Fighting for the U.S. Cattle Producer!

R-CALF USA

The State of the U.S. Cattle Industry: Indices of Market Failure

Presentation by R-CALF USA

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Fifteen Indices of Severe Market Failure in the U.S. Cattle Industry

No. 1: Cattle Industry's Price-Discovery Market Is Shrinking Fast

National Cash Cattle Market Shank Nearly 15% in 5 Years, Now Down to 37%

2005-2010 Fed Cattle Summary of Purchase Types

Source: USDA Market News

National Breakdown by Purchase Type

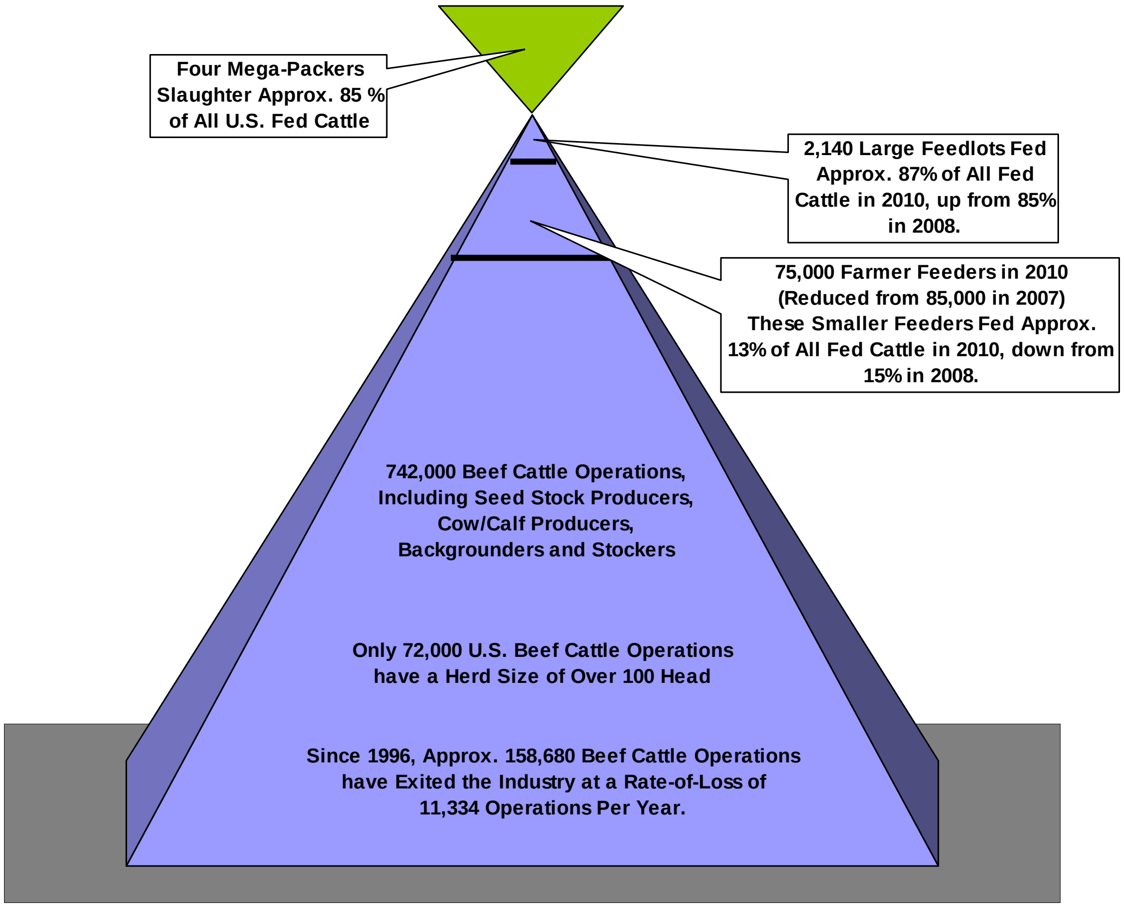
	2005	2006	2007	2008	2009	2010
Cash	52.1%	49.4%	47.3%	42.6%	38.8%	37.4%
Formula	33.2%	34.3%	37.4%	39.1%	43.7%	43.1%
Forward Contract	4.8%	7.2%	6.8%	11.2%	9.5%	11.9%
Negotiated Grid	9.9%	9.0%	8.5%	7.1%	8.0%	7.6%

TX-OK-NM Market Below 22%
Colorado Cash Market Below 20%

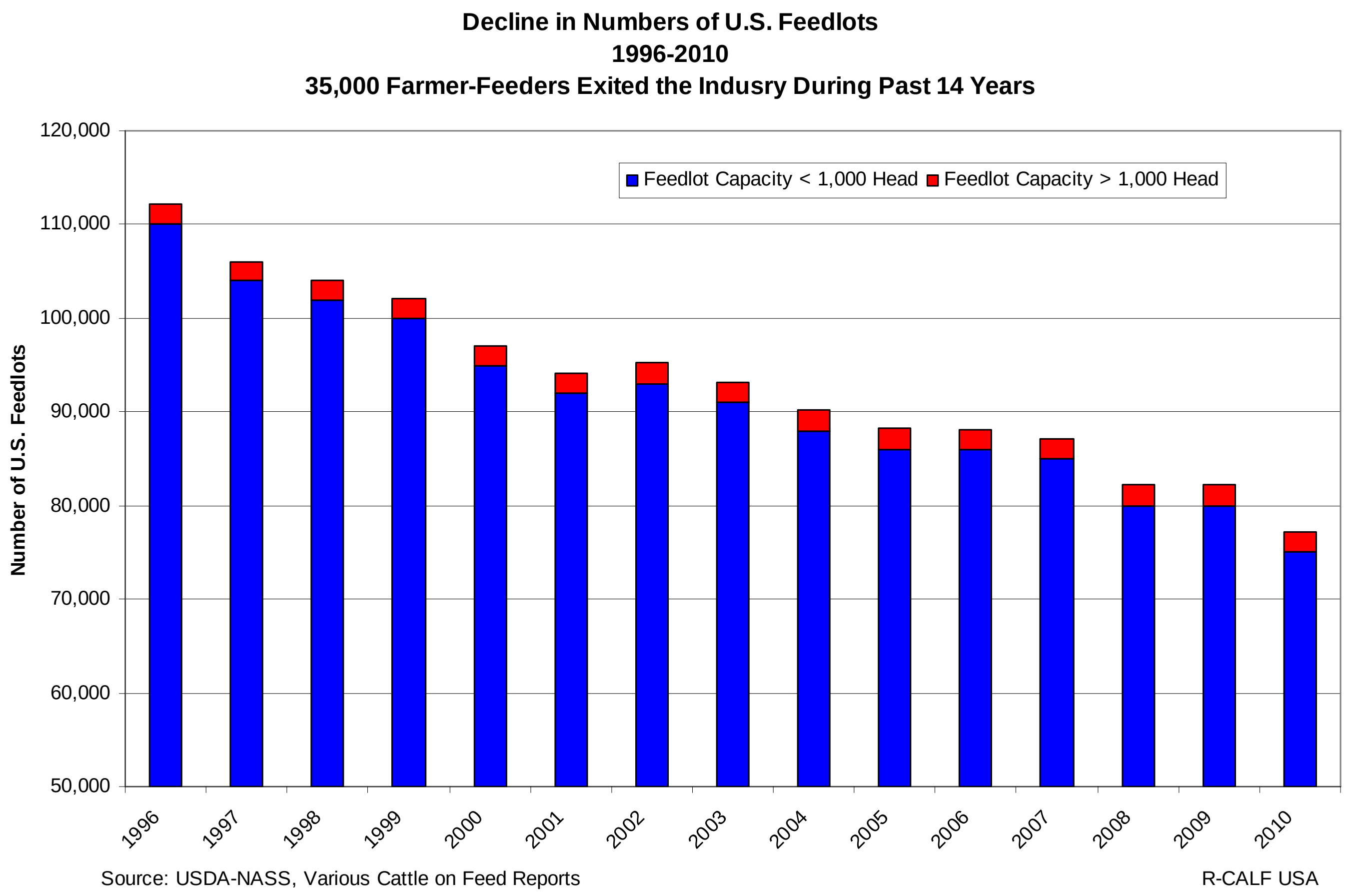
Texas-Oklahoma-New Mexico Breakdown of Volume by Purchase Type						
	2005	2006	2007	2008	2009	2010
Cash	47.2%	42.5%	36.7%	31.5%	26.1%	21.5%
Formula	42.2%	42.2%	48.4%	53.3%	60.7%	66.9%
Forward Contract	3.1%	5.0%	4.4%	5.8%	5.4%	4.9%
Negotiated Grid	7.5%	10.3%	10.5%	9.3%	7.8%	6.7%

Colorado Breakdown of Volume by Purchase Type						
	2005	2006	2007	2008	2009	2010
Cash	51.7%	40.6%	39.5%	28.5%	28.8%	19.7%
Formula	30.1%	46.6%	46.2%	54.4%	57.8%	63.9%
Forward Contract	8.6%	7.3%	7.5%	13.3%	10.5%	14.4%
Negotiated Grid	9.5%	5.3%	6.6%	3.8%	2.7%	1.9%

No. 2: Precarious Structure of U.S. Beef Cattle Industry

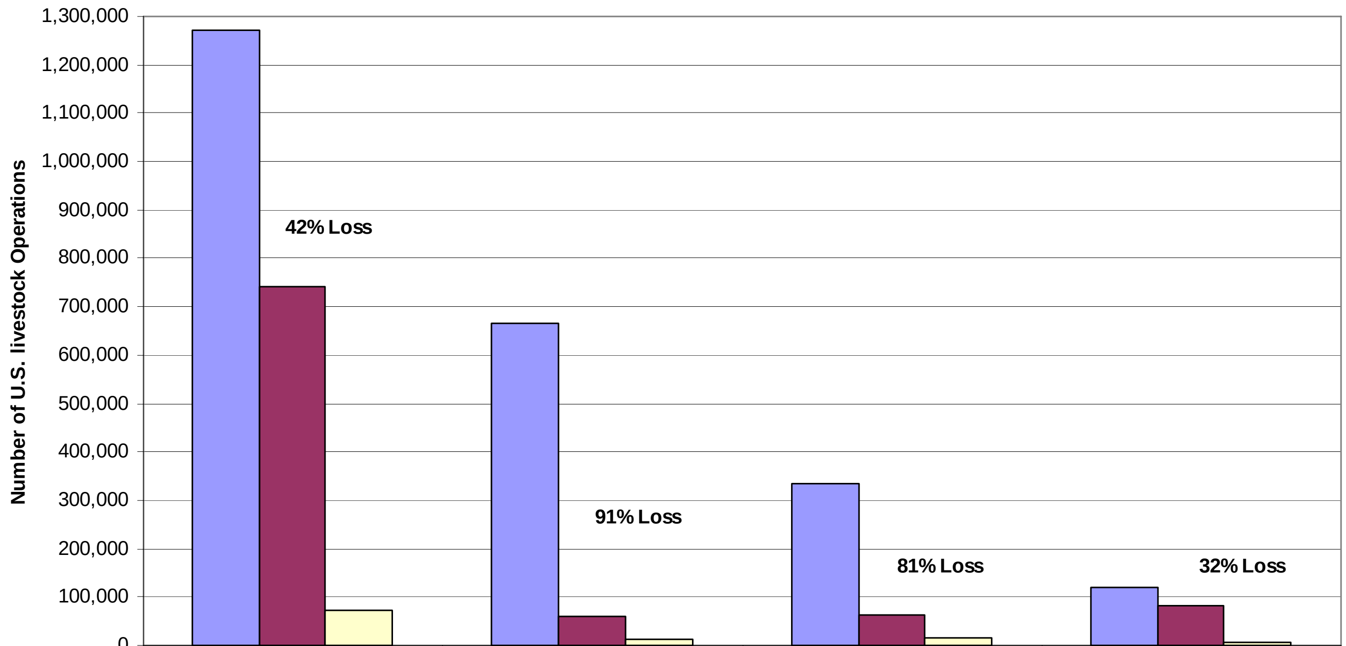


No. 3: Shrinking Number of Cattle Feeders



No. 4: Shrinking Number of Livestock Operations

Loss of U.S. Livestock Operations 1980-2010



	Beef Cattle	Swine	Diary	Sheep
1980	1,272,950	667,000	335,270	120,000
2010	742,000	60,460	62,500	81,000
>100 Hd	72,000	12,060	16,000	5,022

Type of Livestock Operations

Source: USDA-NASS

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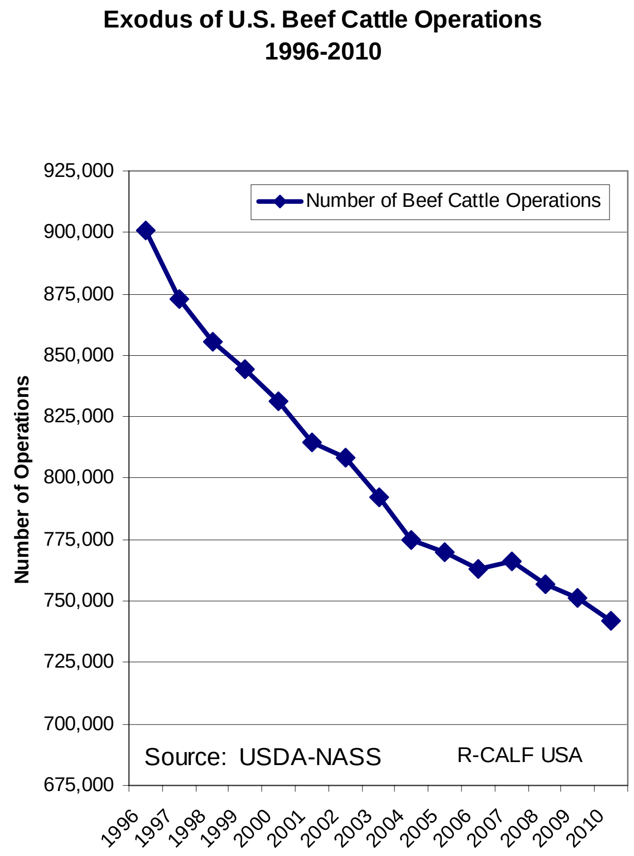
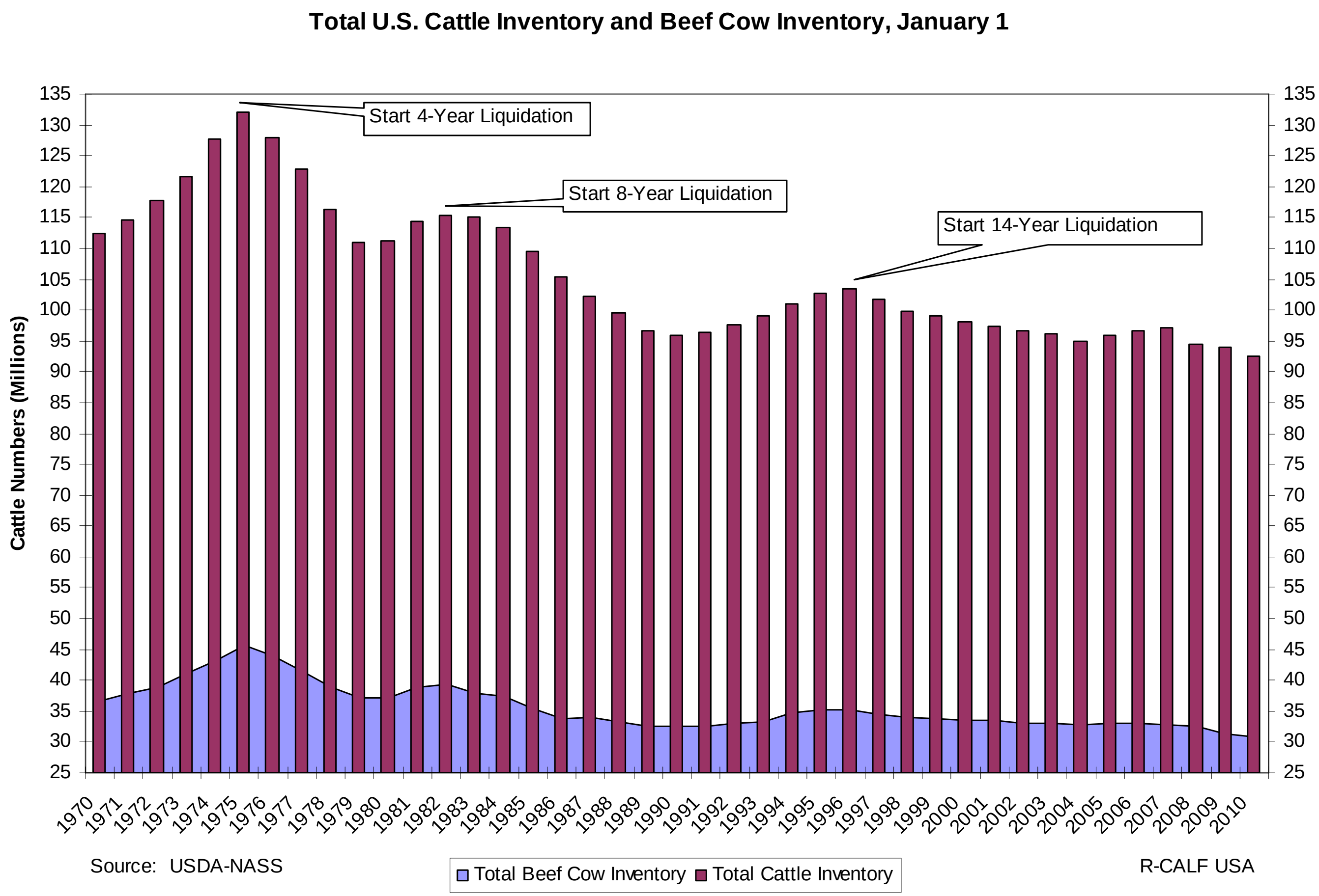
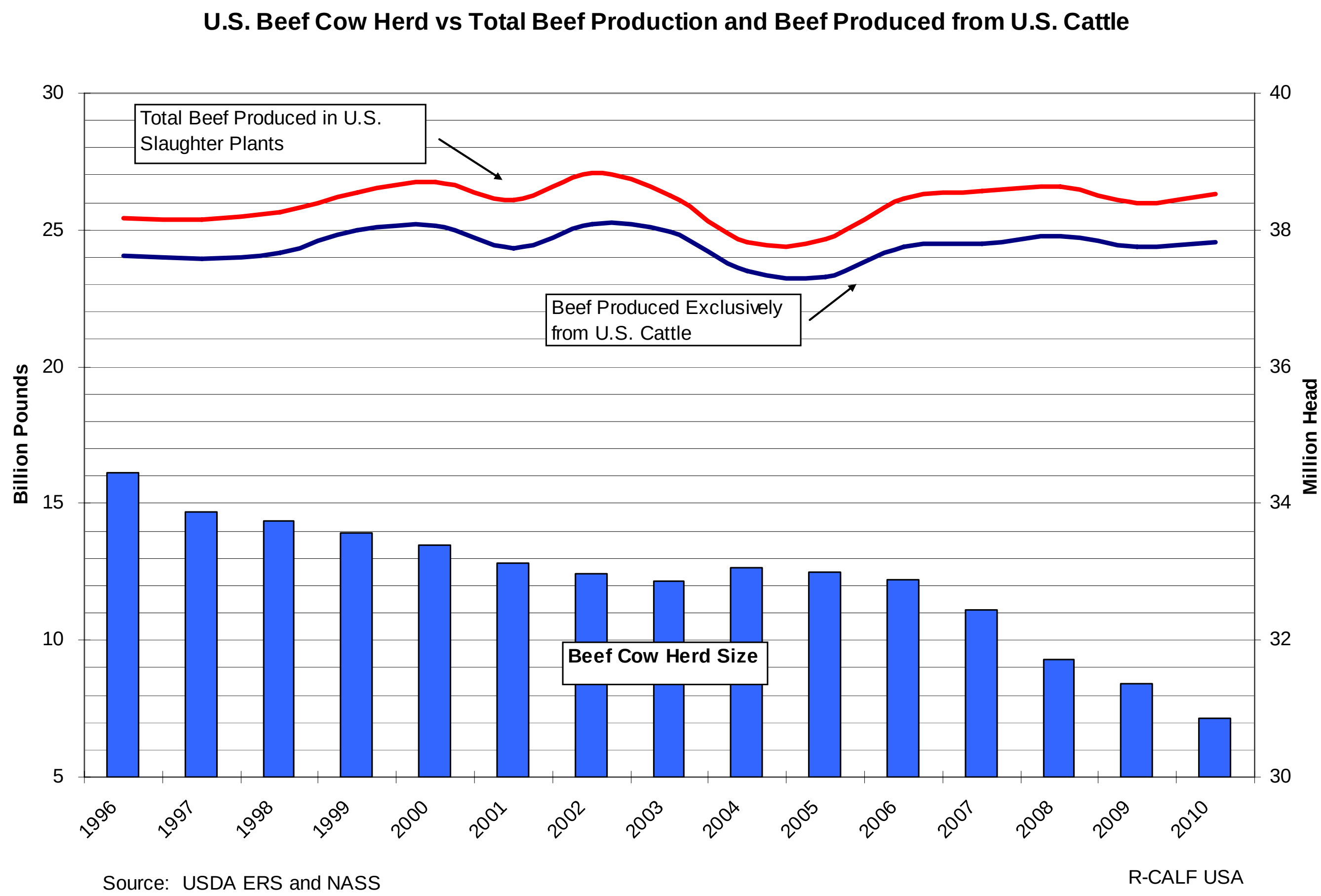
Beef Cattle Operations Exiting Cattle Industry at an Alarming Rate



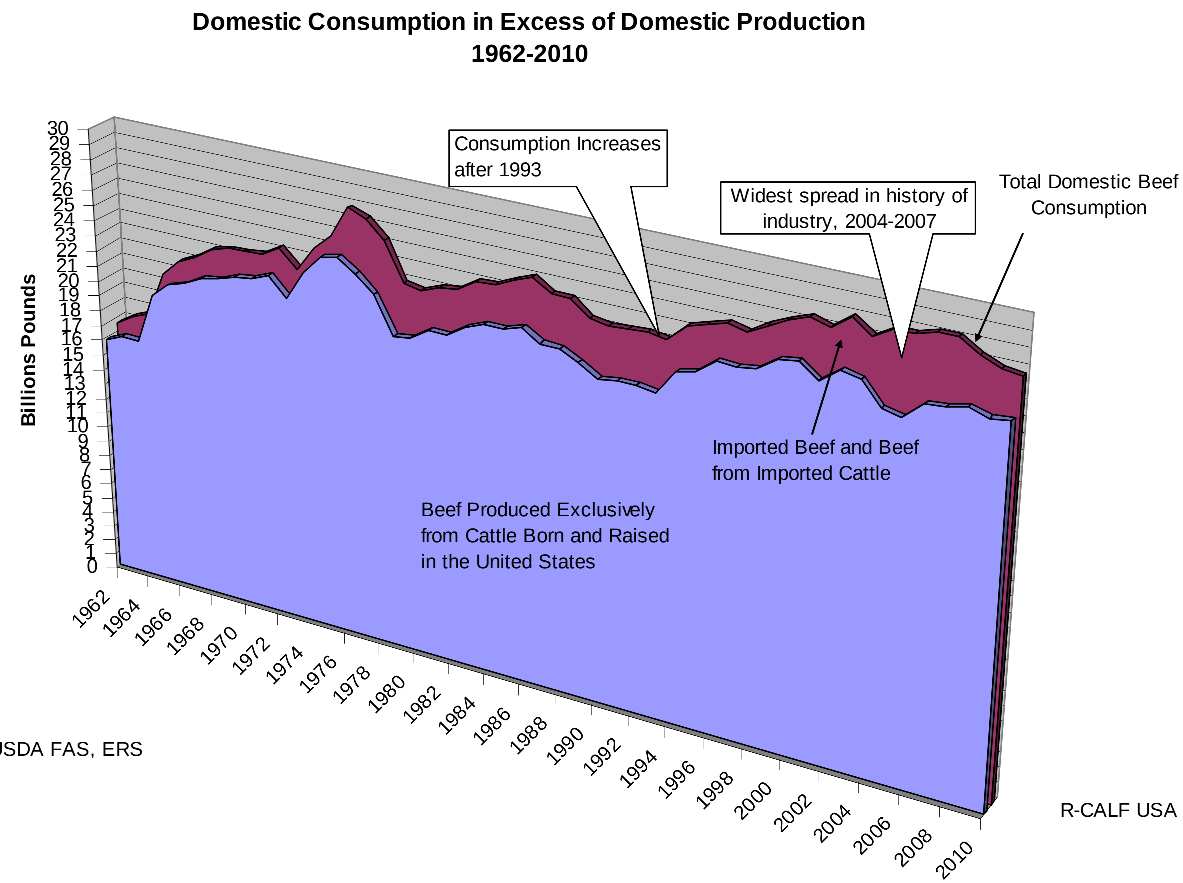
No. 5: Disrupted Cattle Cycle and Shrinking Herd



No. 6: Domestic Production Remains Stagnant



No. 7: Shrinking Industry & Stagnant Production in Face of Growing Beef Consumption



Source: USDA FAS, ERS

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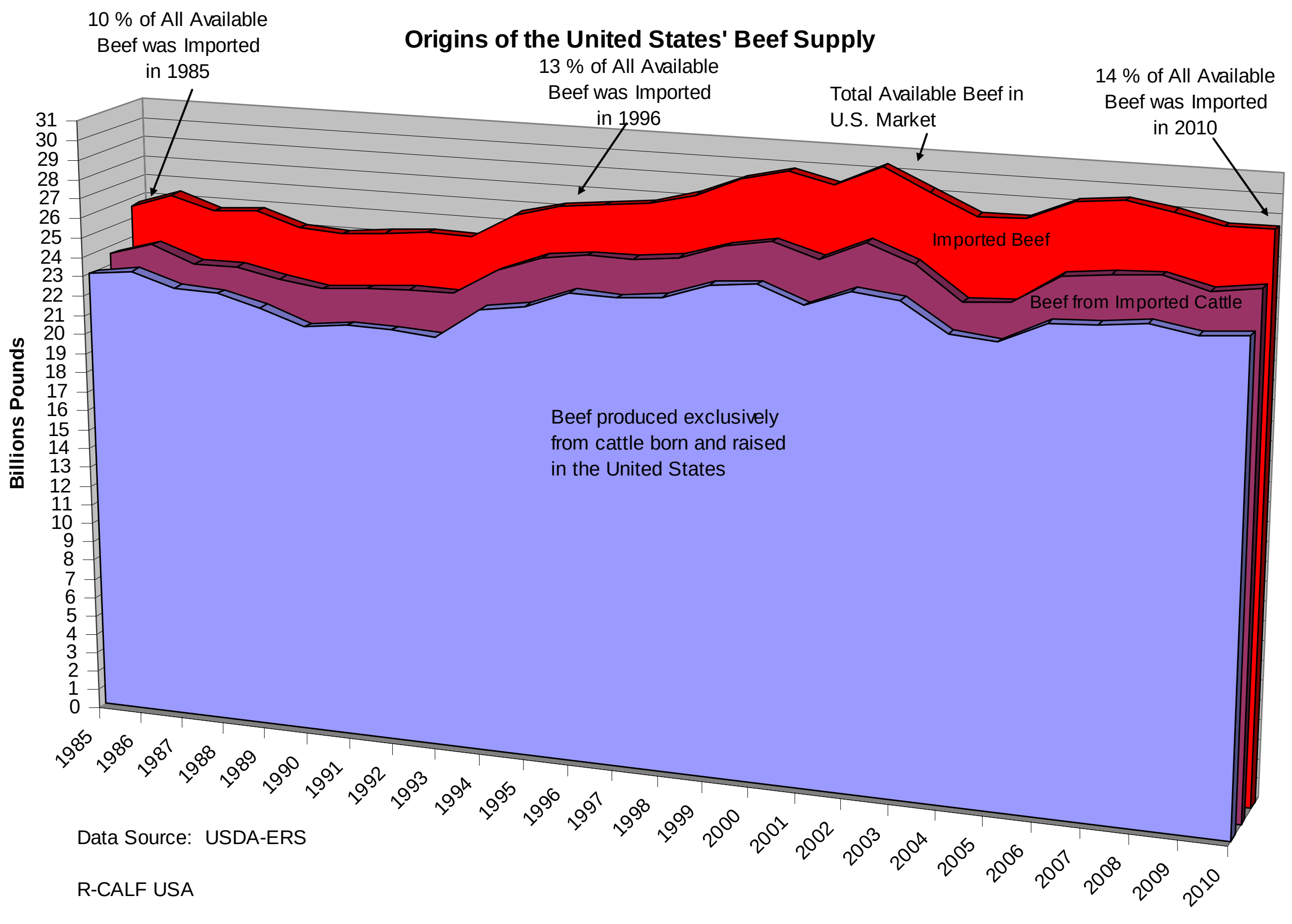
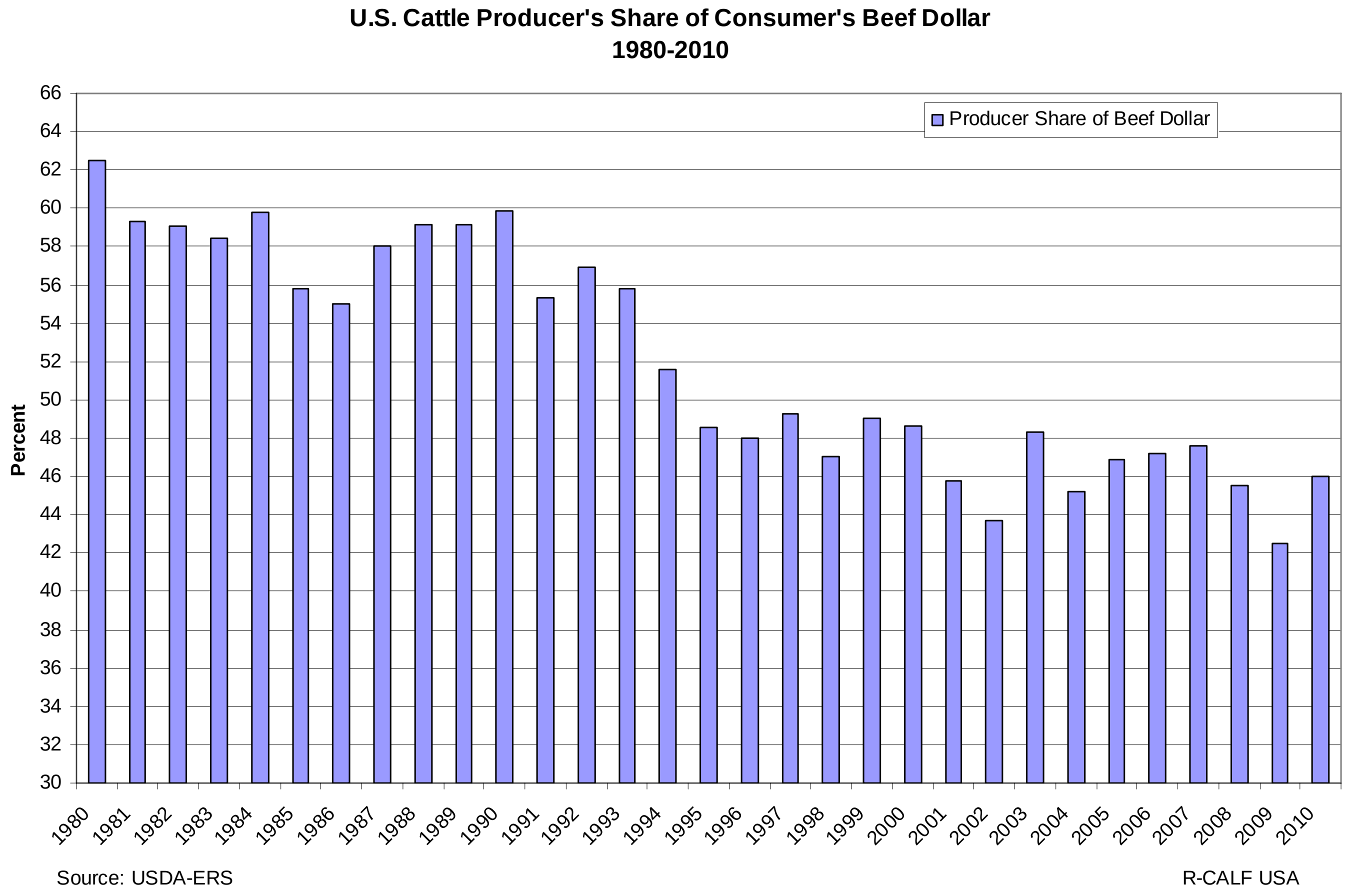
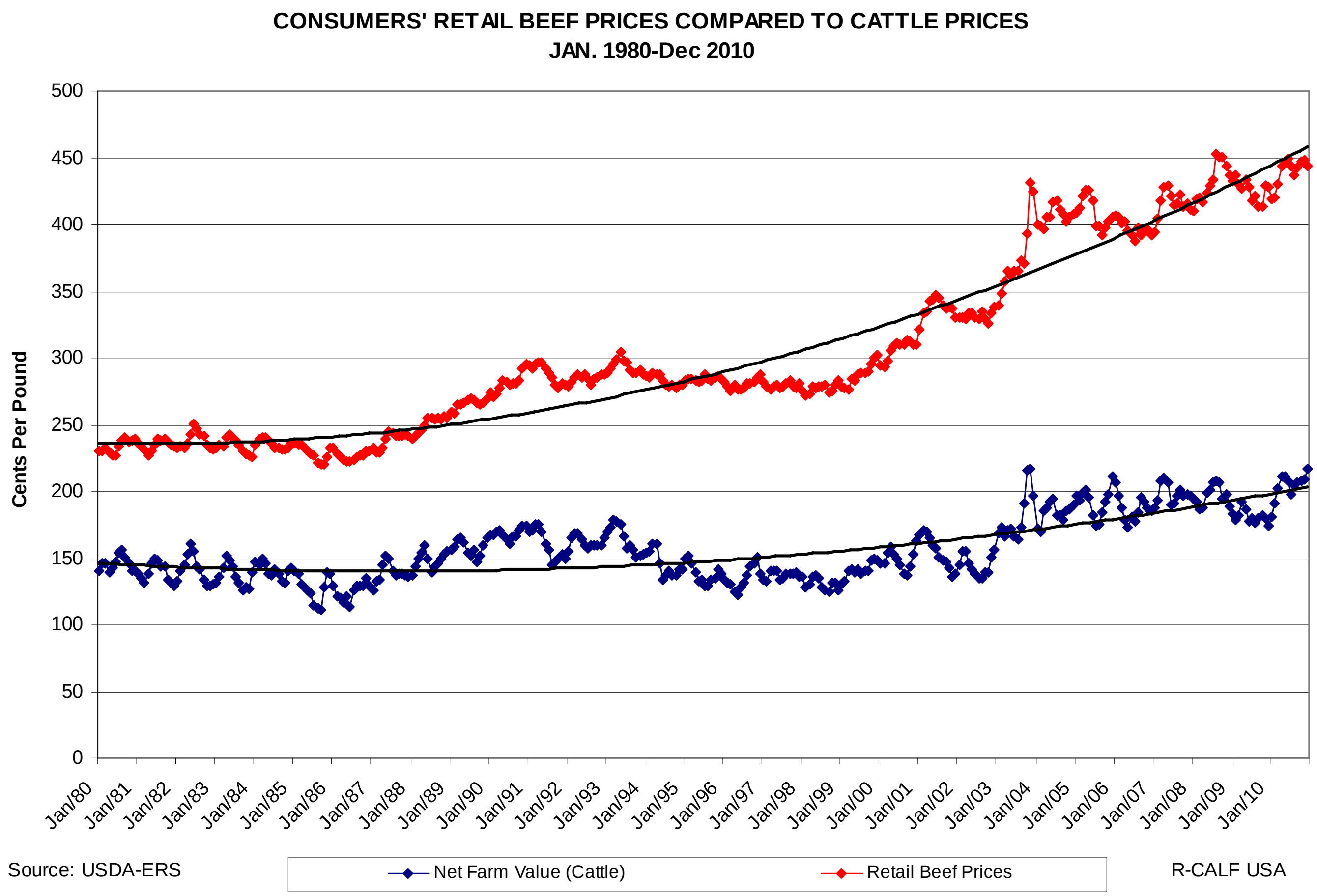
No. 8: Shrinking Industry Losing Its Share of Total Available Beef Supply



No. 9: Producers Losing Their Share of Consumer's Beef Dollar

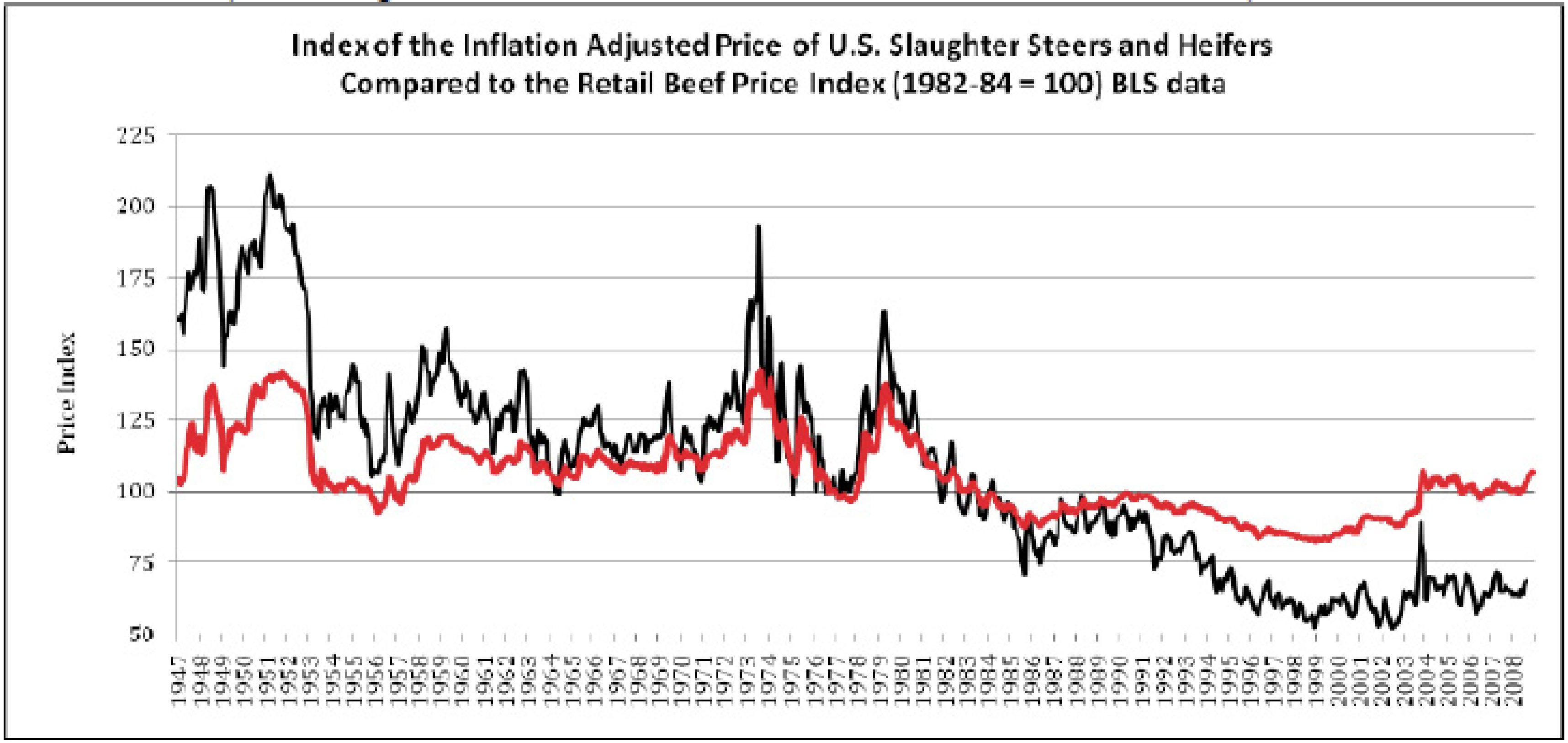


No. 10: Marketplace Exploiting Producers and Consumers



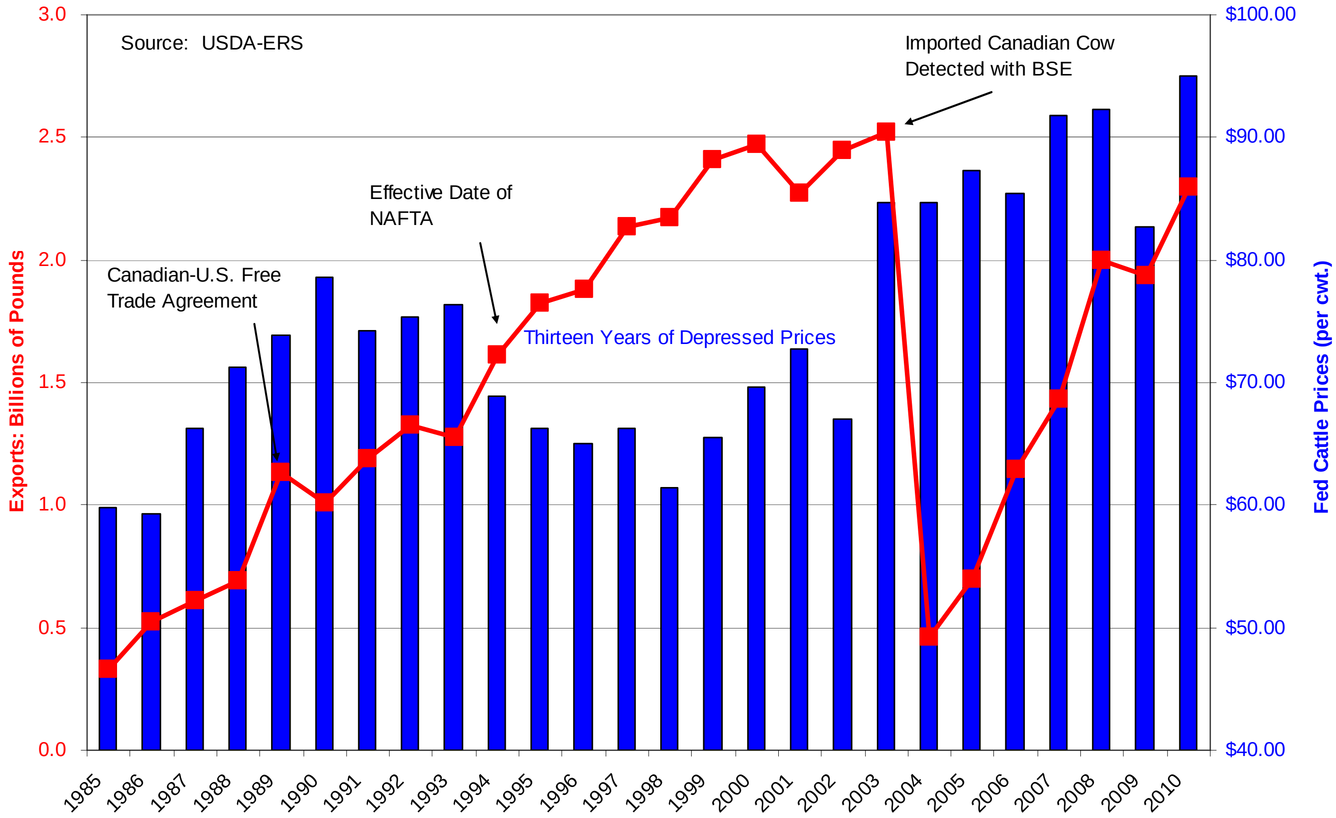
No. 11: Disconnect Between Cattle Prices and Beef Prices

CHART 21: (Chart Legend: Black Line-Cattle Prices, Red Line-Beef Prices)

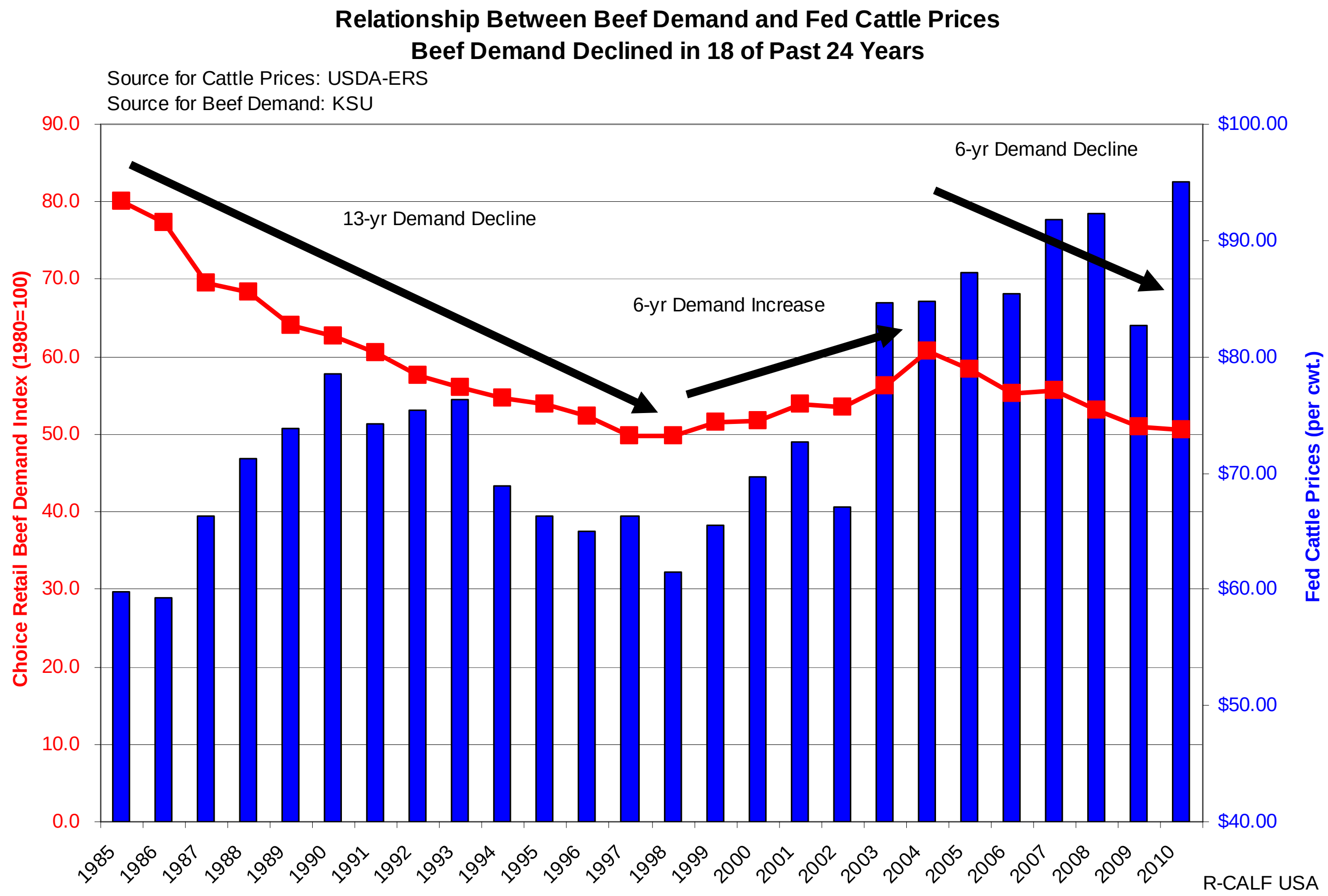


No. 12: Cattle Prices Fall When Exports Reach Record Levels

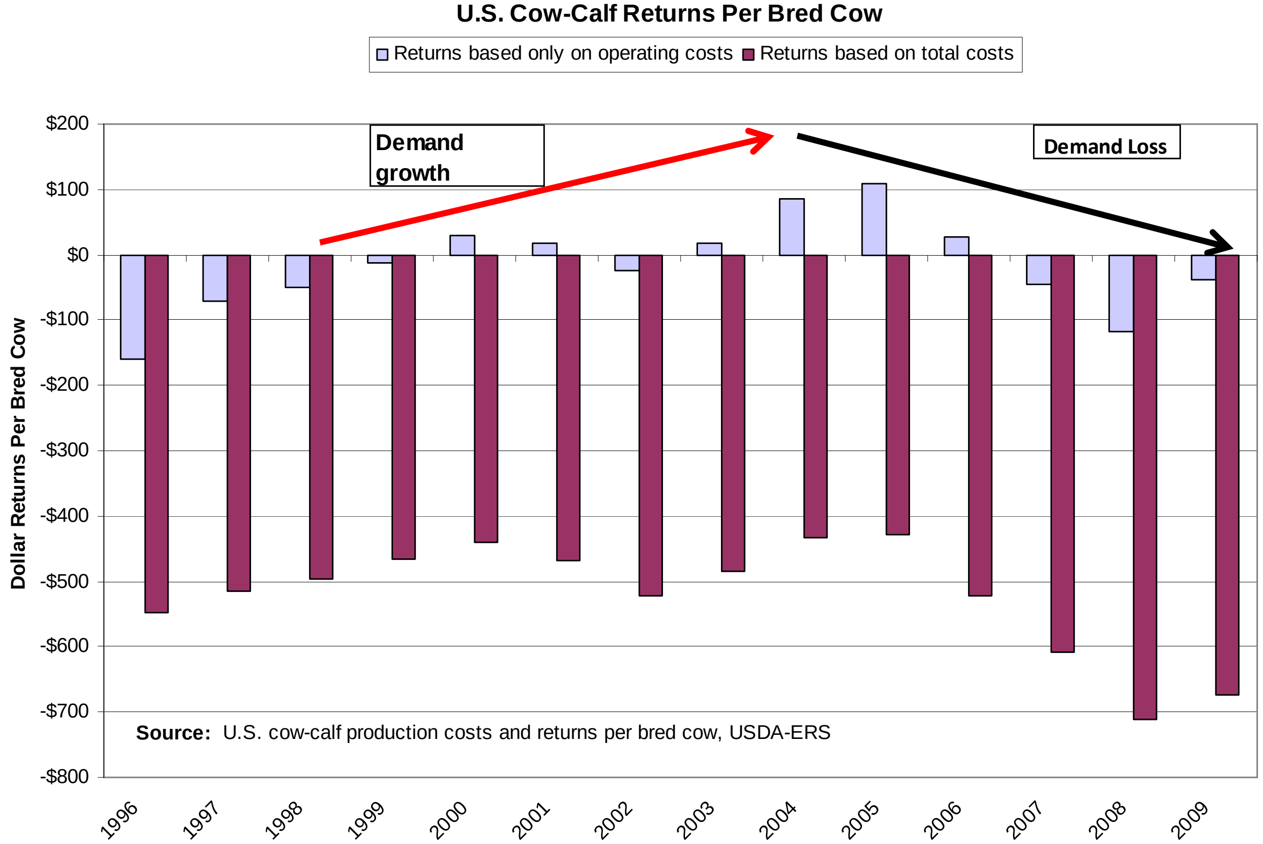
Relationship Between Export Volumes and Fed Cattle Prices



No. 13: Cattle Prices Disassociate with Beef Demand



No. 14: Systemic, Below Cost-of-Production Prices for U.S. Cow/Calf Industry



Operating costs do not include: Hired labor, Opportunity cost of unpaid labor, Capitol recovery, costs of equipment, Opportunity costs of land, Taxes and insurance or General farm overhead

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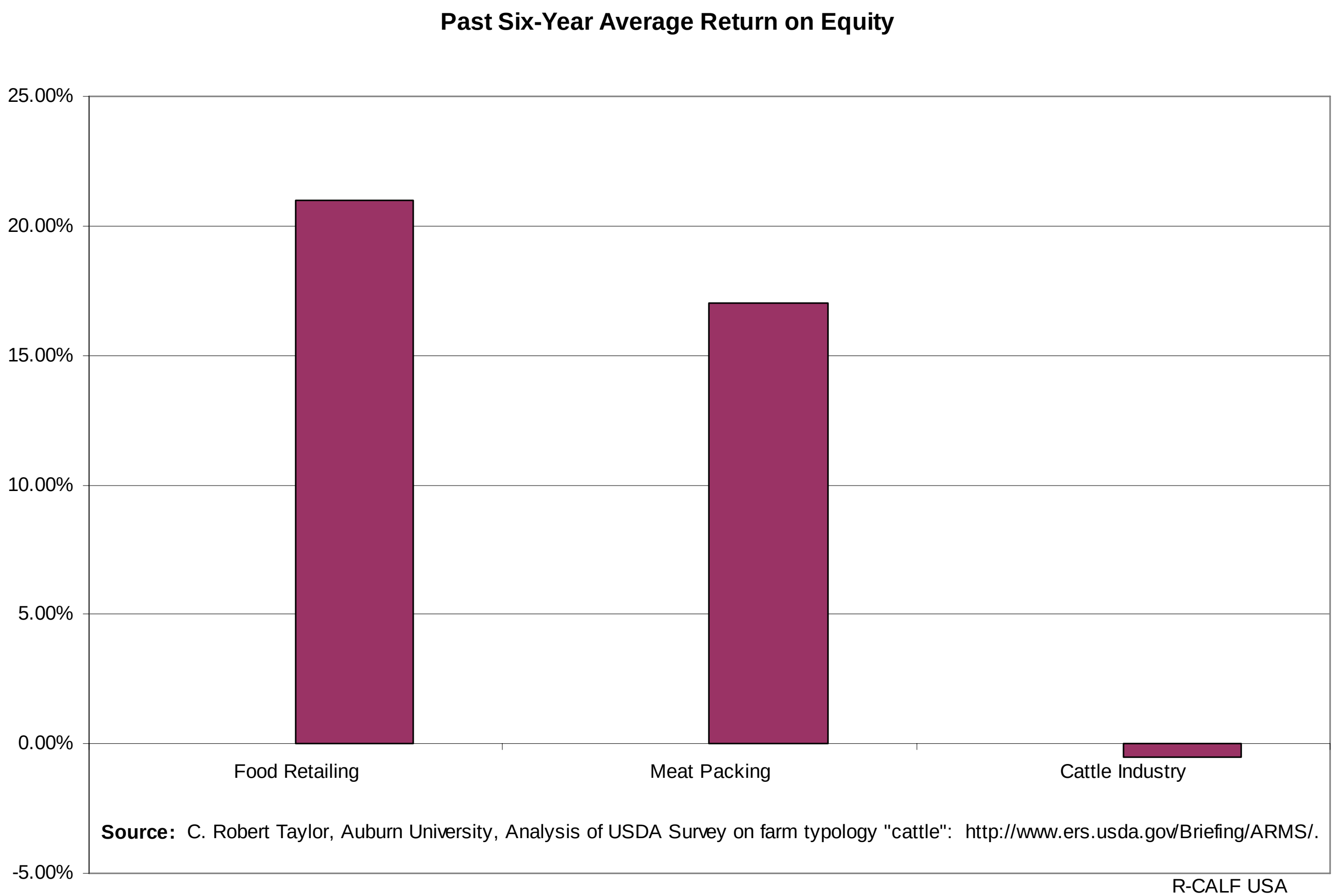
No. 15: Long-Run Negative Return On Equity for U.S. Cattle Industry



Solutions

1. Vigorously enforce the Packers and Stockyards Act using facts previously litigated by private parties (enforcement agencies have a lesser burden in enforcement actions than do private parties)
2. Promulgate rules to clarify that the use of captive supplies that lower prices is unlawful
3. Promulgate rules to clarify that dominant packers cannot own feedlots or feedlot cattle