

*Fighting for the U.S. Cattle Producer!*



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October 29, 2009

United States President Barack Obama  
The White House  
1600 Pennsylvania Ave., NW  
Washington, DC 20500

United States Vice President Joseph Biden, Jr.  
The White House  
1600 Pennsylvania Ave., NW  
Washington, DC 20500

The Honorable Tom Vilsack  
United States Secretary of Agriculture  
1400 Independence Ave., S.W.  
Washington, DC 20250

The Honorable Eric Holder  
United States Attorney General  
950 Pennsylvania Avenue, NW  
Washington, DC 20530-0001

The Honorable Harry Reid  
Majority Leader  
United States Senate  
Washington, DC 20510

The Honorable Mitch McConnell  
Minority Leader  
United States Senate  
Washington, DC 20510

The Honorable Nancy Pelosi  
Speaker  
United States House of Representatives  
Washington, DC 20515

The Honorable John A. Boehner  
Minority Leader  
United States House of Representatives  
Washington, DC 20515

The Honorable Blanche Lincoln  
Chair  
United States Senate Committee on  
Agriculture, Nutrition and Forestry  
Washington, DC 20510

The Honorable Saxby Chambliss  
Ranking Member  
United States Senate Committee on  
Agriculture, Nutrition and Forestry  
Washington, DC 20510

The Honorable Collin Peterson  
Chair  
United States House of Representatives  
Committee on Agriculture  
Washington, DC 20515

The Honorable Frank Lucas  
Ranking Member  
United States House of Representatives  
Committee on Agriculture  
Washington, DC 20515

**Re: A Desperate Call to Action from the U.S. Cattle Industry**

Dear President Obama, Vice President Biden, Secretary Vilsack, Majority Leader Reid, Minority Leader McConnell, Speaker Pelosi, Minority Leader Boehner, Chairwoman Lincoln, Ranking Member Chambliss, Chairman Peterson, and Ranking Member Lucas:

While absolutely no one was watching, \$6.4 billion has been stolen since Jan. 1, 2007, from the U.S. live cattle industry in the U.S. fed cattle market alone.<sup>1</sup> This conservative estimate is based on U.S. Department of Agriculture (USDA) data that show the average loss from each of the 49 million head of fed cattle sold by U.S. cattle feeders was over \$48 in 2007, over \$150 in 2008, and over \$65 in 2009.<sup>2</sup>

This money was stolen from what has historically been the single largest segment of American agriculture, the U.S. live cattle industry, that provides the economic cornerstones for most rural communities across America.<sup>3</sup> It was stolen directly from the hands of the nation's 82,170 remaining cattle feeders and transferred into the hands of just a few mega-meatpackers, only four of which control over 85 percent of the fed cattle market in the nation's \$50 billion live cattle industry.<sup>4</sup>

This theft occurred in broad daylight. Neither USDA nor the U.S. Department of Justice, nor Congress, has yet lifted a finger to effectively address the systemic lack of antitrust enforcement within our cattle industry, or to prohibit the rampant, anticompetitive practices pervasive within our U.S. cattle market, or to reverse our cattle industry's horrendous trade deficit.

"Stolen" and "theft" are harsh words, but demonstrably appropriate in this instance, as U.S. beef consumers have watched their retail beef prices race to record highs and then remain at near-record levels throughout the more than two-year assault on independent U.S. cattle farmers and ranchers.<sup>5</sup> And, the mega-meatpackers prospered greatly at the expense of U.S. cattle farmers and ranchers, as well as consumers, with mega-meatpacker Brazilian-based JBS USA earning \$51 million in the first quarter of 2009 and \$321 million in 2008 before interest, taxes and other expenses, which far exceed its earnings of \$53 million in 2006.<sup>6</sup> Tyson, the nation's largest beef packer, reported operating income of \$613 million and \$331 million in 2007 and 2008, respectively, and claims that its beef and pork segments are what kept Tyson profitable in 2008.<sup>7</sup> And, National Beef Packing Co., the nation's fourth largest beef packer, reported its net profits through the first three quarters of its fiscal year were up 85 percent,<sup>8</sup> with profits during its most recent quarter that ended May 30, 2009, exceeding \$46 million.<sup>9</sup>

The losses to U.S. cattle feeders continue and are compounding rapidly. Those remaining in the cattle feeding business are becoming fewer and fewer each day. The combination of cattle feeding losses and the closure of cattle feeding businesses translate into even less competition and even more losses for the independent farmers and ranchers who are the very heart of the U.S. live cattle industry – the 757,000 remaining beef cattle operations comprised largely of independent cow/calf producers, backgrounders and stockers who are scattered all across America.<sup>10</sup> Their numbers also are shrinking at an alarming rate, and Rural America is reeling from the consequential, rapid loss of its economic base. We may already have reached the point of no return: the point where it no longer matters if competition is restored because the industry may already lack the critical mass of independent cattle farmers and ranchers necessary to sustain a competitive industry.

Our nation already has accomplished this despicable feat of reaching the point of no return in the dairy and hog industries, wherein the number of farming operations with economically viable herd sizes of over 100 head of animals has shrunk to a paltry 16,000 and 14,150, respectively.<sup>11</sup> This is a most impressive disaster, as it is the direct result of this nation's impervious refusal to take any action while 80 percent of the dairy operations and 90 percent of the hog operations have exited the industries since 1980.<sup>12</sup> The government's answer to assist these now nearly fully corporate-controlled livestock industries that have purged hundreds of thousands of independent farmers from their ranks is to send these corporations taxpayer money in the form of Troubled Asset Relief Program (TARP) funds or other emergency assistance. For example, Congress recently earmarked \$350 million in emergency assistance for what is left of the U.S. dairy industry,<sup>13</sup> and USDA has reportedly spent \$165 million to buy pork from corporate hog packers, presumably to help the almost fully integrated corporate hog industry structure that has literally wiped out 90 percent of our nation's independent hog farmers.<sup>14</sup>

It is doubtful that any substantive portion of this money will ever make it into the hands of the very few independent farmers remaining in either the dairy or hog industries. The lion's share of this money most certainly will flow to the very corporations that, because they have been advantaged by corporate-oriented trade policies and have freely operated with impunity from proper enforcement of antitrust laws and prohibitions against anticompetitive practices, are largely responsible for gutting these industries in the first place.

The U.S. cattle industry literally is the last frontier within the U.S. livestock and poultry industries: it is the only remaining major livestock sector that is not already nearly completely vertically integrated by the mega-meatpackers and processors from birth-to-plate, egg-to-plate, or birth-to-milk. But, this distinction cannot last long under the ongoing and unbearable financial losses plaguing its independent participants.

Rural America, as well as the nation's meat safety and meat security, are threatened directly from the inaction of your Administration and Congress regarding the acute crisis facing our nation's cattle farmers and ranchers. Our calls for strict enforcement of antitrust laws have fallen on deaf ears as the Justice Department has just signaled approval for one of the most compelling, *if not the most compelling*, meatpacker mergers in history – the merger between the world's largest beef packer (JBS S.A.) and North America's largest poultry processor (Pilgrim's Pride Corporation). Our calls to prohibit anticompetitive practices also have fallen on deaf ears as the Department of Justice recently allowed the world's largest beef packer (JBS S.A.) to purchase the United States' largest cattle feeding operation (Five Rivers Ranch Cattle Feeding, LLC). Additionally, our calls for trade reform have fallen on deaf ears as your Administration and Congress have refused to take steps to mitigate, in any way, the \$1.6 billion-plus annual economic drain to our live cattle industry caused by the North American Free Trade Agreement (NAFTA) and the host of other poorly negotiated free trade agreements.<sup>15</sup>

Our U.S. cattle markets are broken. Our cattle prices are persistently below the cost of production. Our industry is shrinking, and all the while U.S. consumers are still paying near

President Obama, Vice President Biden, Secretary Vilsack, General Holder, Majority Leader Reid, Minority Leader McConnell, Speaker Pelosi, Minority Leader Boehner, Chairwoman Lincoln, Ranking Member Chambliss, Chairman Peterson, and Ranking Member Lucas  
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record prices for beef to the dominant meatpackers and retailers. There is no light shining at the end of this tunnel. Our industry is in an acute crisis, and no action has yet been taken to avert it. All of Rural America, likewise, is suffering from Congress' and your Administration's inaction.

Proposed workshops, studies, and investigations into the despicable practices and policies that have all but completely destroyed our once vibrant U.S. cattle industry, along with the tens of thousands of rural communities it recently supported, are wholly inadequate as responses to the cataclysmic condition of our industry today.

**Immediate, decisive action must now be taken to avoid further destruction to the integrity and structure of our independent producer-based U.S. cattle industry and the rural communities it supports following the loss of over \$6.4 billion in essential revenues.**

In February, following four consecutive months of losses to the U.S. cattle industry that exceeded \$289 per head, R-CALF USA, on behalf of the U.S. cattle industry, urged the immediate restoration of previously weakened U.S. disease protections, starting with the reversal of USDA's over-30-month rule (OTM Rule) that allows higher-risk, older cattle to be imported into the United States from Canada. These older cattle are adding significantly to price-depressing supplies and aggravating consumer concerns about beef safety. We also urged an immediate end to the anticompetitive marketing practices of the concentrated meatpackers, particularly their strategic use of price-depressing captive supplies. Neither of these recommendations has been implemented.

In May, R-CALF USA again urged action to restore the integrity of the U.S. cattle industry by restoring the health of our domestic cattle herd and the safety of the beef produced from our cattle and restoring the competitiveness of our industry by enforcing antitrust laws, prohibiting anticompetitive practices and including protections in trade policy that recognize the supply sensitive nature of the U.S. cattle industry. Again, none of these recommendations have been implemented.

Will your Administration and Congress take decisive action to alleviate the deplorable losses accruing to U.S. independent cattle farmers and ranchers by immediately taking the specific actions we have previously requested and reiterate above?

Or, must we now yield to government assistance in the form of TARP funds or other emergency assistance – as have other U.S. industry segments, including our sister dairy and hog industries – to begin to redress the horrific damage caused by the unbridled excesses of the dominant corporate meatpackers and failed U.S. trade policies? Or, do you have a better, market-oriented solution that would allow us to salvage what is left of our injured U.S. cattle industry?

We, the undersigned representatives of the U.S. cattle industry, including the officers, directors and committee chairs of R-CALF USA and the presidents or chairs of 10 statewide

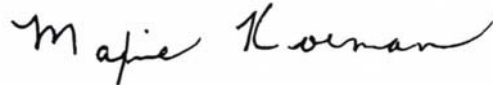
President Obama, Vice President Biden, Secretary Vilsack, General Holder, Majority Leader Reid, Minority Leader McConnell, Speaker Pelosi, Minority Leader Boehner, Chairwoman Lincoln, Ranking Member Chambliss, Chairman Peterson, and Ranking Member Lucas  
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cattle associations, as well as a director from the Intertribal Agriculture Council, look forward to your timely response to this urgent request.

Sincerely,



R.M. Thornsberry, D.V.M.  
Missouri  
President of the Board  
Region VI Director  
Chair, Animal Health Committee



Maxine Korman  
Montana  
Region I Director



Taylor Haynes, M.D.  
Wyoming  
Region II Director



Johnny Smith  
South Dakota  
Region III Director



Jay Platt  
Arizona  
Region IV Director  
Chair, Trade Committee



Stayton Weldon  
Texas  
Region V Director



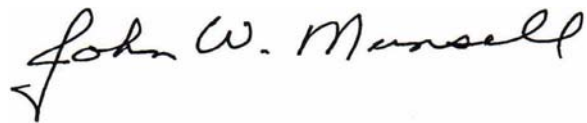
George Chambers  
Georgia  
Vice-President of the Board  
Region IX Director



James McCuen  
Washington  
Region X Director, R-CALF USA  
Director, Intertribal Agriculture Council

President Obama, Vice President Biden, Secretary Vilsack, General Holder, Majority Leader Reid, Minority Leader McConnell, Speaker Pelosi, Minority Leader Boehner, Chairwoman Lincoln, Ranking Member Chambliss, Chairman Peterson, and Ranking Member Lucas  
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John Munsell  
Montana  
Chair, HACCP Committee



Dennis Thornsberry  
Missouri  
Chair, Marketing Committee



Mike Schultz  
Kansas  
Chair, COOL Committee



Joel Gill  
Mississippi  
Chair, Checkoff Committee  
Co-Chair, Membership Committee



Harlan Hentges  
Oklahoma  
Co-Chair, Private Property Rights Committee



Ray Cunio  
Missouri  
Co-Chair, Private Property Rights Committee



Herman Schumacher,  
South Dakota  
Co-Chair, Membership Committee



Kathleen Kelley  
Colorado  
Chair, By-Laws and Policy Committee



Bill Bullard  
Montana  
CEO, R-CALF USA



Kenny Fox  
President  
South Dakota Stockgrowers Association  
Chair  
R-CALF USA Animal ID Committee



Judy McCullough  
President  
Independent Cattlemen of Wyoming



David Joe Wright  
President  
Independent Cattlemen of Nebraska



Michael Heaton  
President  
Independent Beef Association of North Dakota



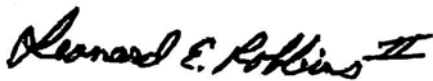
Wade King  
President  
Cattle Producers of Washington



Mike Smith  
President  
Oregon Livestock Producers Association



Kimmi Lewis  
President  
Colorado Independent Cattle Growers Association



Lee Robbins  
President  
Kansas Cattlemen's Association.



Larry Queen  
President  
Buckeye Quality Beef Association (Ohio)



Don Alt  
Chairman  
Nevada Live Stock Association

## ENDNOTES:

<sup>1</sup> See High Plains Cattle Feeding Simulator, Data Sets, U.S. Dept. of Agriculture, Economic Research Service, available at <http://www.ers.usda.gov/Publications/LDP/LDPTables.htm> (Chart 1 below depicts the per cwt losses to cattle feeders as reported by USDA data.); see also, Livestock Slaughter 2008 Summary, U.S. Dept. of Agriculture, National Agricultural Statistics Service, March 2008, at 13, available at <http://usda.mannlib.cornell.edu/usda/current/LiveSlauSu/LiveSlauSu-03-06-2009.pdf> (The U.S. slaughtered approx. 27 million steers and heifers, not including cows and bulls, in each of the years 2007 and 2008.); see also Livestock Slaughter, U.S. Dept. of Agriculture, National Agricultural Statistics Service, August 2009, at 10, available at <http://usda.mannlib.cornell.edu/usda/nass/LiveSlau//2000s/2009/LiveSlau-08-21-2009.pdf> (The U.S. slaughtered approx. 15 million steers and heifers from Jan. through July, 2009.).

<sup>2</sup> The loss of over \$6.4 billion was calculated by adding the average annual losses for each year as reported in the High Plains Cattle Feeding Simulator (see endnote 1, *supra*) since Jan. 1 2007, and multiplying each year's loss by the number of fed cattle slaughtered during each year, e.g., the annual loss in 2008 was calculated by multiplying the 27 million fed cattle slaughtered in 2008 by that year's average annual per head loss to cattle feeders of \$150.75 per head for each 1,250 pound animal sold, resulting in a total loss of \$4.07 billion during that year alone.

<sup>3</sup> See U.S. Farm Sector Cash Receipts from Sales of Agriculture Commodities, 2004-2008F, U.S. Department of Agriculture, Economic Research Service, available at [http://www.ers.usda.gov/briefing/farmincome/data/cr\\_t3.htm](http://www.ers.usda.gov/briefing/farmincome/data/cr_t3.htm) (Though the sale of cattle and calves has historically been the leading sector in U.S. agriculture, generating approx. \$50 billion annually, an anomaly occurred in 2008 when the corn sector surpassed the live cattle sector. This anomaly is not expected to recur in 2009.).

<sup>4</sup> See endnote 3 *supra*; see also Cattle on Feed, U.S. Dept. of Agriculture, National Agricultural Statistics Service, Feb. 2009, at 14, available at <http://usda.mannlib.cornell.edu/usda/nass/CattOnFe//2000s/2009/CattOnFe-02-20-2009.pdf> (There were only 80,000 feedlots with capacities less than 1,000 head and 2,170 feedlots with capacities over 1,000 head remaining in the U.S. in 2008, with 5,000 feedlots with capacities of less than 1,000 head having exited the industry between 2007 and 2008.); see also, United States of America, et al. v JBS S.A. et al., Complaint, U.S. District Court, Northern District of Illinois Eastern Division, Civil Action No. 08-CV-5992 (The U.S. Dept. of Justice alleged that the top four meatpackers purchased "over 85% - nearly 24 million" of the 27 million fed cattle purchased in 2007.).

<sup>5</sup> See Charts 2 and 3 below that show that Choice retail beef prices climbed to record highs in 2008 and remained well above the 5-year average throughout 2008 and 2009 while U.S. cow/calf producers received falling prices in mid-2008 and experience below the 5-year average for the remainder of 2008 and most all of 2009 for their 500 to 600 pound calves.

<sup>6</sup> See JBS Wants To Go Public In Order To Expand Operations, Sharon Dunn, The Greeley Tribune, July 23, 2009.

<sup>7</sup> See Tyson 2008 Annual Report, at 3, available at <http://ir.tyson.com/phoenix.zhtml?c=65476&p=irol-reportsAnnual>.

<sup>8</sup> See Thwarted in Acquisition, JBS, National Beef Plan To Go Public Separately, Journal Star – Nebraska, Oct. 15, 2009.

<sup>9</sup> See National Beef Packing of KC Plans Public Stock Offering, Mark Davis, Kansas City Star, Oct. 13, 2009.

<sup>10</sup> See Farms, Land in Farms, and Livestock Operations, 2008 Summary, U.S. Department of Agriculture, National Agricultural Statistics Service, at 14, available at

<http://usda.mannlib.cornell.edu/usda/current/FarmLandIn/FarmLandIn-02-12-2009.pdf>; see also Chart 4 below that shows the dramatic losses of livestock operations in the beef cow, dairy, swine and sheep industries.

<sup>11</sup> See Chart 4 below.

<sup>12</sup> *Ibid.*

<sup>13</sup> See Conference Report, Making Appropriations for Agriculture, Rural Development, Food and Drug Administration and Related Agencies Programs for the Fiscal Year Ending September 30, 2010, (Senate – Oct. 8, 2009), at s10282.

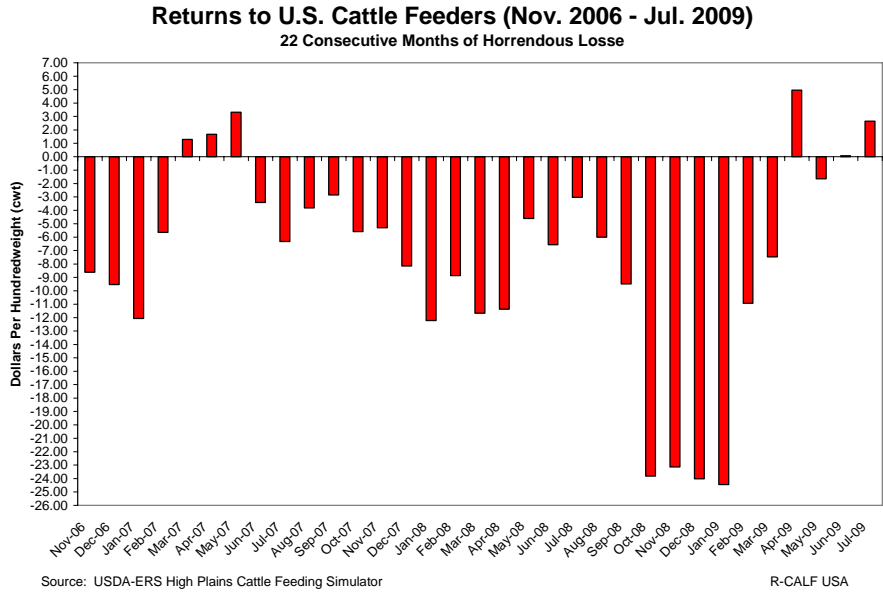
<sup>14</sup> See 'Nothing off agenda' in Ag Antitrust Probe, Dan Piller, Des Moines Register – Iowa, Oct. 21, 2009.

<sup>15</sup> See Chart 5 below.

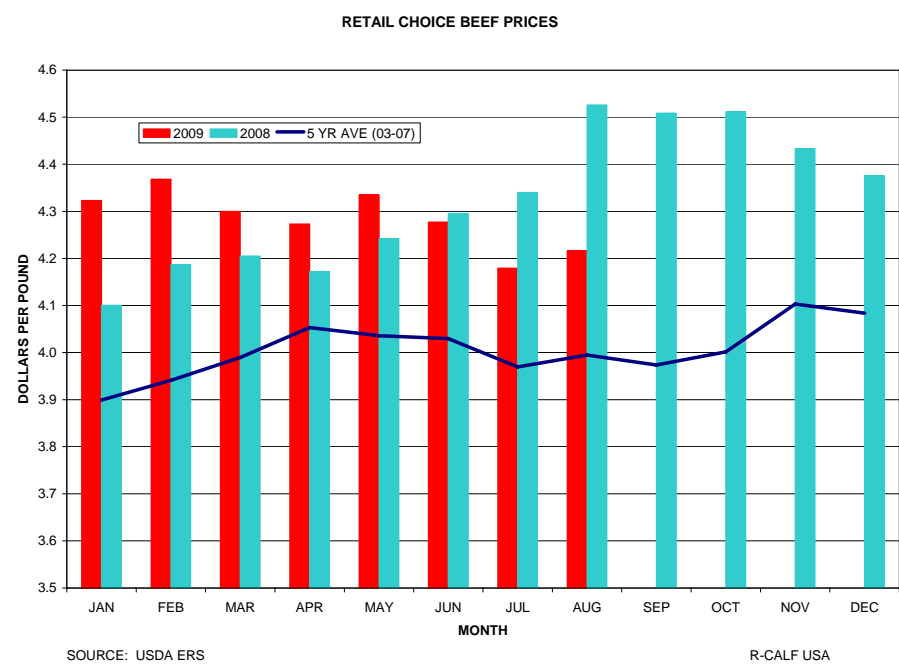


**CHARTS:**

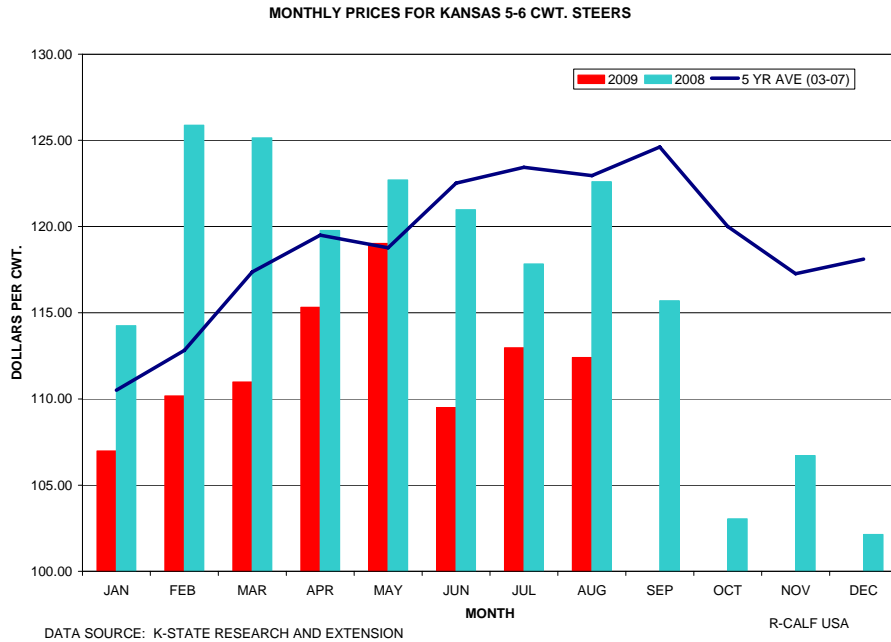
**CHART 1**



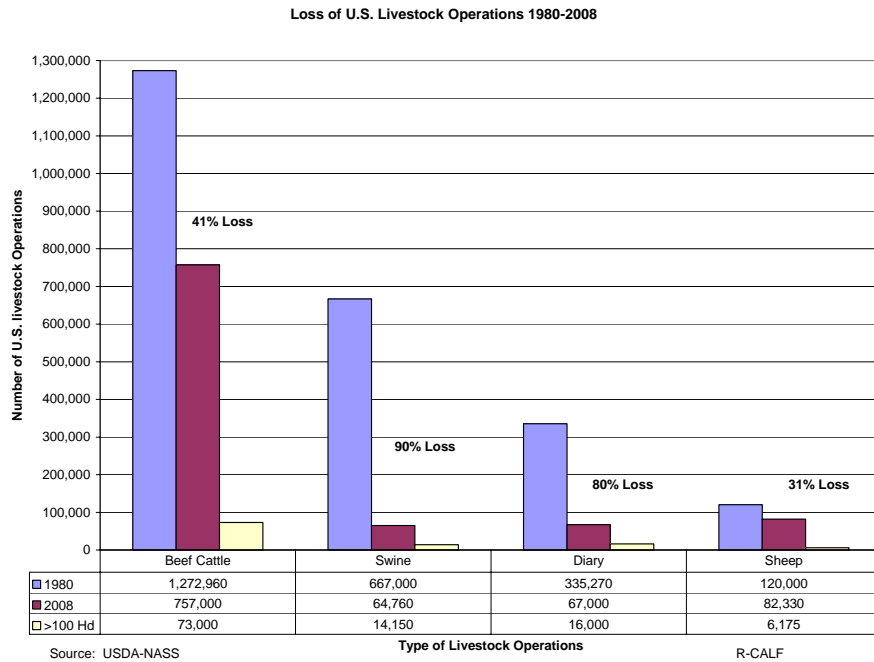
**CHART 2**



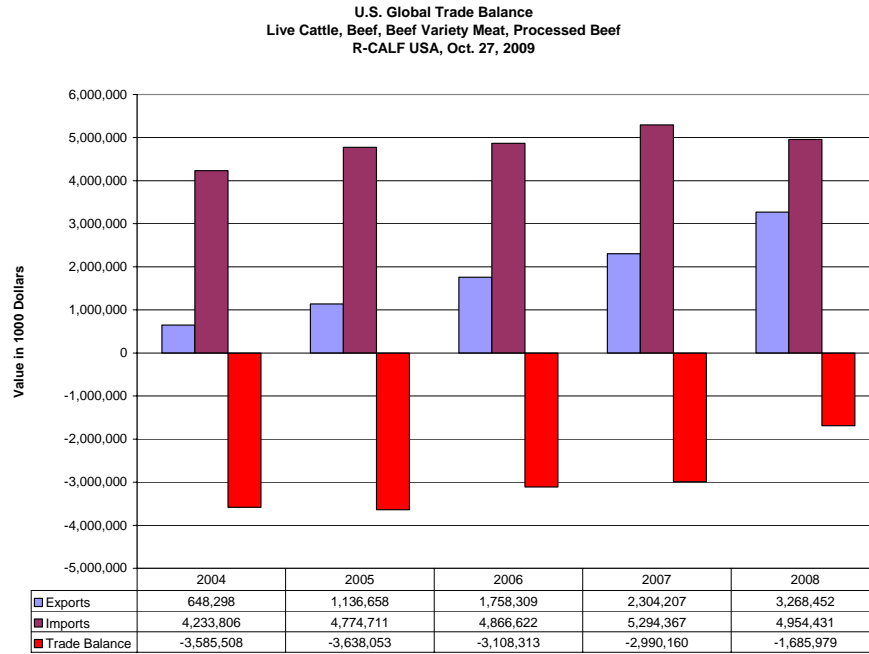
### CHART 3



### CHART 4



**CHART 5**



*R-CALF USA (Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America) is a national, non-profit organization dedicated to ensuring the continued profitability and viability of the U.S. cattle industry. R-CALF USA represents thousands of U.S. cattle producers on trade and marketing issues. Members are located across 47 states and are primarily cow/calf operators, cattle backgrounders, and/or feedlot owners. R-CALF USA directors and committee chairs are extremely active unpaid volunteers.*