

Fighting for the U. S. Cattle Producer!



R-CALF

USA

Why America Is Losing Its Ranches

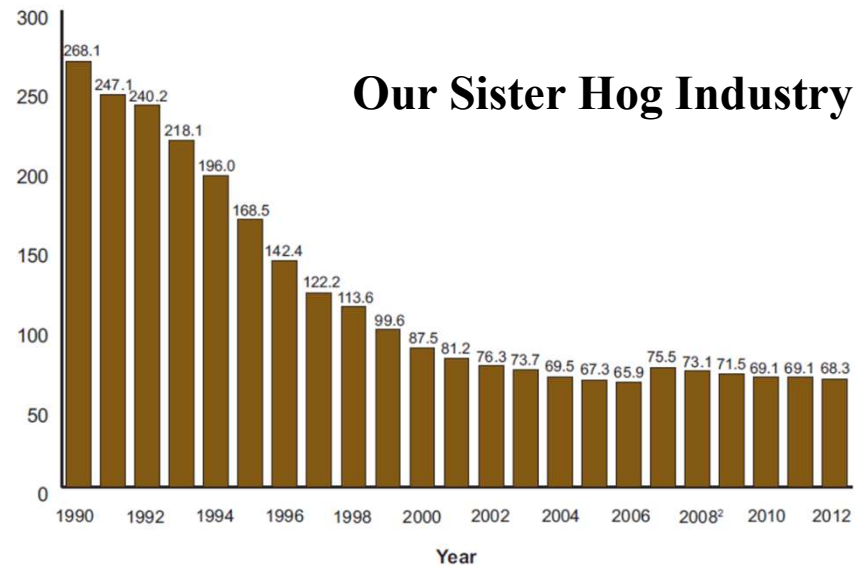
Presented to

R-CALF USA 20th Annual Convention

Bill Bullard, CEO
August 15, 2019

Number of swine sites, 1990–2012¹

Number sites
(x1,000)



¹Source: NASS.

²Beginning in 2007, NASS changed the definition of hog and pig operations, which likely accounts for the increase in the number of sites.

Year*	Total inventory (1,000 head)	Sites reporting	Average herd size
1992	57,563	191,347	301
1997	61,188	124,889	490
2002	60,405	78,895	766
2007	67,786	75,442	899
2012	66,027	63,246	1,044

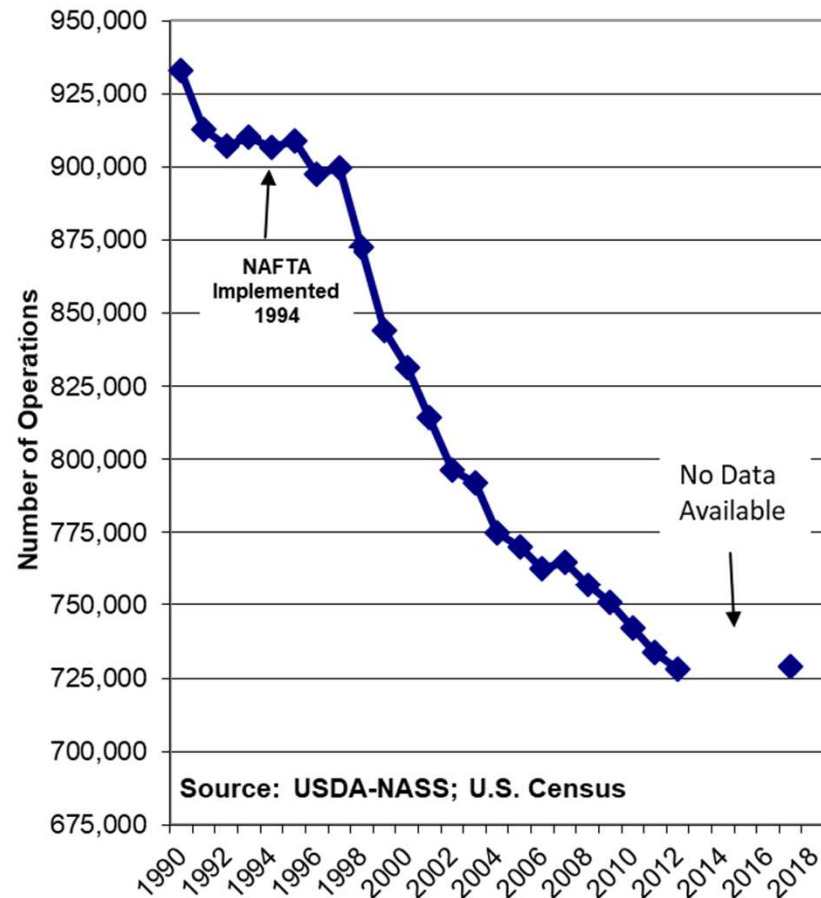
*NASS Census of Agriculture data. 1850–1950 includes all States except Alaska and Hawaii. 1959–2012 includes all 50 States.

The New “American Farmer”

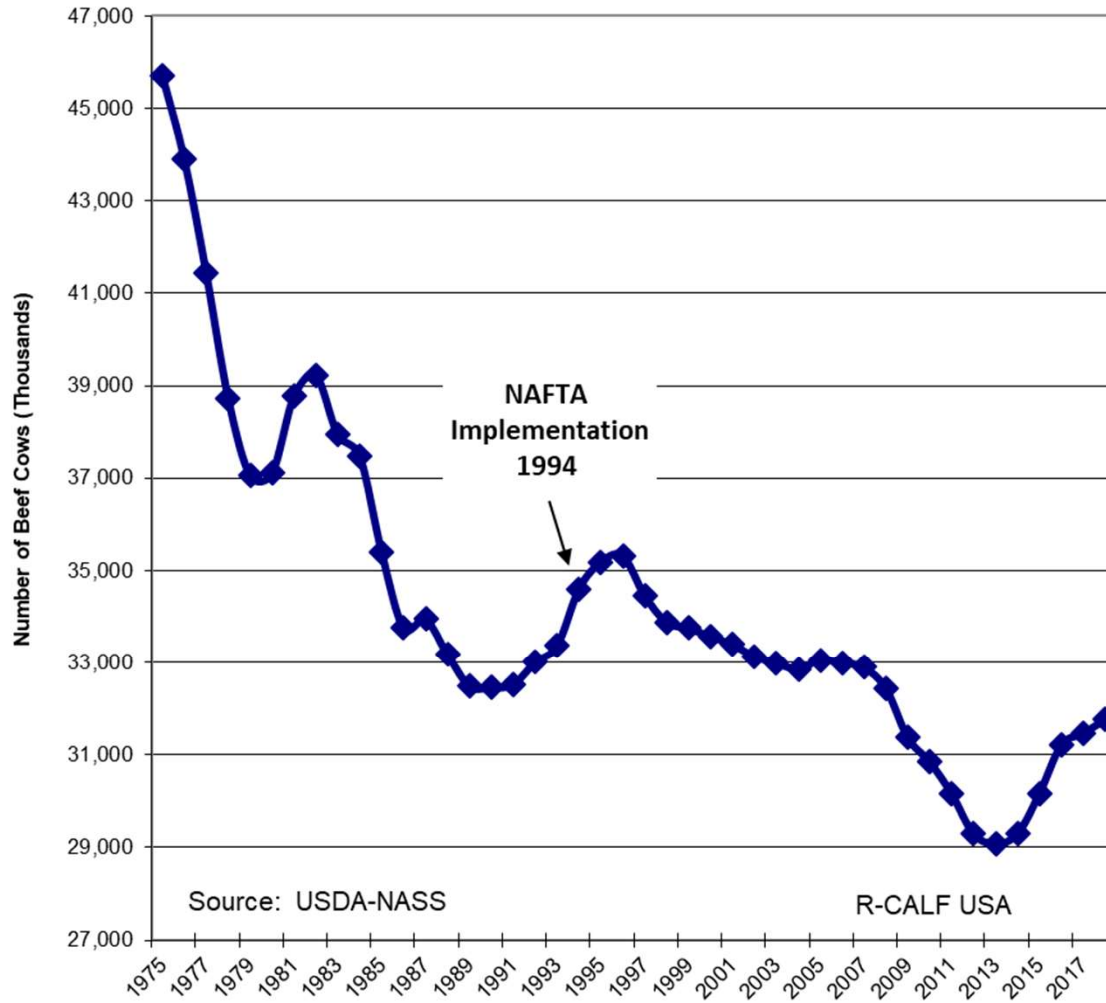


America's Ranches Are Fast Disappearing

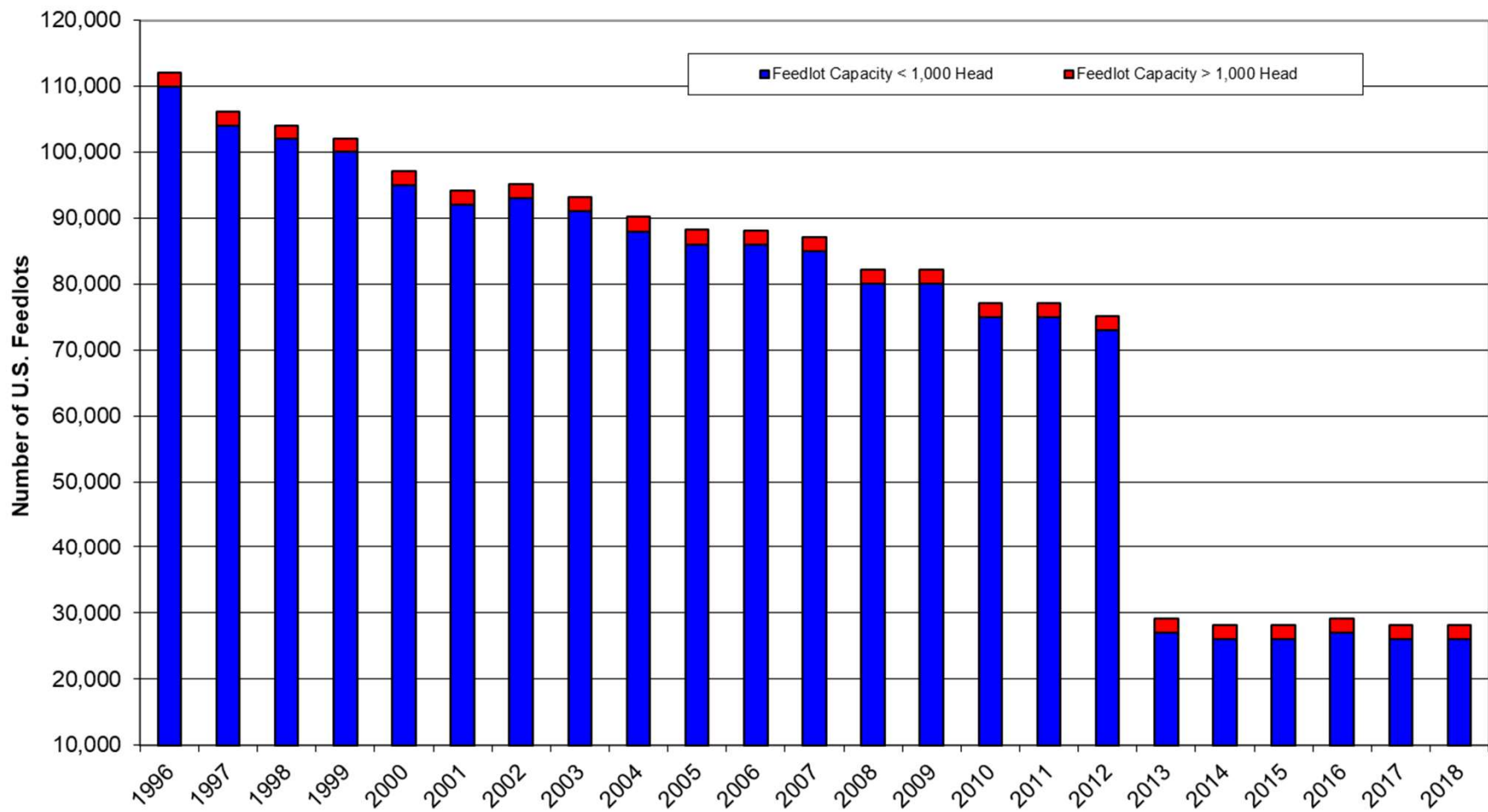
Exodus of U.S. Beef Cattle Operations
1990-2017



The U.S. Beef Cow Herd Is Shrinking Fast Hitting a 70-year Low in 2014



**Decline in Numbers of U.S. Feedlots
1996-2018
(loss of 83,949 feedlots in past 23 years)**

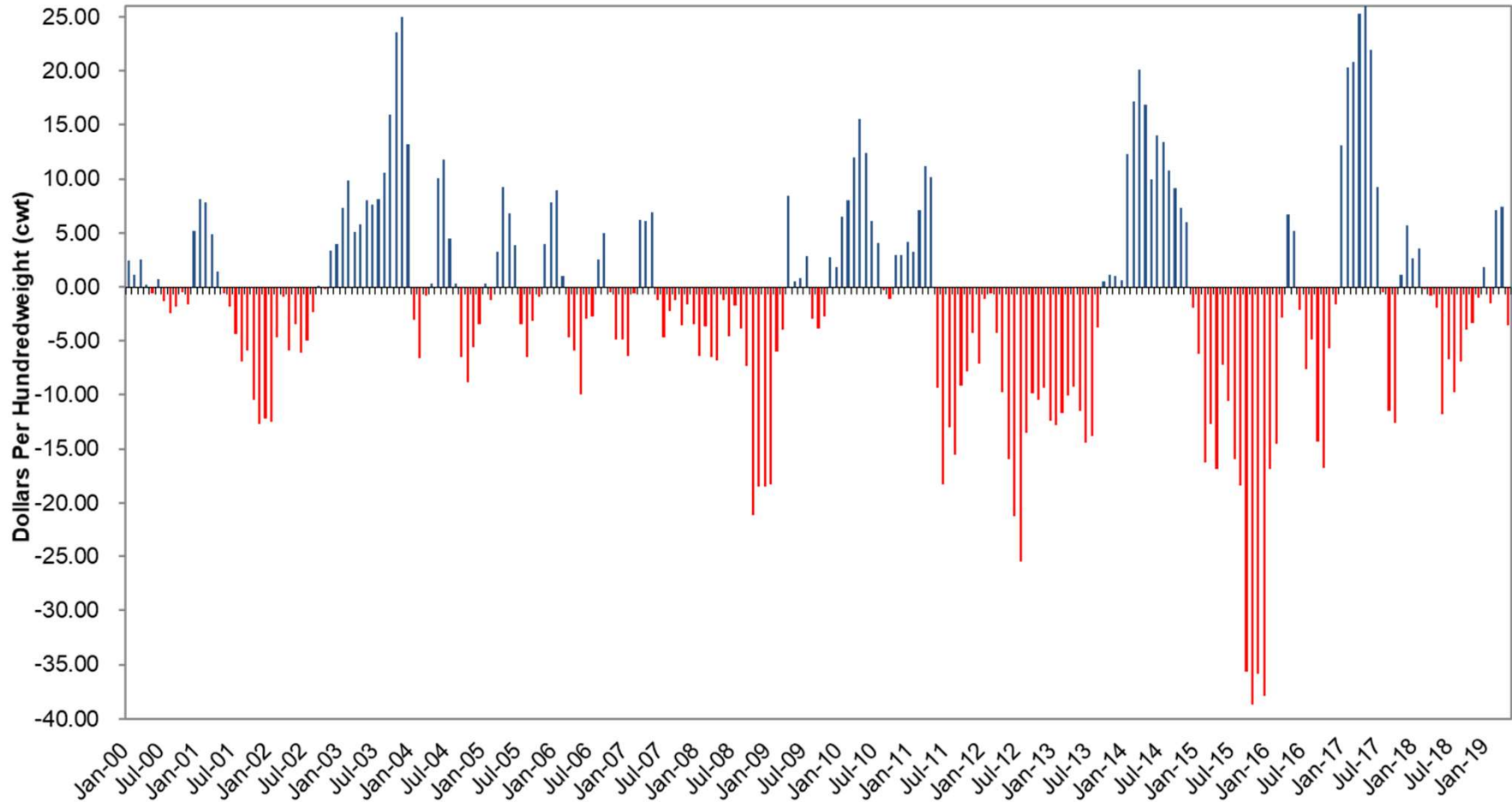


Source: USDA-NASS, Various Cattle on Feed Reports

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Returns to U.S. Cattle Feeders (Jan. 2000 - May 2019)

Prolonged and Persistent Losses to Cattle Feeders (Avg. loss of \$19.63 per head per month)



Source: USDA-ERS High Plains Cattle Feeding Simulator

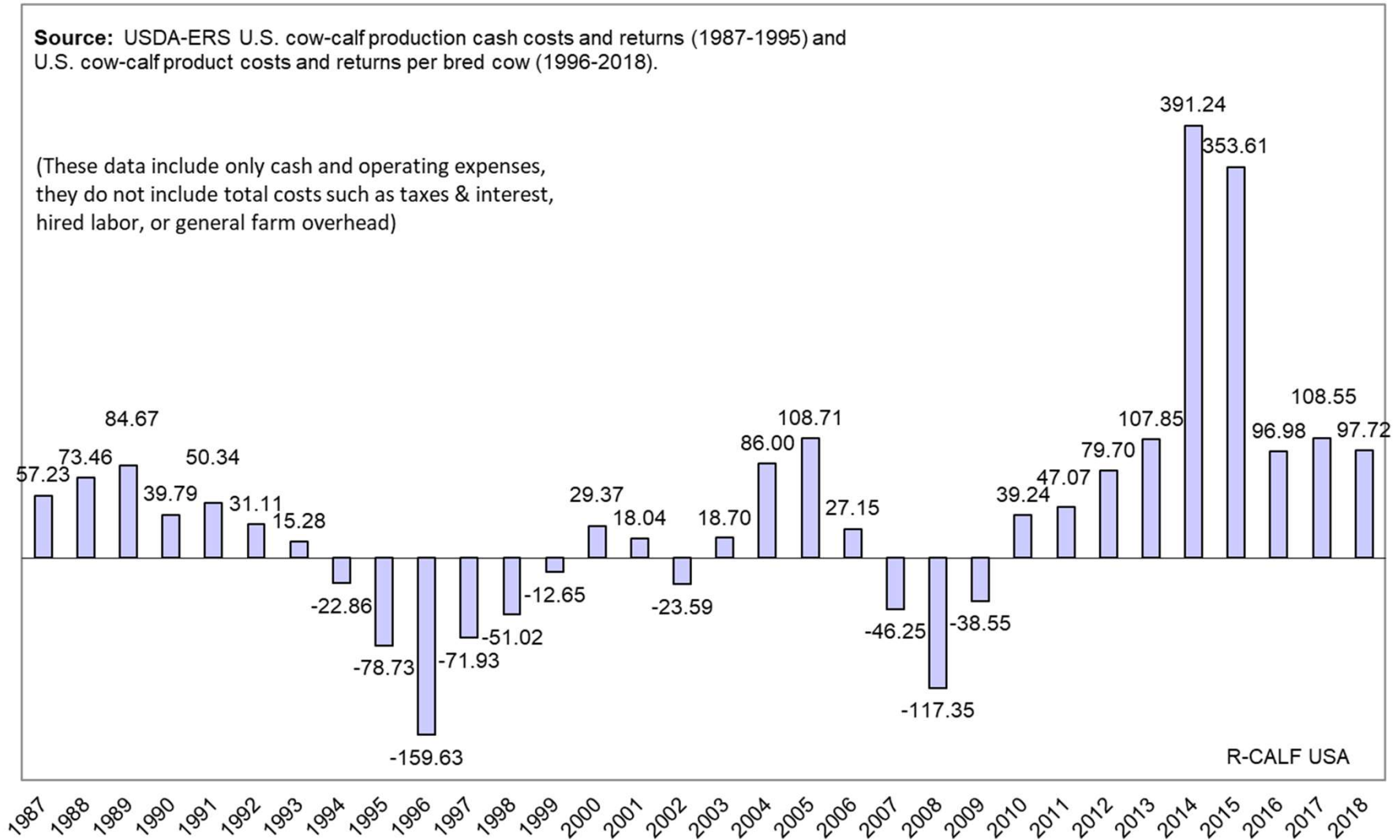
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U.S. Cow-Calf Returns Per Bred Cow

■ Returns based only on operating costs

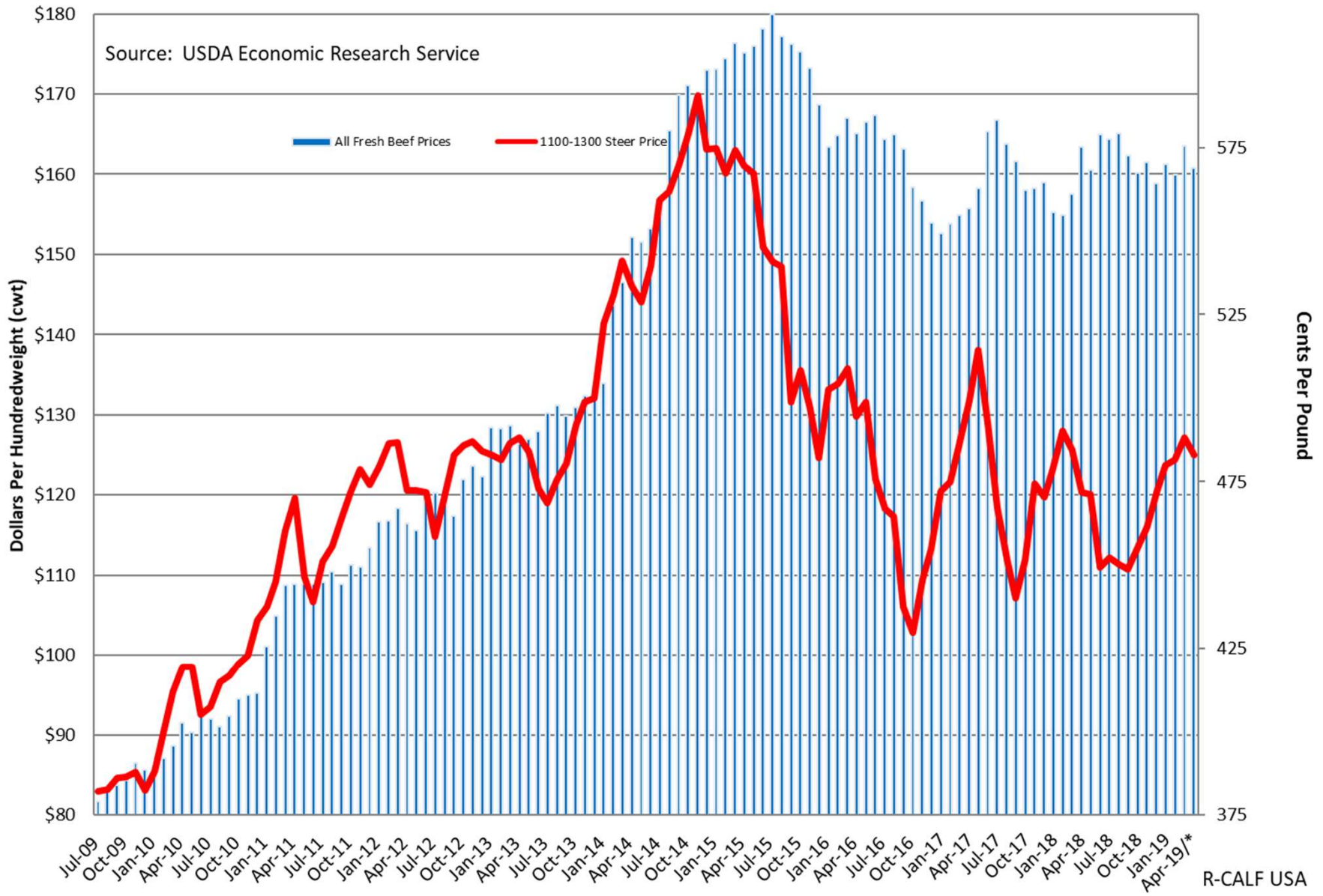
Source: USDA-ERS U.S. cow-calf production cash costs and returns (1987-1995) and U.S. cow-calf product costs and returns per bred cow (1996-2018).

(These data include only cash and operating expenses, they do not include total costs such as taxes & interest, hired labor, or general farm overhead)



Cattle Prices Crash While Consumers Continue Paying Record Beef Prices

Source: USDA Economic Research Service



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New Strategy

Responding to BSE in Canada

- 2004: R-CALF I R-CALF v. USDA
- 2005: R-CALF II R-CALF v. USDA
- 2007: R-CALF III R-CALF v. USDA

Beef Checkoff Reform

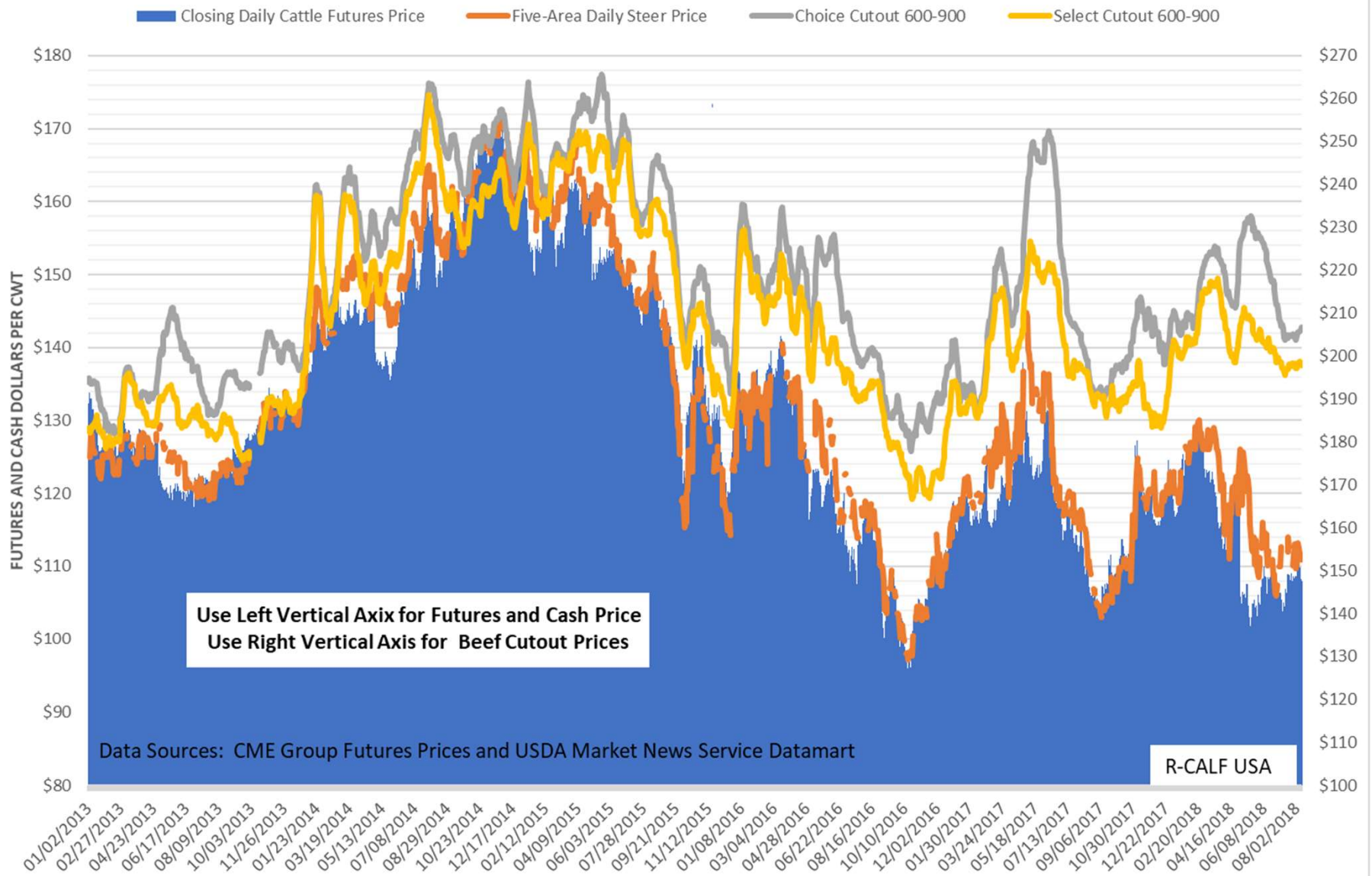
- Separate Federation from NCBA
- No Lobbying Group to Receive Funds
- Program to Promote USA Beef

**Your Checkoff Dollars
and the
Global Roundtable for
Sustainable Beef (GRSB)**

New Strategy

- 2016: R-CALF USA v. USDA
- Unconstitutional to Compel Producers to Fund Private Speech that:
 - Promotes Notion that Beef is Beef Regardless of Where or How Produced
 - Funds 3rd Parties Unaccountable to the Government

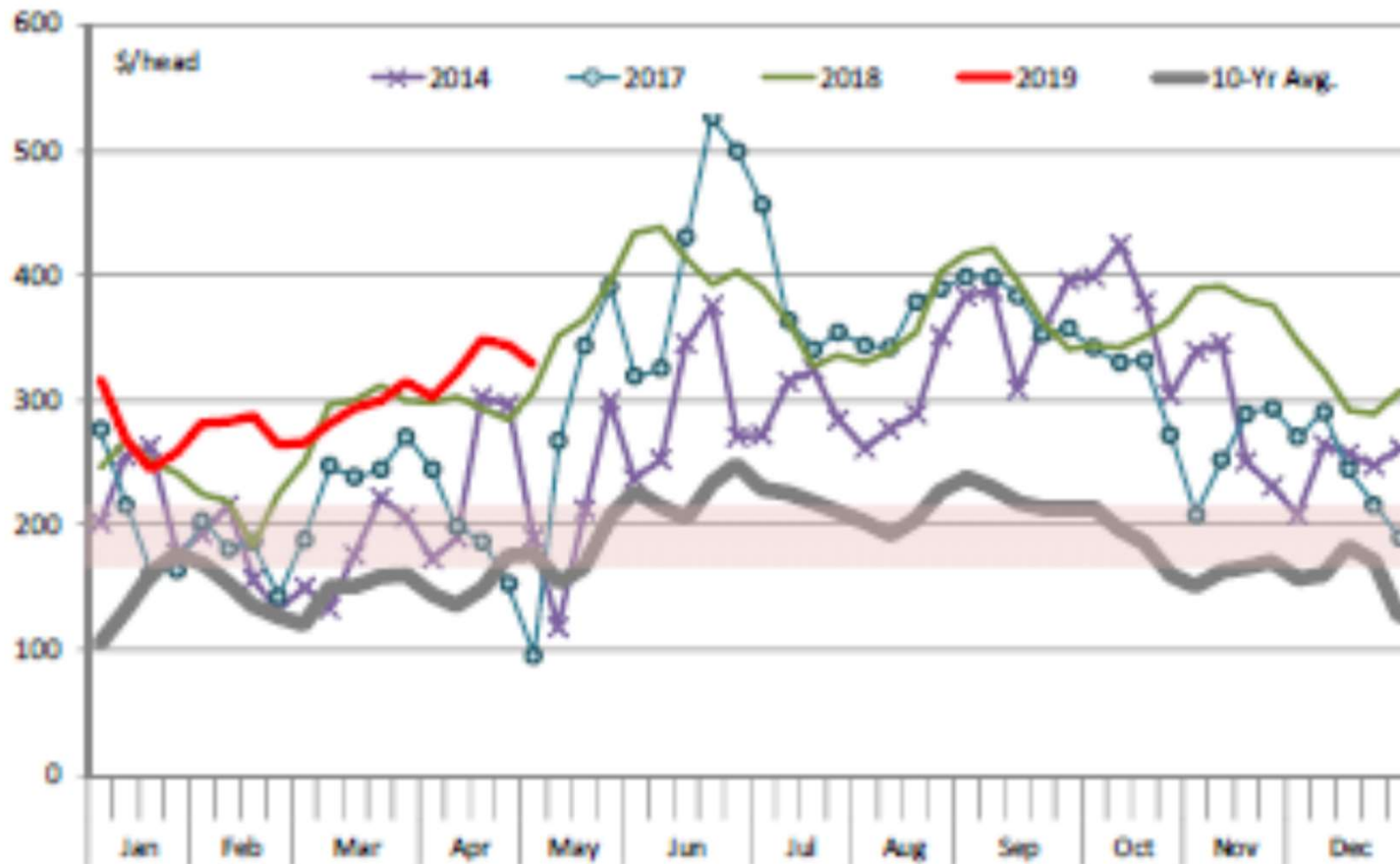
Price Relationships Between Futures, Cash, and Cutout Value 2013 through Aug. 10, 2018



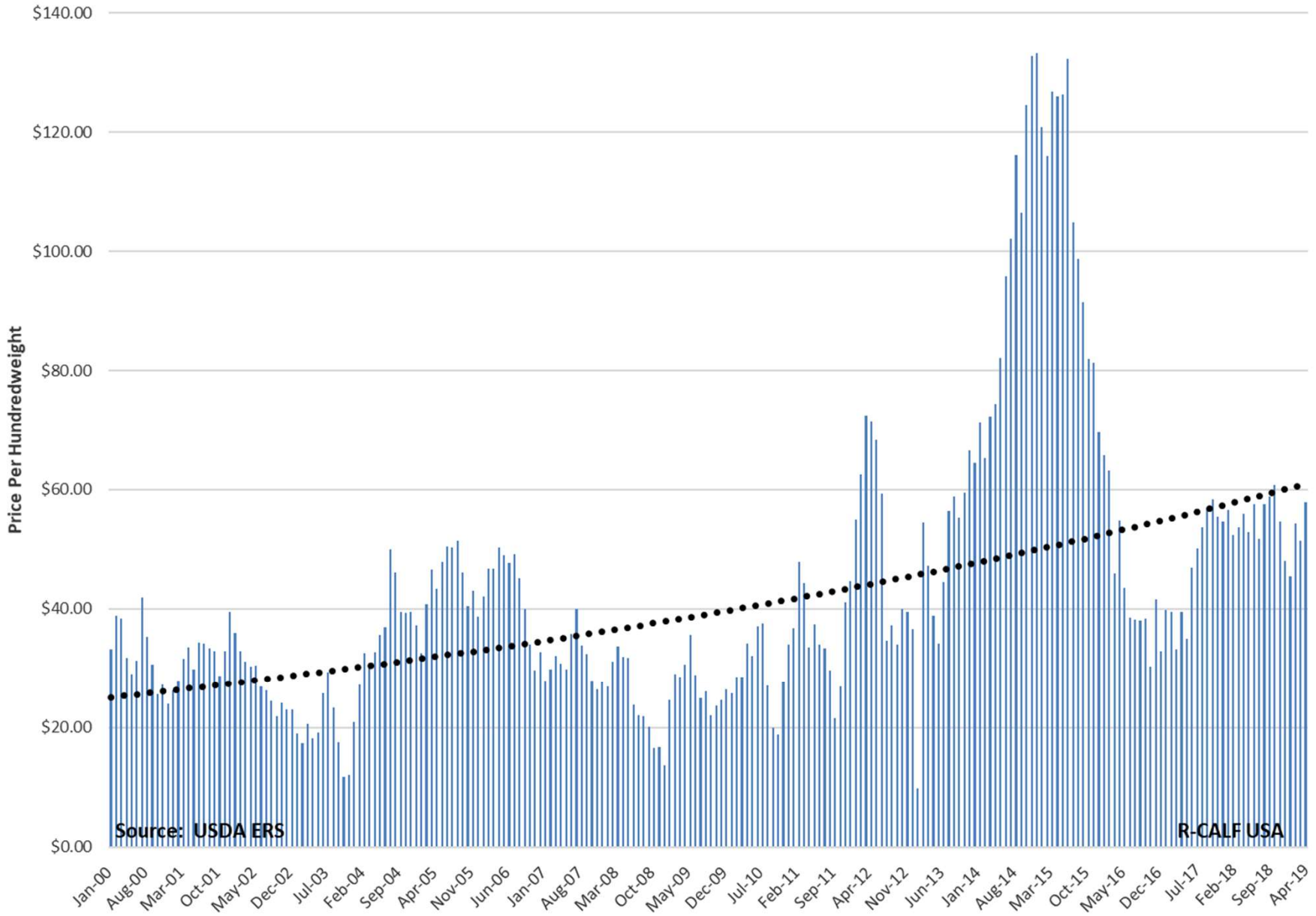
Record Packer Margins

BEEF PACKER CALCULATED GROSS MARGIN. \$/head

Calculated using the Comprehensive Cutout, Drop Credit and Negotiated Fed Cattle Prices



Spread Between 550 lb. Calf Price to 1,300 lb. Fed Price



Source: USDA ERS

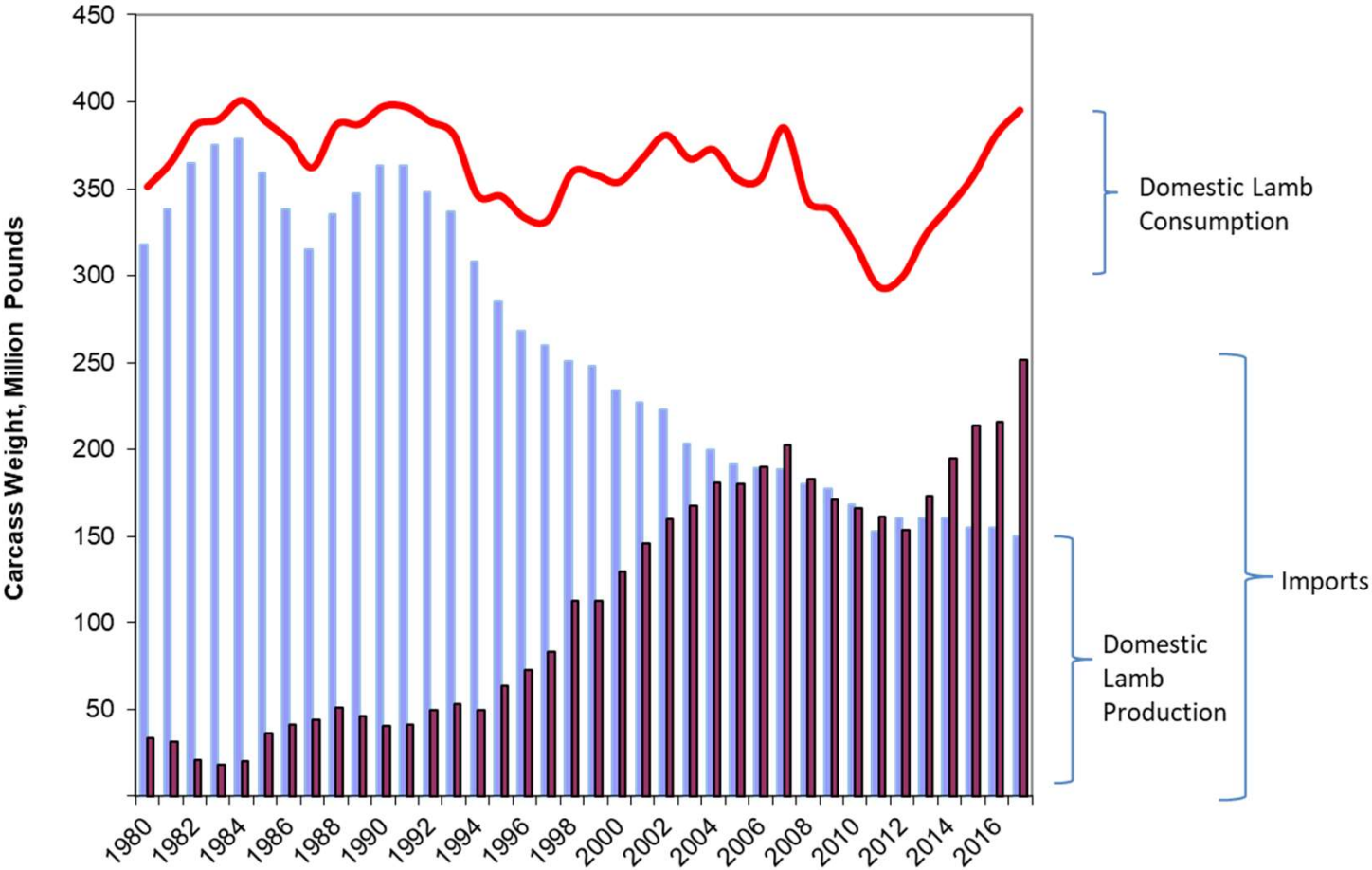
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What's At Risk Here?

- Potential to lose competitive processes and competitive marketing channels (e.g., salebarns, farmer-feeders, order buyers, packer buyers).
- We must begin to aggressively enforce antitrust laws before we reach the point where there is no longer any meaningful competition to preserve.

Trade

U.S. Sheep Industry Portends the Future for American Cattle Ranchers



Source: USDA-ERS

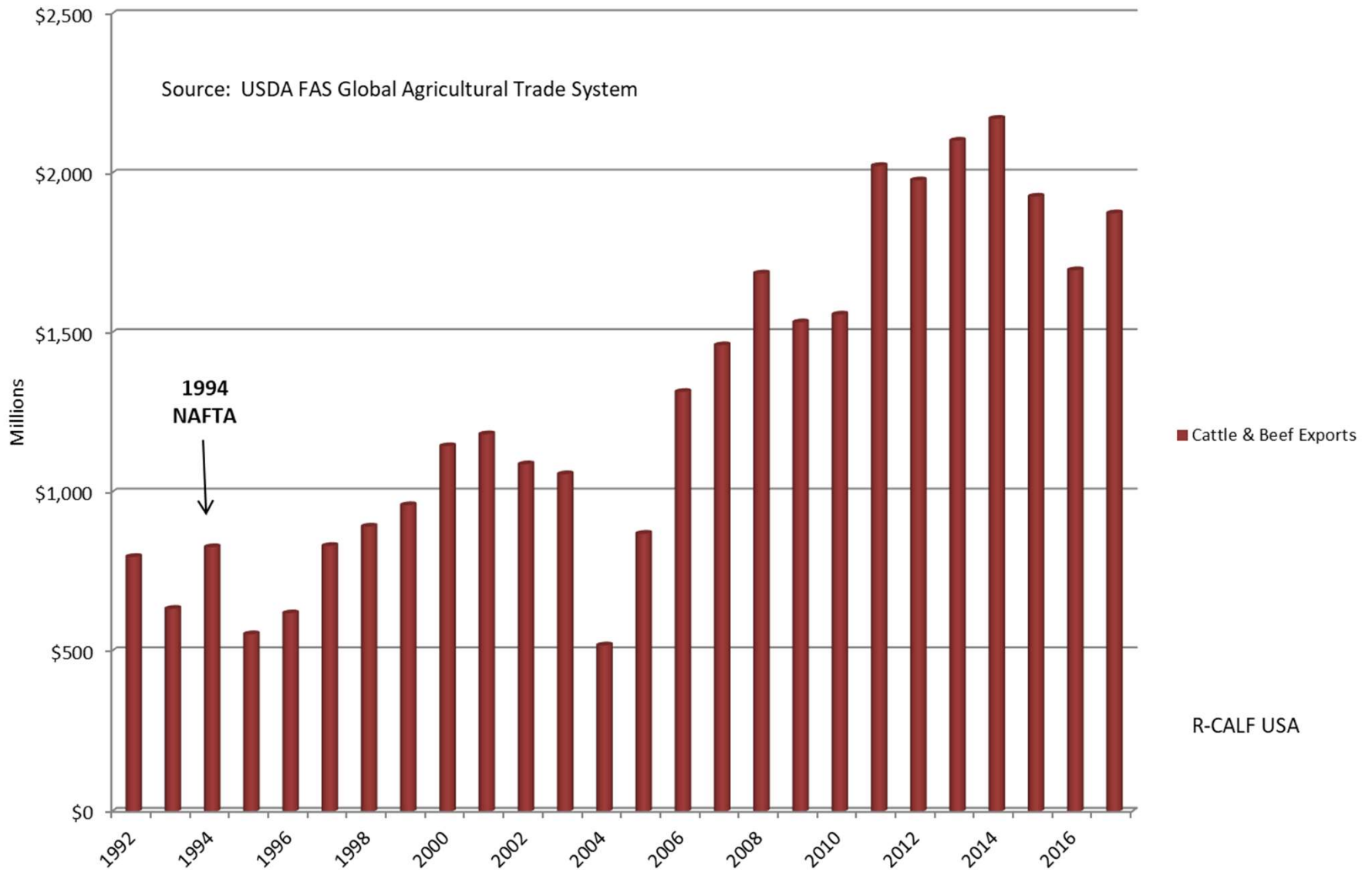
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Canada & Mexico Represent
Two of America's Most
Important Agricultural Export
Markets for the Beef Industry.

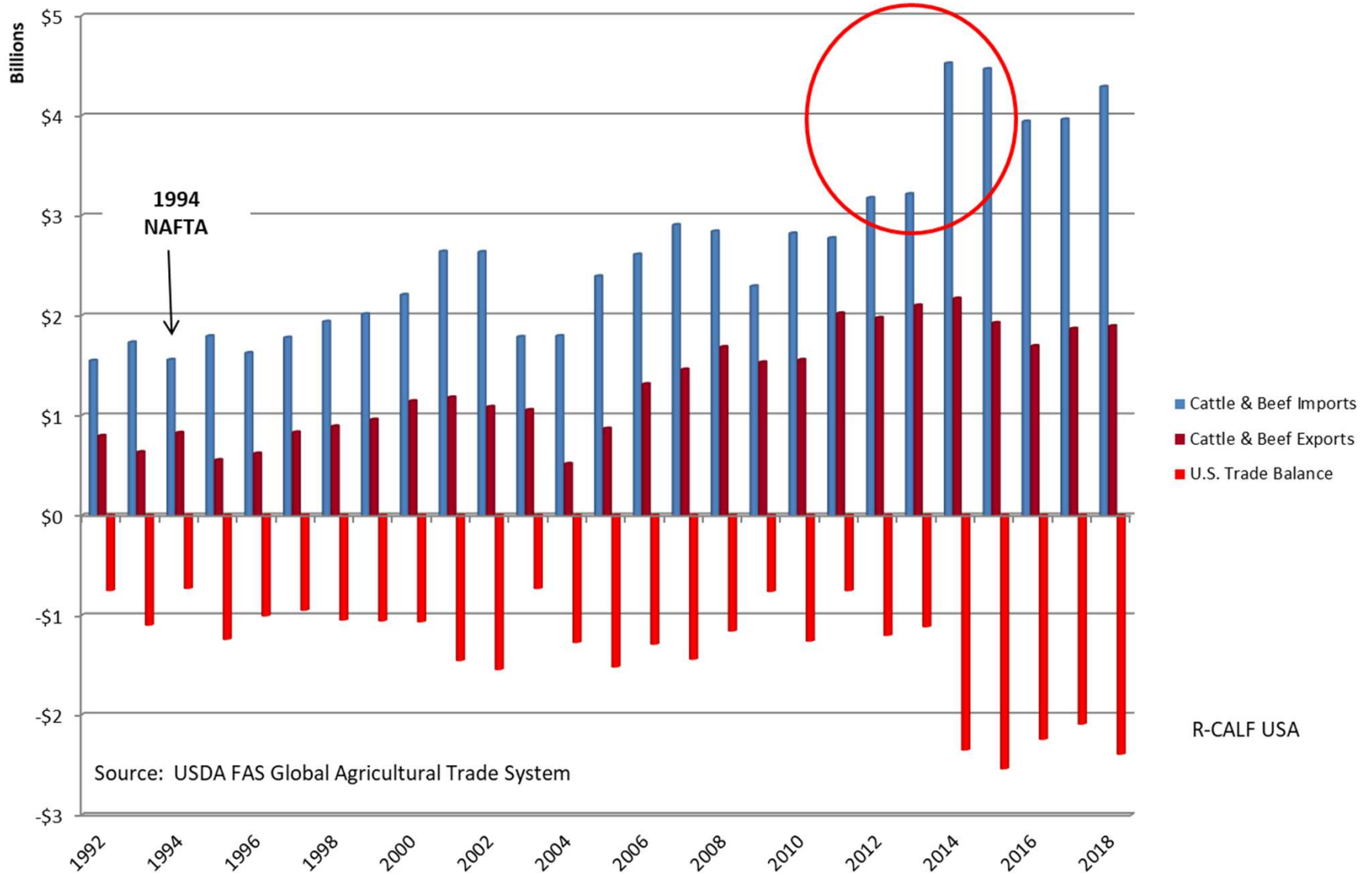
So, Make No Substantive
Changes; Do No Harm!

U.S. - NAFTA Trade Balance In Cattle, Beef, Beef Variety Meat and Processed Beef (25-yr Cumulative Balance: -\$33 Billion)

Source: USDA FAS Global Agricultural Trade System

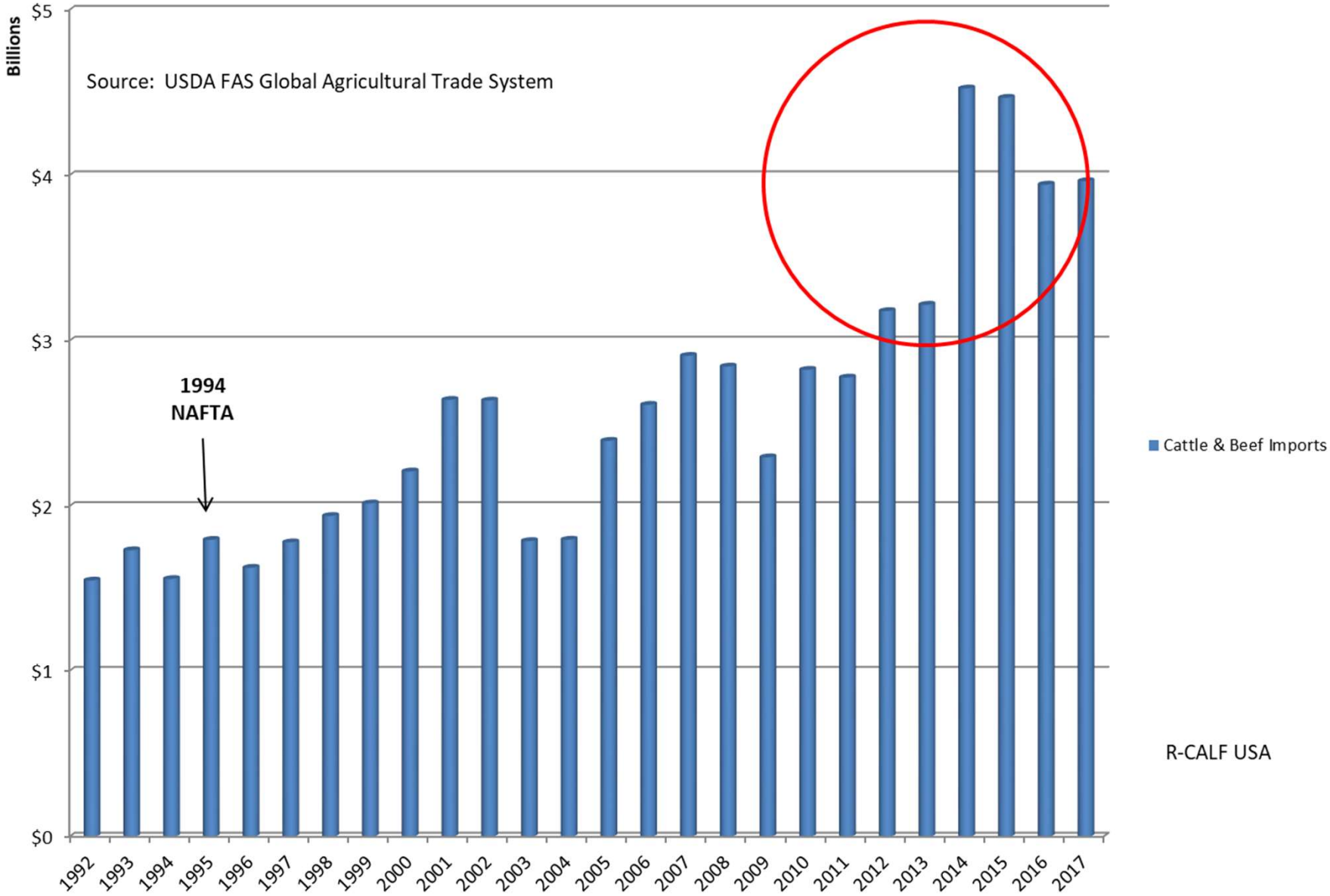


Value-Based U.S. - NAFTA Trade In Cattle, Beef, Beef Variety Meat and Processed Beef (NAFTA Cumulative Balance: -\$34.3 Billion)



41% Increase In NAFTA Imports Broke the Cattle Market in 2015-2016

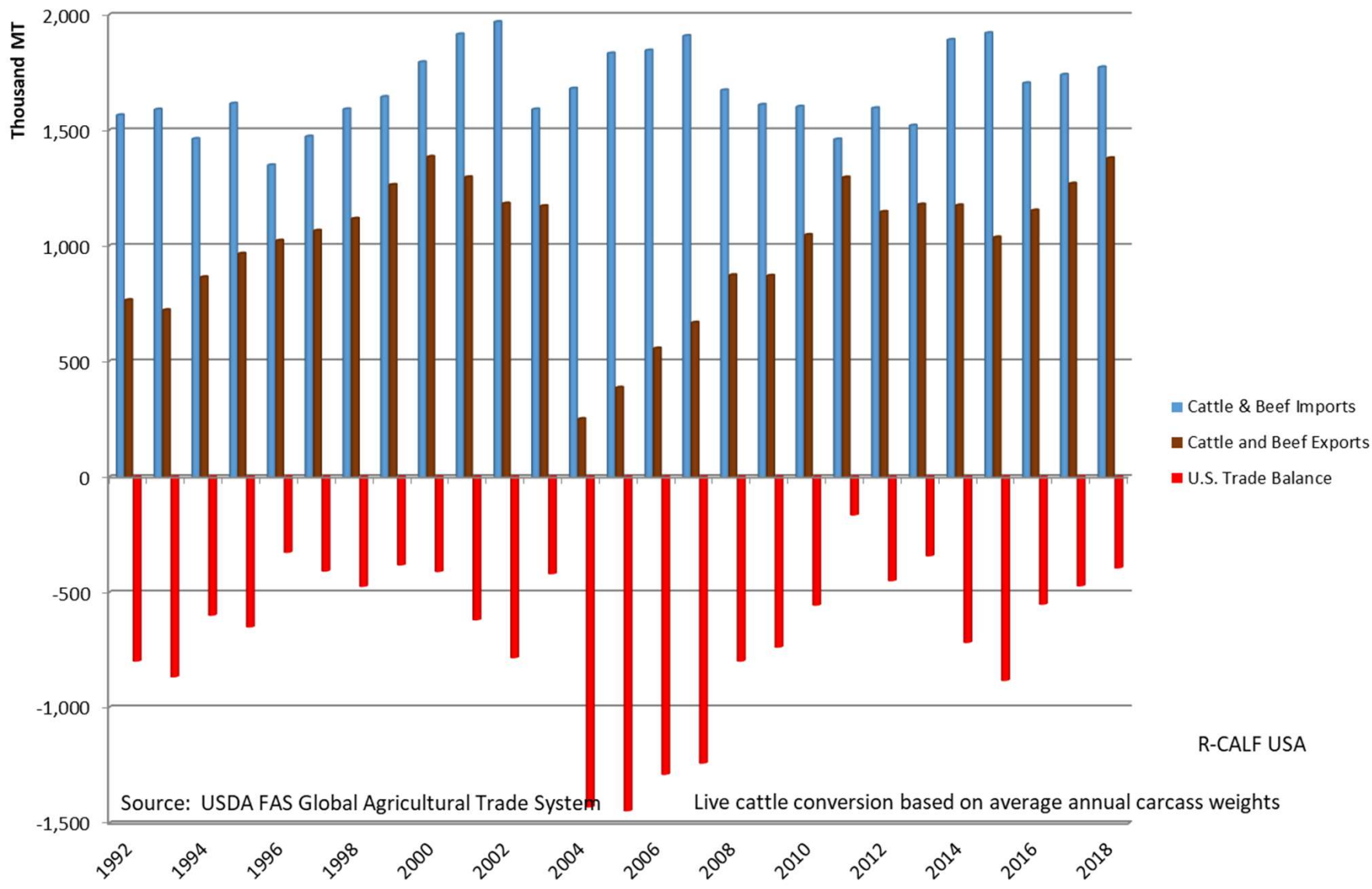
Source: USDA FAS Global Agricultural Trade System



Cattle & Beef Imports

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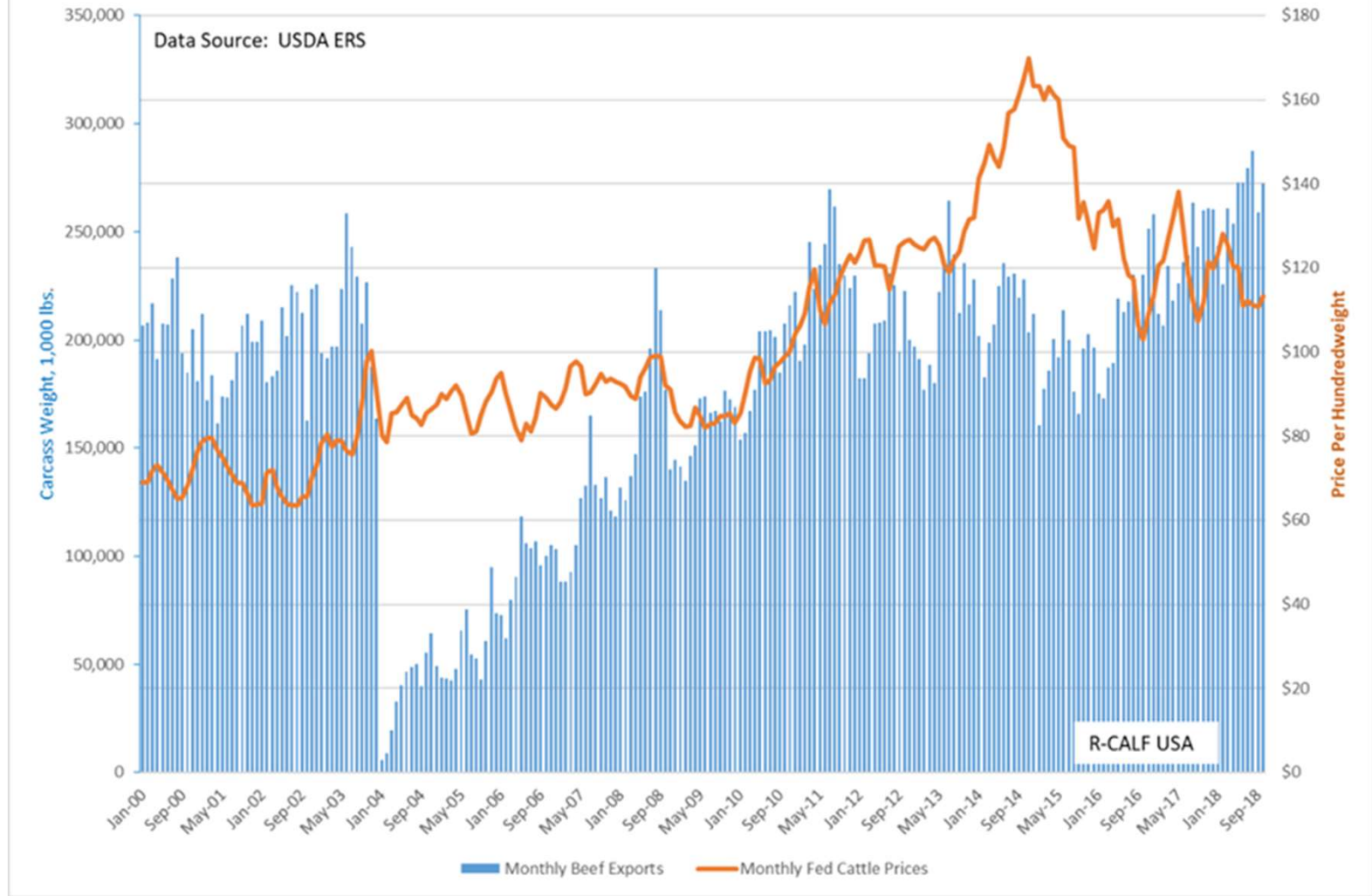
Volume-Based U.S. - World Trade Balance In Cattle, Beef, Beef Variety Meat and Processed Beef (25-yr Cumulative Balance: -17.5 Million MT)



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.

Monthly Relationship Between Fed Cattle Prices and U.S. Beef Exports Jan. 2000 - Oct. 2018



Is Your Rib Eye Produced Here?



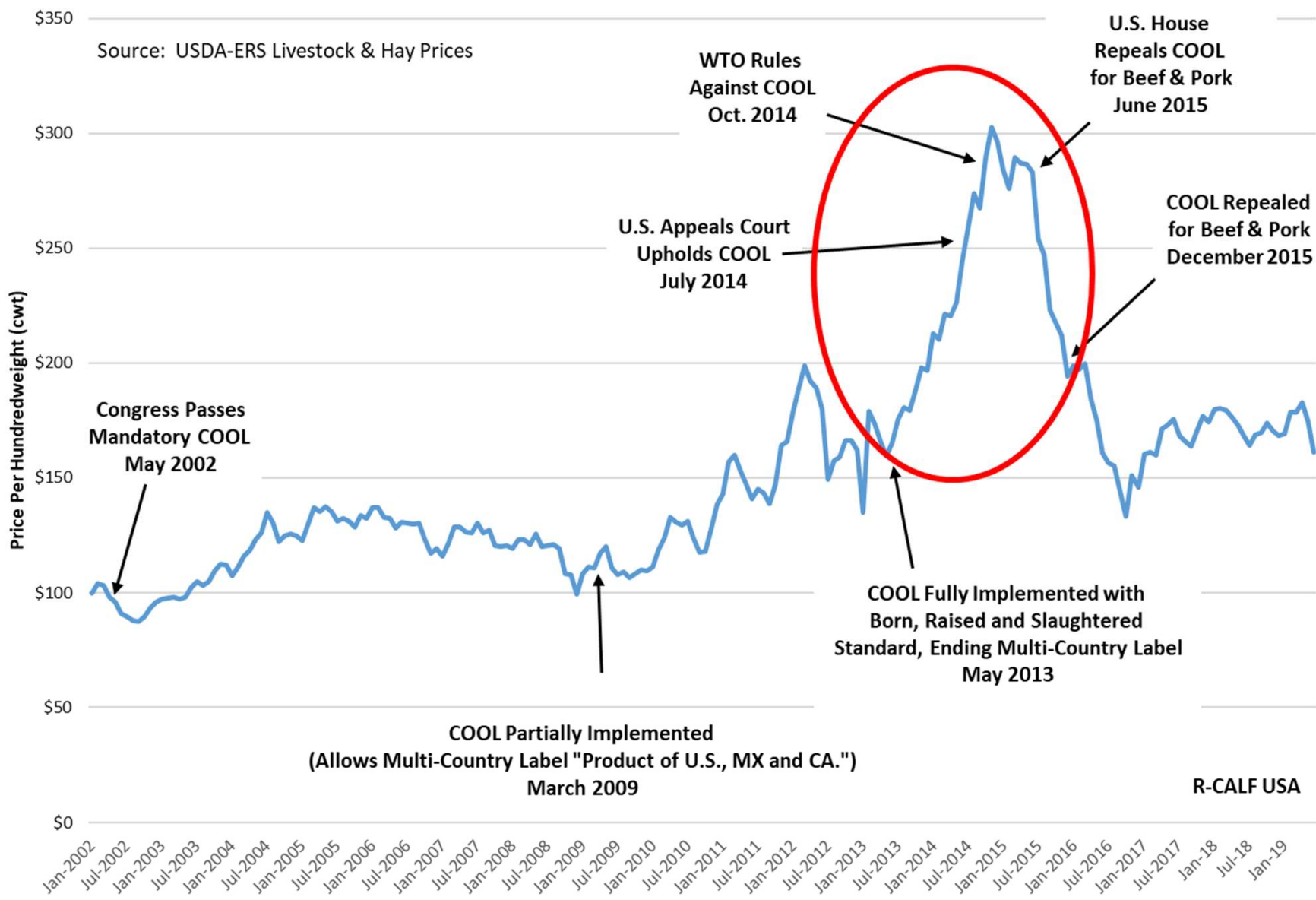
Or Is it Produced Here?

(Cattle from Costa Rica, a Third-world or Developing Country)



COOL & Feeder Cattle Prices (500 to 550 lbs) Oklahoma City, Jan. 2002 to June 2019

Source: USDA-ERS Livestock & Hay Prices



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USMCA Makes No Changes to Cattle & Beef Trade

Consequently,
More of the Same

Why Did USDA Take this Risk?

- “The proposed rule has the potential to expand the U.S. export market, to the extent that it causes our trading partners to alter their trade policies.”
 - *USDA Regulatory Impact Analysis & Initial Regulatory Flexibility Analysis, January 2012, at 2, fn. 1.*
- “Imports of a commodity generally serve to increase net social welfare. To the extent that consumer choice is broadened and the increased supply of the imported commodity leads to a price decline, gains in consumer surplus will outweigh losses in domestic producer surplus.”
 - *Ibid., at 13, fn. 26.*

The Solution (1 of 2)

- Bring back mandatory country of origin labeling (COOL) to stop the beef packing cartel from undercutting America's ranchers with cheap imports.
- Give America's ranchers their markets back by breaking up the beef packing cartel or by imposing strict rules-of-competition to stop their unfair, monopolistic cattle-buying practices.

The Solution (2 of 2)

- Renegotiate more balanced trade agreements so America's ranchers are no longer forced to absorb other countries' overproduction nor risk importing other countries' cattle diseases.
- Quit forcing America's ranchers to financially support the beef packing cartel through the government-mandated Beef Checkoff Program.

The End



From Where We Import Beef

Beef and veal: annual and cumulative year-to-date U.S. trade (carcass weight, 1,000 pounds)							
Import country name		2013	2014	2015	2016	2017	Jan-Oct 18
Beef and veal imports	Australia	623,889	1,082,676	1,258,200	767,144	694,929	575,146
	Canada	538,065	602,157	628,448	717,777	741,328	662,954
	New Zealand	526,046	597,115	661,687	612,549	556,965	525,548
	Brazil	97,202	81,463	149,580	152,703	137,906	117,845
	Uruguay	82,584	91,859	136,949	120,704	120,476	96,231
	Argentina	4,307	1,930	1,290			102
	Mexico	251,563	310,155	391,937	493,421	573,564	423,330
	Nicaragua	91,413	138,972	103,834	111,244	133,341	132,721
	Costa Rica	21,310	28,859	27,580	27,505	24,268	20,530
	Honduras	12,243	9,033	3,356	66	1,987	4,663
	Guatemala	57					
	Chile	6	594	1,658	1,778	667	56
	Denmark	132		25	25	28	
	Croatia	17	21	15	18	6	15
	Ireland			3,108	5,146	4,350	3,260
	Japan	777	1,984	627	1,013	1,053	2,947
	Netherlands				364	2,272	2,827
	Italy			1			
	Belgium				72		105
	Poland			8	41	42	32
	France					99	202
	Thailand	0	0		24		46
	Lithuania				140	49	54
China (Mainland)		63	1	2			
Belize					11		
Spain						1	
Norway	66						
Philippines				3			
St. Lucia		2		1			
Total		2,249,677	2,946,883	3,368,305	3,011,740	2,993,338	2,568,614