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The Honorable Chairman John Boozman
U.S. Senate Committee on Agriculture, Nutrition, and Forestry
328A Russell Senate Office Building
Washington, DC, 20510

The Honorable Ranking Member Amy Klobuchar
U.S. Senate Committee on Agriculture, Nutrition, and Forestry
328A Russell Senate Office Building
Washington, DC, 20510

Dear Chairman Boozman, Ranking Member Klobuchar, and respected members of the Senate Committee on Agriculture, Nutrition, and Forestry:

Established in 1999, R-CALF USA is the largest producer-only cattle and sheep trade association in the United States. On behalf of its thousands of member cattle and sheep farmers and ranchers in 43 states, we offer specific recommendations for the 2026 Farm Bill.

For decades, livestock provisions in the farm bill were guided by conventional meat industry lobbyists committed to preserving the status quo for highly concentrated meatpackers. Which means they sought to maintain a liberal legal and regulatory framework within which a handful of the largest meatpackers reign over markets crucial to the wellbeing of hundreds of thousands of independent cattle and sheep farmers and ranchers.

The conventional meat industry lobbyists' success is manifest. Previous farm bills ensured that the largest meatpackers would not be constrained by rule or law that: 1) hinders their ability to conceal the origins of their inputs from consumers (in particular, foreign cattle and beef); 2) limits their use of any livestock procurement method they choose; 3) prevents their rampant horizontal and vertical integration; or, 4) transfers their costs of advertising and promotion, as well as their costs for influencing public policy, to independent cattle producers.

The effect on America's cattle and sheep industries has been cataclysmic. Beginning with the Agriculture and Food Act of 1981 (1981 Farm Bill) and continuing through today (under the auspices of the Agriculture Improvement Act of 2018 (2018 Farm Bill)), recurrent farm bills fostered the exodus of over 50% of America's beef cattle farmers and ranchers and over 60% of its commercial sheep producers. These failed farm and ranch operations took with them 25% of America's beef cow inventory and 60% of America's sheep inventory. In addition, recurrent farm bills facilitated the loss of 77% of the nation's family-scale feedlots and accelerated the formation of oligopolistic livestock markets, such as the fed cattle market in which the 4-firm concentration level increased from 36% to over 80%.

The lack of meaningful measures to address the cattle and sheep industries' long-term contraction relegated domestic beef and lamb production incapable of keeping pace with the growth in domestic consumption. Consequently, the United States has become increasingly dependent on foreign countries for its animal-based protein needs. Presently, about 22% of the beef available in the U.S. market is now imported, as is over 70% of all lamb.

The 1985 Farm Bill included a measure called the Beef Promotion and Research Act of 1985 (commonly known as the Beef Checkoff Program) that was touted as a means of strengthening the domestic cattle industry. However, it did nothing to curb the alarming contraction of the U.S. cattle industry over the past 40 years and, instead, provided funding for meat industry lobbyists, bolstering their influence over national policy to the detriment of America's cattle farmers and ranchers.

We respectfully urge the U.S. Senate Committee on Agriculture, Nutrition, and Forestry to take a bold new approach in the 2026 Farm Bill by meaningfully addressing the chronic crises in America's cattle and sheep industries. This bold new approach must entail a restructuring of the legal and regulatory framework within which the two livestock industries operate. The goal should be to eliminate the undue buying-power leverage held by concentrated meatpackers and deployed within the live cattle and sheep supply chains through anticompetitive procurement practices and unlimited access to undifferentiated product substitutes.

Our specific recommendations for accomplishing this critical goal include:

1. <u>Restore transparency and information symmetry in retail beef markets:</u> Meatpackers import large quantities of beef that receive a U.S. food safety inspection shield upon entry into U.S. commerce – the very same shield used on all domestic beef. Consumers equate this U.S. inspection shield as a denotation of U.S. origin, erroneously believing imported beef is domestic beef. Meatpackers who import foreign beef know its origin, but they do not disclose it to consumers. This provides meatpackers with asymmetric market information allowing them to displace domestic beef with lower-cost foreign beef while simultaneously pricing the lower-cost foreign beef based on the consumers' perceived value of domestic beef.

   To restore transparency and information symmetry in retail beef markets, Congress should include the *American Beef Labeling Act of 2025* (S. 421) in the 2026 Farm Bill as it will restore mandatory country of origin labeling for beef sold at retail.

2. Restore competition as the price determinant in the fed cattle market: For decades meatpackers used various livestock procurement methods to minimize their exposure to competitive market forces. In earlier years, meatpackers owned feedlots and fed thousands of their own cattle, minimizing their exposure to the competitive fed cattle market while simultaneously affording them with cattle supplies they could use strategically to manage fed cattle prices (they could avoid the competitive market by slaughtering their own cattle when they viewed cattle prices as too high, which then caused cattle prices to fall).

   This competition-offsetting practice has evolved over the years. More recently, meatpackers divested their feedlot holdings and began controlling and feeding even more cattle through contractual arrangements, conferring upon them even greater leverage over cattle prices. They shifted most of their cattle supply needs out of the competitive cash market and placed them under contracts. This thinned the competitive cash market, relegating it a residual market highly susceptible to manipulation. Meatpackers then incorporated a contractual formula that incentivizes their manipulation of the residual market because lowering the residual market effectively lowers the price of all cattle they procure, both under contract and cattle from the residual market.

   This built-in incentive to manipulate is accomplished by a formula that links the price for their contracted cattle (which they had removed from the competitive cash market relegating it a residual market) directly to the price discovered in what is now the residual market. Thus, when they lower the price discovered in the residual market (such as when they slaughter their contracted cattle to avoid bidding in the residual market), they effectively lower the price of all their cattle supply needs.

   To restore competition as the price determinant in the fed cattle market, Congress should include in the 2026 Farm Bill a prohibition of any cattle procurement contract containing a pricing mechanism linked to a market the meatpackers are intrinsically incentivized to manipulate. Also, to prevent meatpackers from reverting to their earlier direct ownership practice, Congress should prohibit packer ownership, feeding, and control of livestock for more than 14 days prior to slaughter.

3. Prevent the "chickenization" of the U.S. cattle and sheep industries: The 1981 Farm Bill was meant to serve the then existing 1.3 million beef cattle farmers and ranchers, 667,000 hog farmers, and 17,341 commercial sheep producers. As discussed above, over 50% of those beef cattle farmers and ranchers are gone today. But so too are 91% of those hog farmers, and over 60% of those commercial sheep producers. The mass extinction of America's hog farmers resulted from the meatpackers' adoption of an industrial model perfected in the poultry industry during the 60s and 70s – the highly concentrated and vertically integrated industrial poultry model in which the production of broiler chickens is completely controlled by corporate integrators, from egg to plate. The application of this industrial model to the hog

industry explains the mass exodus of hog farmers. And the forced euthanasia of millions of hogs and millions of chickens while meat shortages were occurring during the COVID pandemic reveals the industrial model's inadequacy in meeting national security.

The "chickenization" process, to which both the chicken and hog industries have succumbed, involves a progressive structural change to the supply chain. The first progression is horizontal market integration that yields oligopoly power to the concentrated integrators, the second progression is the elimination of competitive cash markets to create a dependency on marketing or production contracts for market access, and, the final progression is the vertical integration of the supply chain to wrest control of any segment of the supply chain away from independent farmers and ranchers.

The cattle and sheep industries are the "Last Frontiers" for the industrial model's integrators because these industry's reliance on grazing and foraging for most of their lifespans, longer biological cycles, and fewer offspring are factors that challenge the industrial model's confinement production system.

That said, however, the cattle industry is well underway toward "chickenization." Following the industrial model's progression steps discussed above, an oligopoly market is already well established in the cattle industry, with just four firms controlling 81% of the fed cattle market. In addition, the fed cattle cash market is disappearing quickly as fewer than 18% of the ~24 million cattle marketed in 2025 were sold in the negotiated cash market (down from 52% in 2005). And, Walmart has begun to vertically integrate the cattle industry, exercising its control over the entire supply chain, from birth to plate.

Unless Congress intercedes, the U.S. cattle industry, and likely the U.S. sheep industry, will succumb to "chickenization," which will purge even more farmers and ranchers from the rural landscape, further hollowing out rural communities, impairing America's rural economy, and threatening America's food security.

To prevent the "chickenization" of the cattle and sheep industries, Congress should include in the 2026 Farm Bill not only a prohibition against any further horizontal or vertical integration of the cattle and beef and sheep and lamb supply chains; but also, it should unwind both the horizontal and vertical integration that has already occurred to deconcentrate the supply chains for America's cattle and sheep industries.

4. End the forced subsidization of meatpackers and their meat industry lobbyists by America's independent cattle farmers and ranchers: As discussed above, the 1985 Farm Bill established the mandatory Beef Checkoff Program (Checkoff) that has failed to accomplish its purpose of improving market conditions for America's cattle producers, as manifest by the severe, decades-long contraction of the cattle industry in terms of its markets, participants, and herd

size. The Checkoff operates as a buttress against needed market reforms by encouraging the non-disclosure of foreign beef substitutes in the domestic market and funding lobbying activities in support of the status quo. The Checkoff taxes America's cattle farmers and ranchers $1 per head of cattle sold, generating approximately $80 million per year.

Rather than directly fund the promotion, research and consumer information envisioned by statute, Checkoff funds first flow to meat industry lobbying organizations that sequester a substantial percentage of the funds to cross-subsidize non-Checkoff costs (*e.g*., sharing salary and travel costs of employees assigned both Checkoff and non-Checkoff responsibilities). The cross subsidization of lobbying organizations' administrative costs with Checkoff funds has an anticompetitive effect as it materially advantages recipient lobbying groups, affording them outsized influence over legislation and government action, often to the detriment of producers forced to pay the mandatory tax.

The Checkoff inexplicably funds the promotion and advertising of beef distinguished with a "US Beef" label in foreign markets, which directly benefits multinational meatpackers operating abroad who capitalize on the good name and reputation of the United States. However, the Checkoff does not promote or advertise "US Beef" in the domestic market, thus depriving domestic cattle producers the opportunity to benefit from the same favorable prestige the "US" label garners abroad when beef from their cattle is sold domestically.

An independent audit in 2010 evaluated only a tiny sample of Checkoff activities and found over $200,000 of producer taxes were misspent by the recipient lobbying group, including for such unauthorized purposes as lobbying and overseas vacations.

In the 2026 Farm Bill, Congress should put an end to the ineffectual mandatory Beef Checkoff Program that forces domestic cattle producers to subsidize the advocacy of meat industry lobbying groups while depriving them marketing benefits derived from distinguishing beef from their cattle with a label denoting the good name and reputation of the United States.

In addition to increasing Program transparency, requiring audits, and prohibiting conflicts of interest, the *Opportunities for Fairness in Farming Act* (S. 1848) prohibits Checkoff recipients from engaging in political advocacy on agriculture issues. This measure will provide needed relief for independent cattle producers. To further improve this measure, Checkoff funds should be approved to promote and advertise beef exclusively born, raised, and slaughtered in the United States.

In addition to the four aforementioned recommendations that will more equitably balance the market power disparity between independent livestock producers and highly concentrated meatpackers, Congress should reverse the U.S. Department of Agriculture's final rule (Final Rule) that specifically targets only cattle producers, burdening them with the cost and responsibility of affixing electronic identification eartags to certain of their cattle while imposing no costs or responsibilities on anyone else in the supply chain to electronically read those eartags, let alone digitally capture the data from those eartags.

Under the pretext of enhancing animal disease traceability, to be achieved by minimizing human transcription errors associated with the manual recording of eartag numbers, the USDA mandated the use of electronic identification eartags. However, the agency understood that mandating the use of electronic readers and the associated hardware and software necessary to electronically read and collect electronic eartag data would be cost prohibitive, with a short-run cost of over $566 million (at p. 25) – a cost the agency knew would have invited additional scrutiny of the Final Rule. Consequently, the Final Rule only requires producers to affix electronic eartags to their cattle.

Because the Final Rule does not require data from electronic identification eartags to be read or recorded any differently than they were read and recorded prior to the Final Rule, it does not correct the very deficiencies identified by the agency as impediments to disease tracebacks, i.e., human transcription errors.

The Final Rule, therefore, should be reversed on the grounds that it is an unnecessary cost burden imposed on independent cattle producers without any countervailing benefits to them or their industry.

Conclusion

R-CALF USA urges the U.S. Senate Committee on Agriculture, Nutrition, and Forestry to incorporate all five of the foregoing recommendations in the 2026 Farm Bill. Together these recommendations constitute a meaningful reset of the legal and regulatory framework that has disadvantaged America's cattle and sheep producers for decades, causing their respective industries to contract to levels that now threaten national security.

Thank you for your consideration of R-CALF USA's top five priorities for the Senate's 2026 Farm Bill. Please let us know if we can provide any additional information to assist in your efforts.

Sincerely,

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