

**March 2011 Presentation by Judy's McCullough, Wyoming Cow/Calf Producer, to the U.S. House and Senate Staff Briefing on the Importance of the GIPSA Rule**

I. Good Morning Staff Members.

I am Judy McCullough, a cow calf producer from the state of Wyoming. I run approximately 400 cow calf pairs. I sell my calves in the fall when they are 5 to 6 months old at a cattle auction. I consistently raise high quality calves that are eligible for value-added and branded beef programs: my steer calves are regularly purchased by the same feeder that places them into a certified Hereford program and my heifer calves are regularly purchased by a seed stockman to be raised, and sold as bred heifers.

- II. Last fall, before I sold my calves, I called my buyers to advertise my calves. The stable market we had years ago is gone, replaced now by the whims and manipulation of just a few packers to the point that nobody but the packers know what they are actually paying for fed cattle. My buyers were afraid and unsure of the volatile market. They did not have a clue what range the calf prices might be in and even less of a clue what the prices would be on my calves months down the road after they had fed my calves for an additional 4-5 months, at which time they would be ready to sell to the packers.

It is a gamble beyond belief, to lay down hundreds of thousands of dollars, put the time and feed into the cattle, and then end up taking a beating in the calf market because the packers are controlling the fed cattle market, which ultimately dictates what feeders are willing to pay for my calves. That very situation caused the market to be soft when I sold, which made calf prices lower, and reduced my profits and opportunities. It is the packers that are reducing profits and opportunities for independent feeders and for cow-calf producers like me and their control over all our cattle markets, from the fed cattle market to the calf market, increase as our industry gets smaller and smaller. The trickle down theory doesn't work when the packers are able to manipulate prices by procuring large numbers of cattle using sweetheart and secret deals that reduce the market demand for cattle sold by independent producers like me.

In a segmented industry, all segments needs equal access to market information and market fairness. When one segment gets control, it will steal from the other segments, and true open markets disappear. The lack of profitability begins to drain the segments that are at the mercy of the controlling segment, and the packers are the controlling segment in our industry.

My neighbors are losing their children that normally would remain on the ranch to the coal, oil and gas industries where they can make a decent living

for their families. My latest neighbor to go out of the business, just sold his entire herd last week in a complete dispersal sale.

Another friend of mine bought 800 head of feeder cattle last year. When it came time to market them, which he sold in 8-12 transactions, he was told the same thing each week. The packers look like they will come into the market around X time, there will only be 1-2 packers bidding, they will offer bids during only a 5-15 minute time frame. This left my friend with absolutely no negotiating power, only a take it or leave it offer. But sometimes on a Friday or Saturday, a packer would be short bought. They would then come back behind the scenes and give a price about \$2.00 over the highest reported price—these transactions were never reported. This isn't competition. It is manipulation.

According to the broker that my friend used, he had never seen anything like the \$8.00 increase in the fat market that occurred just before the Ft. Collins Justice Department and USDA meeting. He also said that the market always raises \$3-4.00 before big NCBA meetings and functions. It is part of their marketing program. If that is not manipulation, what is?

A gal representing the supermarkets spoke at the Ft. Collins Justice Department and USDA meeting, stating that they only make 23-25% profit on beef, but later on stated that the stores operate on a 2-3% margin average. How are they able to make an additional 20-22% profit on beef over other food items? For them to be making such a windfall profit on beef, they must be stealing \$250-\$350 per head, along with the packer that I believe is stealing around \$100 per head.

III. The GIPSA rules will finally provide transparency so all of us in the industry will know the actual prices that packers are paying for our cattle, ending the ongoing, secret, behind the scenes, prices. With the GIPSA rule, GIPSA will have the tools needed to begin addressing the manipulation of the market by the packers because the rule will require packers to report actual prices and GIPSA will have access to those prices. The rules will promote competition in the market, and allow individual producers to show injury, and prevent retaliation against a producer. They are an important step, but only the first step to restore competition in the cattle markets.

Looking at the big picture, it must be understood that the goal of the packers is to vertically integrate the cattle industry supply chain, which will give the packers absolute control over the entire industry just as they have already gained over the poultry and hog industries. The goals of independent cattle producers like me are very different. My goals are to be free and independent, to run my operation to the best of my ability, to make my own business decisions, and to have the opportunity to remain profitable while my

business continues to add to the wellbeing of my local economy and my state's economy.

I believe the Packers and Stockyards Act was passed by Congress to ensure that I, and producers like me, could reach those goals by preventing the packers from manipulating my markets. But that is exactly what the packers have done and that's why we need the GIPSA rule that will finally allow the Packers and Stockyards Act to be properly administered and enforced. I feel badly that the GIPSA rule will arrive too late for the many producers who have been forced to exit our industry. But it is not too late for me and my ranching neighbors and I urge you to give GIPSA the support it needs to quickly issue a strong, final rule.

Thank you.