

*Fighting for the U.S. Cattle Producer!*



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February 10, 2015

The Honorable Jerry Johnson  
Chairperson  
Agriculture Committee  
Nebraska Unicameral Legislature

**Re: Opposition to Nebraska Legislative Bill 176**

Dear Chairperson Johnson:

On behalf of the rancher-members of the Ranchers Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA), I write to express strong opposition to Nebraska Legislative Bill 176 (LB 176).

R-CALF USA is a non-profit association representing thousands of independent U.S. cattle ranchers in approximately 40 states. It is the largest producer-only national trade association representing the U.S. cattle industry. R-CALF USA works to sustain the profitability and viability of the U.S. cattle industry, a vital component of U.S. agriculture. R-CALF USA's membership consists primarily of independent cow-calf operators, cattle backgrounders and feedlot owners. Various main street businesses are associate members of R-CALF USA.

R-CALF USA members value the free market system that functions properly only when there is an open, robustly competitive marketplace. The ownership and control of livestock by meatpackers, however, constitutes a capturing of the livestock supply chain that reduces competitive market outlets for independent livestock producers. This occurs because as meatpackers increase the volume of livestock they own or control from birth to plate, they no longer need to compete with other meatpackers for their livestock supplies, thus limiting the marketing outlets available to independent producers. As a result of this loss of marketing outlets, independent producers are forced to either produce livestock under the command-and-control regime of the meatpackers or exit their industry.

The sustainability of a competitive livestock market that will continue supporting many independent livestock producers necessitates the maintenance of a robust price discovery market. For a robust price-discovery market to exist, meatpackers must compete against one another for the purchase of available livestock supplies. The negotiated cash market is the price discovery market where meatpackers actively compete against one another to win their respective shares of available hogs and cattle.

No longer is there a negotiated cash market in the U.S. poultry industry as that price-discovery market was eliminated when poultry integrators captured the poultry supply chain away from independent producers through the integrators' ownership and control of poultry. Poultry integrators have no need to bid against each other for independently produced birds when they already own or control all the birds they need. This eliminated competitive marketing opportunities for independent poultry producers.

Unfortunately, meatpackers are now attempting to apply the industrialized poultry model to our livestock industries. In essence they are working to chickenize the hog and cattle industries. We know this because meatpackers are shifting larger and larger volumes of livestock from the negotiated cash market – the price discovery market – to alternative procurement programs such as packer ownership and control. As a result, the price discovery markets for hogs and cattle are becoming too thin to accurately predict a competitive price. Just as in the poultry industry, this is reducing the competitive marketing opportunities for independent hog and cattle producers.

In the cattle industry, for example, the volume of cattle marketed in the price-discovery cash market has been reduced nationally from 52 percent in 2005 to only 23 percent in 2014. In the Texas-Oklahoma-New Mexico fed cattle marketing region, the cash market volume shrank from 47 percent to only 3 percent during the same period.

In sharp contrast, and as a direct result of Nebraska's Competitive Livestock Markets Act that limits the packers ability to shrink the price-discovery market by capturing the livestock supply chain away from independent producers, the volume of fed cattle comprising the competitive cash market in the Nebraska fed cattle procurement region is at 38 percent, which is much higher than the national average.

These data reveal that under Nebraska's current Competitive Livestock Markets Act, Nebraska cattle producers enjoy a more robustly competitive marketplace than what remains nationally. Nebraska should fight to defend its Competitive Livestock Markets Act against LB 176, which is designed to help the meatpackers chickenize Nebraska's hog industry by helping the meatpackers to capture the hog supply chain from Nebraska's independent hog producers. And, where Nebraska's hog industry goes, the state's cattle industry is certain to follow.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Bullard". The signature is stylized and cursive, written over a white background.

Bill Bullard, CEO