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April 29, 2020

United States President Donald J. Trump
The White House
1600 Pennsylvania Ave., NW
Washington, DC 20500

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
U.S. Capitol H-232
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
U.S. Capitol H-204
Washington, DC 20510

The Honorable Mitch McConnell
Senate Majority Leader
United States Senate
U.S. Capitol S-230
Washington, DC 20510

The Honorable Charles E. Schumer
Senate Minority Leader
United States Senate
U.S. Capitol S-221
Washington, DC 20510

Dear Mr. President and Congressional Leaders:

The COVID-19 pandemic unequivocally demonstrates the United States' beef supply chain lacks resiliency and redundancy. In recent years warnings signs have escalated and adverse effects on cattle producers have compounded. Circumstances now unfolding – restricted market access and seriously depressed prices for America's cattle farmers and ranchers, lack of available beef in some or many of America's grocery stores, and near record to record beef prices charged to America's consumers, reveal that the United States must immediately begin the development of a strategic, national food production, processing and distribution policy that can meet America's food security interests, arguably the most vital of interests to all of America.

R-CALF USA, the largest cattle industry trade association that exclusively represents American cattle farmers and ranchers, urges an immediate review of whether a fundamental restructuring of the United States' multisegmented beef supply chain is required to ensure that never again will the closure of one or a few plants destroy the livelihoods of America's cattle farmers and ranchers, or disrupt America's access to an abundant supply of an important protein source: safe, wholesome and nutritious beef. Such a restructuring appears to be necessary to ensure that never again will America's cattle farmers and ranchers require an infusion of taxpayer subsidies to substitute what a robust, competitive marketplace could and should have continually provided, even in the face of a pandemic.

The proposed review should consider whether a physical and geographical restructuring of the meatpacking industry is required to disaggregate and decentralize beef processing capacity.

Presently, only four companies control over 80 percent of America's fed cattle market (the market for cattle raised specifically for beef production). One of those companies is Brazilian-owned and is the world's largest beef packing company while the controlling interest in another is owned by yet another Brazilian company, which also is one of the world's largest beef packing companies. These four companies operate only about 24 physical beef packing plants. According to a 2008 enforcement action by the U.S. Department of Justice, approximately three-quarters of America's fed cattle packing capacity and close to 80 percent of all cattle fed in feedlots are centralized in the High Plains, a region consisting of only six states.

This high level of physical and geographical concentration of America's vital beef supply chain is intuitively and inherently contrary to America's food security interests, as now unequivocally demonstrated by COVID-19. Moreover, it stymies producers' market access and robust competition for cattle. This also transfers any marketing power America's cattle farmers and ranchers might possess to the highly concentrated beef packing industry.

Restoring market balance (*i.e.*, renewing America's reliance on robust competition) for beef supply chain participants must be a top priority. If it is not, the largest segment of American agriculture – the U.S. live cattle industry, will quickly see its already dwindling competitive marketing channels vanish. It appears that without immediate government intervention, the live cattle industry will quickly lose the critical mass of cattle farmers and ranchers essential to achieving America's food security interests.

In addition to the requested review of harms caused to American farmers and consumers by the current market structure, we ask you to take up the following two triage reforms immediately. The first is to empower America's consumers to begin supporting America's cattle farmers and ranchers. Only with the enactment of a new mandatory country-of-origin labeling law for beef can this occur. This will reignite the flame of competition extinguished by importers who lessen demand for beef from cattle exclusively born, raised, and slaughtered in the United States with their cheaper, undifferentiated foreign beef products.

The second reform is needed to restore the integrity of the cattle market's most important price discovery market – its cash market where live, slaughter-ready cattle are sold to highly concentrated beef packers. In recent years these beef packers have shifted large volumes of cattle out of the price discovery market and placed them under commitment contracts where no price discovery can occur and whose pricing formula rely on the prices established in the cash cattle market. This caused a serious imbalance that precludes competitive market forces from establishing a competitive price for cattle. We urge you to immediately strengthen our thinning cash market by reintroducing the 110th Congress' Senate Bill 786 and modifying it to require beef packers to participate in the price discovery market at a level greater than half, *i.e.*, above 50%. This reform will help to immediately reignite competition in the marketplace itself.

The two aforementioned triage reforms will empower consumers to send competitive demand signals upstream in the beef supply chain while significantly reducing the highly concentrated beef packers' ability to prevent those signals from reaching America's cattle farmers and ranchers.

We urge you to immediately support and pass legislation to accomplish the two aforementioned triage reforms and to begin the development of a strategic, national food production,

processing and distribution policy to meet America's vital food security interests. We will later provide recommendations for more comprehensive reforms that the requested wider investigation can consider.

R-CALF USA pledges to work with you to rebuild America's economy and we stand ready to offer our organization's expertise in identifying the deficiencies now hamstringing a robustly competitive beef supply chain that is resilient and maintains redundancy at all times, even in the face of crisis.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Bullard". The signature is written in a cursive, slightly slanted style.

Bill Bullard, CEO

406-670-8157

billbullard@r-calfusa.com

Cc: The Honorable Sonny Perdue, Secretary of Agriculture