

# THE POLITICS OF BEEF

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I was talking to a longtime reader of the Digest the other day and he asked me if I'd be voting for Hillary, "Me being a Democrat and everything."

I spit out the tea I was drinking, had a coughing fit, choked and said, "Are you kidding? I'm a Republican. Always have been. (I don't know if that's a boast or a confession.) I've always voted for the Republican nominee for President, even though there were a few times I had to hold my nose to do so. I'm a devout believer in conservatism, country, the Constitution and capitalism with a conscience. Whatever gave you the idea that I'm a Democrat?"

He was shocked and said, "I assumed you were a Democrat because you seem to support R CALF and don't care much for the NCBA and everyone knows R CALF is for Democrats and the NCBA is full of Republicans."

Now it was my turn to be shocked. I'd never heard that theory before. At first I was a little proud he couldn't tell my party affiliation by my writing and then I began to wonder if I'm being a traitor to my people when I cast my lot with R CALF instead of the NCBA? What's next, a Bernie bumper sticker on my electric Smart Car?

How does the reader's theory about political party affiliations jibe with an article I wrote many years ago titled, "Is R CALF Dead?" This was after founder Leo McDonnell and 13 R CALF committee chairman left R CALF and later formed the United States Cattleman's Association. I chuckled at the time because one industry observer called those who stayed at R CALF a bunch of "right wing fundamentalist extremists."

Is that any way to describe a bunch of Democrats?

I began to wonder if there was any truth to what the reader had said and surmised that the only way to tell is by looking at the "platforms" of the NCBA and R CALF, after all, in many ways they are very much like political parties.

### **Trickle Down Economics**

Can you name one thing R CALF, Donald Trump and Bernie Sanders all have in common?

They are all against the Trans Pacific Partnership trade deal. (You know things are getting weird when a billionaire capitalist and an avowed socialist agree on anything.) NCBA is one of TPP's biggest cheerleaders while R-CALF was the only witness representing the U.S. cattle industry that opposed the TPP in hearings before the U.S. International Trade Commission (USITC).

The USITC estimates that net exports of beef over the first 15 year span of the TPP pact will be worth \$457.1 million more than if the TPP was not implemented. R-CALF CEO Bill Bullard put this amount into perspective, "This means that even under the USITC's overly optimistic estimate, the best our industry can hope for is that in 15 years we will market barely over one day's kill in additional cattle. This exceedingly small economic benefit does not outweigh the huge concessions our industry will be forced to make if the TPP is passed."

The Republicans at the NCBA want you to assume that all those extra dollars will trickle down to the U.S. cow calf producer. After all, Republicans practically invented trickle down economics. But in this case, we all know that any additional income, if there is any, will more likely trickle down to the global meat packers JBS, Tyson and Cargill.

Bullard calls TPP a corporate give-away. "The TPP allows multinational packers to use a "Product of the USA" label on cattle sourced from anywhere in the world, which effectively ends all competition between U.S. cattle producers and their foreign competitors. To top it off, because the pact allows USA labels on beef from animals sourced anywhere in the world, multinational meatpackers can put an end to our competitive U.S. cattle cycle simply by sourcing cattle from other countries whenever they believe domestic cattle prices are too high or domestic cattle supplies too tight."

"Like NAFTA," says Bullard, "The TPP will help multinational meatpackers capture even more control of the U.S. live cattle supply chain away from independent U.S. farmers and ranchers, relegating them to nothing more than a cog in the big meatpackers' global supply chain."

There was once another Republican Presidential candidate, Ross Perot, who was laughed at because he said that if we passed NAFTA the next thing we'd hear would be "a giant sucking sound, sucking all our jobs away." Now the Republican candidate for President, is saying the same thing about the TPP despite the fact the Republican leadership and the NCBA never met a trade pact they didn't like. When it comes to trade deals and imbalanced trade, it's wise to remember the words of the world's biggest traders, the Chinese: "Fool me once shame on you. Fool me twice shame on me."

### **Bought and Paid For**

It had to be uncomfortable for NCBA big wigs at their last convention because the market had just taken one of the biggest falls in history, in large part caused by algorithmic traders on the CME. You might know the CME as the heretofore known Chicago Mercantile Exchange, a big financial contributor to the NCBA for years.

Irate NCBA members went to their convention demanding changes on the futures exchange. In response the NCBA said they were meeting with the CME and with much to-do introduced their answer to out-of-control computer trading: an all new auction for fat cattle that would put some transparency in the cattle market and finally establish a fair market price for cattle based on supply and demand, instead of letting leveraged futures traders sell millions of cattle they never owned and thereby set the price.

The much-touted Fed Cattle Exchange held its first live feeder cattle auction on May 25, and promptly announced that due to technological problems they had to halt operations temporarily. Then on June 29, after just four sales, the cattle auction promoted by the NCBA suspended activity indefinitely.

Does any sane person think the Big Four are going to support a competitive auction for fat cattle when they can hold the fed cattle market captive?

Meanwhile, R CALF continues to demand that Congress take some action in reigning in the futures traders and their big casino which caused confused cattle markets to drop a dollar per pound.

As for those meetings, the CME says it is working with the NCBA to improve the futures markets. Don't hold your breath waiting for any meaningful changes. Face it folks, this is politics and the NCBA and the CME are joined at the hip. Or at least the wallet.

### **Follow The Money**

R CALF is a big supporter of checkoff reform while the NCBA, who has siphoned off most of the checkoff dough, naturally likes things just the way they are, thank you very much.

R CALF joined more than 140 other organizations, ranchers, farmers and businesses in sending a letter to Senators Booker and Lee for filing legislation that, if passed, would stop commodity checkoff program abuses and would ensure that no farmer or rancher is forced to pay fees into programs that do not promote their market segment.

"Independent cattle producers are tired of the conflicts of interest, misspending, and other abuses rampant in our beef checkoff program," says R CALF's Bullard. "We are now appealing to Congress to take action to stop these commodity programs from harming the very individuals who are forced to pay into the checkoff funds."

The legislation would: (1) Stop federally mandated checkoff dollars from being transferred to parties that seek to influence government policies or action relating to agriculture issues. (2) Enforce the prohibition against conflicts of interest in contracting and all other decision-making operations of the checkoff program. (3) Stop federally mandated funds from being used for anti-competitive programs or from being spent to disparage another commodity in the marketplace. (4 ) Increase transparency of the individual boards' actions by shedding light on how federal checkoff funds are spent and the purpose of their expenditures. (5) Require audits of each program every five years to ensure their activities are in compliance with the law.

You can bet the NCBA will use their lobbying arm to kill any checkoff reform measures. After all, the NCBA derives more than 80% of its total revenue from the beef checkoff. Since the beef checkoff is a government program we know that the reform measures have no chance of passing both houses of Congress. After all, when's the last time you heard of a government program ending? All they ever do is get bigger and bigger.

### **Under the Influence**

Like many old-school Republicans, the NCBA promotes the idea that we can export our way to prosperity while giving up a big chunk of our domestic market. How's that working?

You don't want to know.

In the year 2015 the amount of beef we brought into this country increased 32% over 2014. During the same time the amount of beef we sold to other countries decreased 12% by tonnage and 14% by value. And it's only getting worse.

In June the amount of Brazilian processed beef and beef sub-product exports to the United States rose 34% over May. As a result, the U.S. is now among Brazil's 10 biggest beef buyers. Keep in mind, the world's largest processor of beef and Brazil's largest beef exporter to the U.S. is JBS, an NCBA member. Brazil's beef exports to the U.S. are expected to increase even more now as the U.S has signed on to a deal that allows Brazil to send fresh beef here from their states that supposedly don't have foot and mouth disease. It could be only a matter of time before they export that to us also. But the free-trading NCBA is all for it.

Under the influence of the multinational meatpackers, the NCBA sees nothing wrong and blamed the strong dollar and high beef prices for our global problems. They appear not to realize that it's not in their member's best interests that a foreign firm is their biggest buyer. Just like the pork producers didn't realize until too late that the largest pork producer in the U.S., Smithfield, shouldn't be sold to a Chinese firm. They seem to be genuinely shocked when these foreign firms try to replace domestic production with cheaper meat processed all over the world. But the NCBA doesn't seem to care because they're going to get their beef checkoff dollars whether the beef was produced by the 729,000 remaining cattle producers in this country or by a producer in Namibia.

### **Dwindling Away**

In 2008 there were 82,170 feedlots in this country but by 2015, sadly that number had been reduced to 27,189. That's a 67% drop! Only 2,189 of the remaining feedlots have a one-time capacity of more than 1,000 head yet they marketed a full 87% of all cattle marketed in 2015.

And the dwindling away and concentrating continues. R-CALF has requested immediate antitrust enforcement action to block the proposed mega-feedlot merger between Cargill Cattle Feeders, and Friona Industries. Stating, "While it fully supports the divestiture of feedlots owned by

meatpacker giant Cargill, the effect of the proposed sale of two of Cargill Cattle Feeders feedlots to Friona will substantially reduce competition in both the feeder cattle market and the fed cattle market.

If you'll recall, R CALF also opposed the acquisition of the largest cattle feeder, Five Rivers Cattle Feeding Company, in 2008 by the Brazilian firm JBS. After the purchase the feeder cattle market dropped dramatically.

Like good Republicans, the NCBA has never opposed any merger or conglomeration in the beef industry and has urged Congress to maintain their hands-off the monopoly policy. No doubt, Congress will continue to listen to the packer's de facto lobbyist, the NCBA. And just think, the NCBA does all this for the packers despite the fact that the packers don't have to pay the buck a head like you do.

You won't find a sweeter deal in all of Washington DC.

### **COOLING Off**

As the largest producer-only trade association representing the U.S. cattle industry, R- CALF was a lead supporter of mandatory COOL for beef and while we had it, ranchers received the highest prices for their product in history. The NCBA fought tooth and toenail to get rid of Country of Origin labeling on behalf of their packer backers and finally they were successful in killing COOL. Shortly thereafter the cattle market crashed. Coincidence? The only other time the cattle market got nearly that good was when R CALF almost single-handedly got the border with Canada closed to stop their mad cows from coming across. The NCBA was against the border being closed. After all, the NCBA is on record for telling a federal court that, "Beef is beef, whether the cattle were born in Montana, Manitoba, or Mazatlán."

The conclusion I have come to after much thought is that there are plenty of Democrats in the NCBA and Republicans in R CALF. You can't say that because R CALF is against trade agreements like NAFTA and the TPP that they tend to follow along Democratic party lines, when the Republican nominee for President, Donald Trump, is also against the TPP. See how confusing this can get?

I don't think your party affiliation should be a factor in choosing who to vote for with your membership money. If you care for your country, and vote your pocketbook, you'd join the R CALF party, not the NCBA.