

Fighting for the U.S. Cattle Producer!



R-CALF United Stockgrowers of America
P.O. Box 30715
Billings, MT 59107
Fax: 406-252-3176
Phone: 406-252-2516
Website: www.r-calfusa.com
E-mail: r-calfusa@r-calfusa.com

October 9, 2008

The Honorable Tom Harkin
Chairman
Senate Committee on Agriculture,
Nutrition and Forestry
328A Russell Senate Office Building
Washington, DC 20510

The Honorable Collin Peterson
Chairman
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Saxby Chambliss
Ranking Member
Senate Committee on Agriculture,
Nutrition and Forestry
328A Russell Senate Office Building
Washington, DC 20510

The Honorable Bob Goodlatte
Ranking Member
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Ed Schafer
Secretary of Agriculture
U.S. Department of Agriculture
1400 Independence Ave., S.W.
Washington, D.C. 20250

Re: Proposed Measures to Prevent U.S. Cattle Industry Crisis

Dear Chairmen Harkin and Peterson, Ranking Members Chambliss and Goodlatte, and Secretary Schafer:

R-CALF USA appreciates the monumental challenge Congress and the Administration must now face to overcome our national financial crisis. While it is imperative that steps be taken to correct the root cause of this crisis, it is equally imperative that Congress and the Administration take steps to prevent the irreparable harm this crisis likely will wreak on our food production system – a result that would forever change the landscape of Rural America and lead to untold disruptions of our food production capabilities.

Our organization has long advocated for fundamental changes to national policies that have persistently and negatively impacted the profitability and viability of independent U.S. cattle producers, including both farmer/rancher-producers and feedlot owners. We have implored Congress to reform: policies that have promoted a destructive trade deficit in cattle and beef; policies that have led to the lack of enforcement of antitrust laws and laws to prevent

anticompetitive practices in the marketplace; policies that erode consumer confidence by allowing the importation of unsafe food and livestock harboring an increased risk of disease; and – perhaps the most destructive policy of all – the policy of measuring the health and viability of independent cattle producers based solely on the word of multinational meatpacking corporations.

The ills we have long warned Congress and the Administration about on behalf of our domestic cattle industry are now the very ills that appear to be permeating nearly every sector of our national economy. In recent days and weeks, these ills have struck our industry particularly hard. Domestic cattle prices are plummeting. Though the U.S. Department of Agriculture (USDA) estimates break-even prices of fed cattle to be in the \$108 per hundredweight (cwt) - \$114 per cwt range for the months of September through November 2008 – today’s cash fed cattle prices fell to at or below the mid-\$90 per cwt range. Ongoing losses experienced by independent cattle feeders are conservatively estimated at approximately \$200 per head.

Tens of thousands of domestic cow/calf producers are now marketing all or part of their entire year’s production during this fall’s marketing period that began in late September. The price for their calves already has fallen by over \$15.00 per cwt from the August price of over \$128 per cwt, which translates into a loss for each 500-pound calf of more than \$75.00. These losses, combined with significant increased fuel and feed costs, will have a disastrous, long-term impact on our ability to maintain an independent cattle production infrastructure here in the United States.

Immediate solutions are needed to prevent an impending disaster, as well as to ensure that our U.S. cattle industry – with its widespread rural base – is positioned to help rebuild our rural economies, *not* used as a pawn to further line corporate pockets. R-CALF USA offers the following market-based solutions that Congress and the Administration can readily and immediately implement to mitigate further damage to our industry:

1. Temporarily halt the influx of higher disease-risk Canadian live cattle imports that are contributing to the United States’ ongoing inability to recapture its lost export markets and causing price-depressing supplies. Just since August 2008, the U.S. has imported an additional 246,314 live cattle from Canada. These cattle harbor an increased risk for bovine spongiform encephalopathy (BSE), and given the sensitivity of the U.S. cattle industry to increases in supply (e.g., the industry rule-of-thumb adopted by the International Trade Commission (ITC) is that a 1 percent increase in supply causes a 2 percent decrease in price), a curtailment of these Canadian imports would strengthen consumer confidence in the safety of the domestic cattle herd and relieve the continuing, downward pressure on cattle prices.
2. Temporarily halt the influx of higher disease- and pest-risk Mexican cattle that are contributing to a growing fever tick infestation in the U.S. and domestic outbreaks of bovine tuberculosis. Since August 2008, the U.S. has imported an additional 33,297 live feeder cattle from Mexico, and in addition to their higher disease and pest risks, these cattle are contributing to price-depressing supplies in the domestic market.

3. Immediately step up enforcement of the country-of-origin labeling (COOL) law that went into effect Sept. 30, 2008 by mandating that retailers and packers immediately begin labeling all meat derived from animals that were exclusively born, raised and slaughtered in the United States with a prominent "Product of USA" label, and not a mixed-country label. This will enable U.S. consumers to choose to support U.S. cattle farmers and ranchers when they purchase meat for their families.
4. Immediately allow private meat packers to voluntarily test for BSE so the U.S. can better meet the needs of its export customers and potentially recapture more of the export markets lost as a result of Canada's ongoing BSE problem.
5. Immediately adopt an import policy that mirrors the more stringent disease standards applied and practiced by nearly all BSE-affected countries and which continues to apply to U.S. cattle and beef exports. This would prevent the U.S. from continuing to be a dumping ground for products that the U.S., itself, cannot export.
6. Publicly announce that Congress and the Administration will not tolerate any further concentration or consolidation in the U.S. cattle and beef industries by any multinational corporation until both Congress and the Administration are assured that the U.S. live cattle market is a competitive market, free of the exercise of corporate buying power and anticompetitive practices.

The foregoing measures can be implemented swiftly, are market-based, would not require any government expenditures, and would significantly mitigate the profound, negative effects the current financial crisis is having on the profitability and viability of U.S. cattle producers. This is a serious situation that calls for decisive measures coordinated between Congress and the Administration. R-CALF USA pledges its resources to help Congress and the Administration ward off the foreseeable destruction of our U.S. live cattle production infrastructure. Please let us know how we can help.

Sincerely,



R.M. Thornsberry, D.V.M.
President, R-CALF USA Board of Directors

cc: Select Members of Congress