wildlife Fund (WWF), the National Cattlemen's Beef Association (NCBA), the multinational meatpackers including JBS, Cargill and Tyson, and retailer giants McDonalds and Walmart are teaming up to capture the supply chain away from independent cattle producers under their newly formed Global Roundtable for Sustainable Beef (GRSB).

The tool the GRSB is using to capture the cattle supply chain is vertical integration, which Hunt said is how competition is killed in an industry.

Hunt said that what the government failed to achieve under the ill-conceived National Animal Identification System (NAIS), the WWF, NCBA and other roundtable partners are now trying to accomplish under their Global Roundtable for Sustainable Beef.

Hunt explained that the GRSB is proposing a top down, planned economy for the U.S. cattle industry, which he said is in sharp contrast to a free market economy.

"They will force ranchers to use RFID ear tags; they will correlate those ear tags to the ranchers' premises; they will require ranchers to report animal movements; they will require a 3rd party verifier to verify WWF environmental requirements; and, if you don't do what they say you can't sell your cattle because roundtable partners control the market outlets," he said.

Because the GRSB partners control about 85 percent of the marketplace, Hunt said the only way independent producers will be able to avoid being under the GRSB's control is to sneak their cattle through the feeders or packers that feed the last 15 percent of the market.

Hunt contends the GRSB is not about achieving economic viability, social responsibility or environmental soundness as claimed by its backers.

"There is no GRSB for pork or chicken. This is not about greening the environment. It's about control." He said additional evidence is that neither the Trans-Pacific Partnership (TPP) free trade agreement nor the Fast Track bill includes restrictions based on carbon footprints.

Hunt said the NCBA is allowing the GRSB to put the face of the American cowboy on the face of the corporate effort to disappropriate ranchers from their land.

Former R-CALF USA President Max Thornsberry, D.V.M., told attendees that the U.S. Department of Agriculture (USDA) has completely changed the way it addresses foot-and-mouth disease (FMD). He explained that the USDA has changed its past focus of keeping FMD out of the United States to its new focus of trying to facilitate more trade even with disease-affected countries.

"Many U.S. veterinarians have never seen FMD because we have done everything in our power to keep the disease out," but that is now changing he said.

Thornsberry said if the USDA wanted to continue keeping FMD out of America, then it would not be trying to allow imports of fresh beef from Argentina and Brazil, which are countries where FMD is known to exist.

"It is absurd to say a state or region in Argentina or Brazil is FMD free because those countries lack critical infrastructure," he said adding that many people in those countries are impoverished and lack access to staple foods.

Thornsberry urged attendees to help make the USDA understand that this is a mistake. "The USDA is turning everything that we did to protect our country upside down."

Brian O'Shaughnessy, Chairman of New York-based Revere Copper Products, Inc., told attendees that his copper and brass sheeting and coil manufacturing firm faces the same trade challenges as do cattle producers.

O'Shaughnessy explained that the U.S. needs more good-paying manufacturing jobs so more consumers can afford to eat more beef at prices that support farmers and ranchers.

But, O'Shaughnessy said that is not the direction the U.S. has been heading: "Since 2000, 30% of the manufacturing plants that Revere shipped to have shut down and/or moved offshore."

"We (the U.S.) got outsmarted when we decided to lower tariffs," O'Shaughnessy said adding, "The U.S. is about the only country actually practicing free trade."

O'Shaughnessy's presentation walked through the process of how nearly every country in the world, except the U.S., implemented a value-added tax (VAT) at about the same time they agreed to lower tariffs. The new VAT, which is World Trade Organization- (WTO-) legal, is then applied to imports. In addition, the revenues received by the VAT are used to offset major production costs for manufacturers, such as payroll taxes.

He said when VAT revenues from imports are used by mercantilist countries to offset their domestic production costs, the VAT functions just like a tariff.

"The VAT supports jobs and wages everywhere except here," he exclaimed. O'Shaughnessy said the group he co-chairs, the Coalition for a Prosperous America (CPA), has shared 13 critical trade principles with members of Congress that, he said, would begin to put the U.S. back into a trade-competitive position.

Before closing, O'Shaughnessy explained why he and other manufacturers support the U.S. mandatory COOL law:

"The COOL law transcends everything because most Americans want to know where their food is produced."



R-CALF USA Sheep Committee Chair Bill Kluck described how America's rural economy could be boosted if the U.S. were to adopt trade policies to reverse the nation's dependency on imported lamb and wool. Kluck said that the unrestricted importation of Australian lambs at prices below the domestic cost of production is what caused the U.S. sheep flock to decline by millions of sheep, thus significantly reducing the nation's production capacity for lamb.

"It was the displacement of domestic production by cheaper, imported lamb that has created America's new dependency on this imported food," Kluck said adding, "The sheep industry is the cattle industry's canary in the coalmine so we need to figure out how to rebuild it."

During the group's COOL panel, R-CALF USA COOL Committee Chair Mike Schultz explained why none of the bills introduced in Congress to repeal COOL or to make COOL voluntary should pass. "Our U.S. Trade Representative has demonstrated that the actual cost of COOL on foreign livestock is only a small fraction of what Canada and Mexico are claiming and it does not justify making any changes that would weaken COOL," he said.

COOL panelist Mike Callicrate agreed stating that the only legislation needed for COOL is legislation to add more beef to the list of beef products that are subject to the mandatory COOL law. Callicrate recommended legislation to remove the exemptions for food service establishments and processed food items. He said these current exemptions result in only about one-half of all beef products being covered by the COOL law.

Dudley Butler, former Administrator of the USDA Grain Inspection, Packers and Stockyards Administration (GIPSA), delivered a banquet speech that earned him a standing ovation. Butler's message was that Washington has lost any semblance of common sense. Just one of his examples was Congress' multi-year appropriations effort that effectively blocked USDA and from writing regulations to make it unlawful for meatpackers to retaliate against farmers and ranchers. He said farmers have been retaliated against for complaining to their members of Congress about how they were being treated by a packer. "How can any member of Congress be for retaliation," he asked rhetorically.

"We must call out the politicians, but call on the statesmen and stateswomen," Butler concluded.



# Cattlemen's Newsletter

United Stockgrowers of America

July/August 2015

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## Where Did It All Go?

Lee Pitts, Livestock Market Digest Published May 15, 2015

PART 2 of 2.

### A Bridge To Nowhere

My Beef Board source said that early in the process there was a deal on the table in which the groups would sign off on the Memorandum of Understanding asking for the extra dollar per head checkoff if the NCBA would give up its stranglehold on the process whereby the NCBA controls the Federation of State Beef Councils and the awarding of contracts.

The NCBA was allegedly not willing to sign off on such a deal. The NCBA keeps telling everyone how much the beef industry needs the extra dollar yet they were not willing to give up any of their power in exchange for the extra buck. In other words, the NCBA put their own well-being ahead of beef promotion and the beef producers who are largely paying NCBA's way.

NFU's Johnson says the "NCBA regards the checkoff as its own personal financial trough and will do everything possible to cement that status into eternity." That's why the NFU left the working group and why the U.S. Cattlemen's Association refused to sign the MOU.

### PIGS

After the MOU was signed The Federation of State Beef Councils recommended to Congress that there be an increase in the checkoff, but precisely because they are funded by your checkoff dollars they are supposed to be prohibited from using checkoff funds to lobby for rate increases. We wonder, where is the line between "recommending" and lobbying? It's as dubious as the supposed "firewall" between the lobbying NCBA and the checkoff-spending NCBA. Laws mean nothing to these arrogant people. One of my sources went into great detail in explaining how the NCBA controls the nominating committee, the Federation of State Beef Councils and how they got half the seats on the checkoff's contracting committee, which decides who receives contracts for checkoff dollars.

So now we have the MOU going to a Republican Congress for their action to increase the checkoff and you can count on it because in the 2014 mid-term elections the NCBA gave nearly \$800,000 to mostly Republican candidates who now control the House and Senate. Lest you think I'm bashing Republicans, I am lifelong registered Republican and I still think this deal stinks to high heaven. The NCBA is no better than all the green groups and progressive interest groups (PIGS) who have nearly destroyed this country, and the idea that Beef Checkoff funds are being unlawfully used to support the rate increase should make any honest person hold their nose, regardless of party affiliation.

### An Illegal Cattle Tax

The USDA is supposed to be in charge, not the NCBA, but the feds are in on the take, being paid to oversee the checkoff. Ag Secretary Vilsack promised he'd do something but at the first hint of resistance he folded like a broken ironing board. He didn't have the courage to stand up to the NCBA even though he has said there are "offensive and glaring conflicts of interest within the Beef Checkoff Program." According to R CALF's Bill Bullard, "there were two Office of Inspector General reports that found the Secretary was not properly

overseeing the Beef Checkoff Program and, as a result, it's not possible to determine if the millions of dollars collected by the checkoff each year are being spent properly." Yet ranchers are going to be asked to pay another dollar per head even though there has never been a complete audit of the old checkoff.

In 2010 an independent review found that over \$216,000 in producer beef bucks had been misappropriated and compliance reviewers said the NCBA had breached the so called "firewall". And those auditors only looked at 983 transactions between the beef checkoff and the NCBA, out of 19,000 total transactions. That's less than 5%. The Organization for Competitive Markets tried to get a look at 40,000 pages of documents that would have painted a clearer picture of how checkoff funds have been spent, but like reporters who ask for facts, they are merely told, "Producer approval of the beef checkoff program is at an all time high."

Dudley Butler was once a part of USDA's inner circle and got to smell the stench first hand. "The administration is well aware that the NCBA has misappropriated producer money and the NCBA has helped defeat policy reforms that would have helped small producers," said Butler. He calls the checkoff an "illegal cattle tax" and says Vilsack has the power to reform the program, but won't. He wrote to Vilsack, "Your lack of leadership has ensured that independent cattle producers will continue to be systematically pushed toward the slaughterhouse of vertical integration."

### Bought And Paid For

The NCBA has lobbied against a number of rancher supported programs, like Country of Origin Labeling, and they act like they don't care that we have only 730,000 ranchers left, down from a million and a half. They don't care where America's beef comes from. A CBB board member told me for every 600 pounds of beef imported into this country the CBB gets a dollar. Most of which ends up in NCBA's hands. NCBA employees would keep their outrageous salaries even if there wasn't one American cattleman left on earth. And they wouldn't have to listen to dues-paying members, or try to keep secrets from curious journalists. You can bet they'd still be saying "a recent study calculated that every dollar collected by the checkoff delivers \$11.20 in return." Blah, blah blah. It's amazing what you can get a professor to say when you paid for the results. Says NFU's Johnson, "Every other commodity checkoff program has separated the policy organization from the non-political, promotional entity. The beef checkoff is the only program that has failed to embrace this new model."

Why would they when they're making such big bucks?

What have all these beef checkoff dollars got us, besides well-paid employees? The answer comes from beef's biggest competitor. The National Chicken Council says that during the 29 years of the beef checkoff's existence about \$2.2 billion has been collected and spent. During those same 29 years, per capita beef consumption fell by a third, from 79.2 pounds per person in 1985 to 54.1 pounds per person in 2014. At the same time poultry consumption grew by 35 pounds per person, a 55% increase in per capita consumption. And, oh, by the way, the chicken producers don't have a checkoff.