

Fighting for the U.S. Cattle Producer!



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MEMORANDUM

January 15, 2010

To: Edward Avalos, Under Secretary, USDA
John Ferrell, Deputy Under Secretary, USDA
Doug O'Brien, Chief of Staff to the Deputy Secretary, USDA
J. Dudley Butler, Administrator, GIPSA
Thomas Duggan, Ph.D., GIPSA
Ryan P. Montgomery, GIPSA
Phil Weiser, Deputy Assistant Attorney General, Dept. of Justice
Bill Stallings, Assistant Chief, TEA Section, Antitrust Division, Dept. of Justice

From: Bill Bullard, CEO, R-CALF USA

Re: New Evidence of Beef Industry Action to Reduce Competition

R-CALF USA has repeatedly warned that time is of the essence if the new Administration is to reverse the wholesale contraction of the U.S. livestock industry *before* our industry loses the critical mass of participants necessary to maintain economic viability. Copied below please find a recent news article that demonstrates the rapidity with which the beef packers and concentrated feedlots are *eliminating* competition in the U.S. fed cattle market. The agreement described below between Hitch Enterprises and National Beef Packing Co., LLC, will serve to further limit timely access to the fed cattle market for independent cattle feeders. In our comprehensive comments submitted to your respective agencies on Dec. 31, 2009, we explain that this fed cattle market *is* the final cattle market and *is* the portal through which reduced competition permeates the entire U.S. live cattle industry.

We implore you to take immediate action to halt the swift, wholesale capture of our industry by the highly concentrated beef packers working in concert with the highly concentrated feedlot owners.

09:47 12Jan10 -INTERVIEW-Hitch in cattle deal with National Beef
Hitch Enterprises to sell cattle to National Beef
Fewer beef plants made deal necessary
Cash cattle market shrinking

By Bob Burgdorfer

CHICAGO, Jan 12 (Reuters) - Hitch Enterprises, a privately held livestock operation, has reached a deal whereby it will sell cattle from its three feedyards solely to National Beef Packing Co LLC, an agreement that Hitch leaders believe will produce better prices for its customers. The **hand-shake** agreement started in January and will continue indefinitely, Hitch Chairman Jason Hitch told Reuters in an interview.

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The marketing agreement is similar to those used at other large cattle feeding operations. Hitch operates three feedyards, two in Oklahoma and one in Kansas, for a total one-time capacity of about 160,000 head. *We agreed, for a nonspecified period of time, to sell 100 percent of our cattle to National,* said Hitch.

Such agreements can provide feedlots premium prices for higher-grading cattle and can assure beef plants of a ready supply of quality cattle. Hitch ranks among the top 15 largest U.S. cattle feeding operations, according to the Livestock Marketing Information Center. Five Rivers Cattle Feeding, a unit of Brazilian meat company JBS SA <JBSS3.SA <<http://jbss3.sa/>> >, is the largest with a one-time capacity of more than 800,000 cattle, said LMIC.

National Beef is the fourth largest U.S. beef company and operates beef plants in Liberal and Dodge City, Kansas, and in Brawley, California. Cattle marketing arrangements with beef companies have drawn criticism because they reduce the number of cattle traded in the open market, thereby lessening the bargaining power of feedlots to negotiate prices.

Hitch is aware of the criticisms, but he said the loss of two beef plants in Kansas had already hurt competition for his cattle to the extent that he was missing top market prices. *I am just trying to keep my business alive,* he said. *I would love to see things more competitive, but I don*t think that is going to happen.*

In 2000, a beef plant in Garden City, Kansas, burned down, and more recently Tyson Foods Inc <TSN.N> suspended cattle slaughter at its Emporia, Kansas, plant.