Fighting for the U.S. Cattle Producer!
R-CALF USA

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

April 6, 2009

The Honorable Collin C. Peterson
Chair
U.S. House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Frank D. Lucas
Ranking Minority Member
U.S. House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Rosa DeLauro
Chair
U.S. House Committee on Appropriations,
Subcommittee on Agriculture
Room 2362-A Rayburn House Office Building
Washington, DC 20515-6016

The Honorable Jack Kingston
Ranking Member
U.S. House Committee on Appropriations,
Subcommittee on Agriculture
Room 2362-A Rayburn House Office Building
Washington, DC 20515-6016

Re: Food Safety and the U.S. Cattle Industry

Dear Chairman Peterson and Chairwoman DeLauro and Ranking Members Lucas and Kingston:

R-CALF USA represents thousands of independent farmers and ranchers that raise and sell cattle and we appreciate your efforts to repair our nation's broken food safety systems. We do not presume to know how to repair every facet of our nation's food system. But, equal to or better than any other source, we know our U.S. cattle industry. The U.S. cattle industry is the largest segment of U.S. agriculture[1] and cattle producers want to help you develop an effective strategy to protect the safety and security of our nations' food supply for U.S. consumers.

However, we cannot help if we are not starting at the same point as you when identifying the root cause of our nation's food safety and food security deficiencies. From R-CALF USA's experience and observations, our nation is at a crucial crossroads: we must undertake immediate steps to restore and rebuild the exemplary cattle and beef production system that earned the U.S. the reputation of producing the best and safest beef in the world under the best of conditions; or relegate ourselves to addressing only symptoms, rather than successfully curing the cause of a fundamentally flawed cattle and beef production system that has manifested in recent years.

We trust that you and your colleagues will desire to pursue the former, and recognize the latter as inherently unsafe and unsustainable. It would be a disastrous mistake, for example, to focus on complete food traceability – from cattle birth to beef on the plate – as the centerpiece of your food safety reform even though such an approach may seem both attractive and reasonable. However, such an approach would: 1) cast a wider net than is necessary to target the demonstrated point of meat contamination, which is at slaughtering facilities; 2) condone the

recently manifested and fundamentally flawed cattle and beef production systems by leaving these presently flawed systems in place; and 3) disadvantage the remaining cattle production enterprises that still represent the exemplary system that continually produces safe, healthy cattle by overburdening these cattle producers with costs that do not return safer food to the consumer.

We strongly support your efforts to achieve traceability from the final beef product back to the slaughterhouse where beef is produced. Such traceability would pinpoint where intestinal-borne pathogens, such as *E. coli* O157 (STEC 0157), contaminated otherwise safe meat. In addition to this after-the-fact traceability, however, food safety reform must address the large volumes of pathogen-contaminated beef that is escaping under the Hazard Analysis and Critical Control Point (HACCP) food safety inspection regime. Knowing that HACCP has repeatedly failed to ensure proper sanitary practices at major slaughterhouses strongly suggests that HACCP reform should be the centerpiece of any effort to improve meat product safety. In fact, unless fundamental reforms are made to the failed HACCP system, prevention of food contamination will remain unattainable and macro food safety problems will persist.

It is R-CALF USA's contention that the recent corporatization, concentration, and consolidation of the U.S. cattle and beef industries is the root cause of increased food safety problems and represents an abrupt and radical departure from the exemplary, and inherently safer, system that is still within our grasp – provided Congress does not stamp it out completely while attempting to mitigate the systemic problems arising from the evolving, corporate-controlled cattle and beef production system.

Congress should not impose additional costs and regulations on our nation's remaining cattle farmers and ranchers – those who yet comprise the heretofore exemplary cattle production system that continually produces safe and healthy cattle – unless a congressional investigation bears out such a need. This investigation should fully explore the relationship between recent increases in meat-borne illnesses and: 1) the recent corporatization of live cattle production; 2) the recent vertical integration of live cattle feeding and slaughtering facilities; and 3) the recent concentration and consolidation of U.S. packing plants.

A congressional investigation of this type would reveal that the U.S. Centers for Disease Control and Prevention (CDC) reported that the U.S. experienced only 7 food-borne illness outbreaks transmitted via beef in 1996.[2] But, by 2007 the incidence of food-borne pathogens such as *E. coli* 0157 (STEC 0157) were on the increase. The CDC reported that "21 beef product recalls for possible contamination with STEC 0157 were issued in 2007."[3]

Importantly, an investigation would also reveal that during this same 12-year period, when food-borne illnesses began to increase, the following circumstances unfolded to seriously undermine the cattle and beef industries' ability to continually provide safe and secure food:

1. Although demand-side beef market fundamentals were very favorable, including a 5 percent increase in the beef demand index,[4] a 5 percent increase in domestic beef consumption,[5] and a huge 54 percent increase in retail beef prices,[6] the U.S. cattle industry shrank at an

alarming rate. It shrank in terms of the number of producers, size of the U.S. cattle herd, and under-production. For example:

a. 143,680 beef cattle operations exited the U.S. cattle industry at a loss-rate of nearly 12,000 operations per year.[7] Today, 757,000 beef cattle operations remain, and of those, only 73,000 beef cattle operations have a herd size of 100 or more cattle[8] – which is a minimal size for an economically viable, full-time beef cattle operation.

b. The U.S. lost 25,000 small farmer-feeders – those with feedlot capacities of less than 1,000 head – who exited the industry at a loss-rate of more than 2000 per year.[9]

c. The size of the U.S. cattle herd fell over 9 percent[10] – by over 9 million head – and beef production from U.S.-born cattle increased by only 3 percent,[11] which means that production from U.S.-born cattle did not keep pace with expanding domestic beef consumption, even while more cattle were slaughtered due to herd liquidations.

2. The feeding sector of the U.S. cattle industry consolidated rapidly, with the number of large feedlot operations with capacities of over 50,000 head increasing by 29 percent.[12]

3. The beef packing industry became highly concentrated, with the number of federally inspected firms that slaughter cattle falling by 22 percent,[13] and the four largest firms, which controlled approximately 80 percent of the nation's fed cattle slaughter in the mid-'90s,[14] now control over 85 percent of the nation's fed cattle slaughter.[15]

4. USDA has increased U.S. exposure to contaminated meat products from abroad. Prior to 1996, foreign countries were required to have meat and poultry inspection systems "at least equal" to those in the United States. However, pursuant to the Uruguay Round Agreement Act, USDA abandoned this important standard stating "[u]nder this new law, the United States can no longer require foreign countries wishing to export meat and poultry products to have meat and poultry inspection systems that are "at least equal" to those in the United States. . ."[16] After 1996, foreign meat and poultry systems have been subject only to the lesser standard of "equivalent to" those in the U.S. and, as empirical evidence now demonstrates, this standard is ineffective at ensuring food safety. Evidence uncovered by USDA's Office of Inspector General (OIG) in 2005 shows that USDA allowed foreign meatpacking plants to export meat to the U.S. even though they were not meeting even the lesser "equivalent to" standard for over two years.[17]

5. Not only has USDA relieved exporting countries from the requirement that their inspection systems be "at least equal" to those in the U.S., but also, USDA has further increased U.S. exposure to contaminated meat by reducing the frequency of its inspections of foreign meatpacking plants. Beginning in 2004, USDA ceased conducting monthly inspections of foreign meatpacking plants and began performing only "periodic supervisory visits."[18]

6. USDA has increased the United States' exposure to foreign animal diseases by abrogating its responsibility under the Animal Health Protection Act to restrict imports to "prevent the

introduction into . . . the United States of any pest or disease of livestock."[19] Instead, USDA has unilaterally adopted a much weaker standard of *allowing* even animal diseases that can be transmitted to humans to be introduced into the U.S. so long as the agency believes the disease would not likely become *established* in the U.S. cattle population. For example:

a. USDA's base-case risk model for its final bovine spongiform encephalopathy (BSE) rule regarding the importation of Canadian cattle over 30 months (OTM) of age predicted that the final rule would introduce 19 BSE-infected cattle into the U.S. and cause infection in 2 U.S. cattle over the next 20 years.[20] Despite this risk, the agency defended its final rule stating, "Under this rule, the likelihood of BSE exposure and establishment in the U.S. cattle population as a consequence of infectivity introduced via imports from Canada is 'negligible.'"[21] (Emphasis added.) Allowing 19 BSE-infected cattle to enter the U.S. not only endangers the U.S. cattle herd, but more importantly, these OTM cattle go directly into the U.S. food supply!

b. USDA continues to allow the introduction of bovine tuberculosis (bovine TB) into the U.S. despite the 2006 OIG finding that 75 percent of the bovine TB cases detected by U.S. slaughter surveillance originated in Mexico.[22] The OIG explained that because Mexican cattle spend many months on U.S. farms and ranches prior to slaughter, each bovine TB case is potentially spreading the disease in the United States.[23]

The foregoing demonstrates that the United States' cattle and beef production system, which is unequalled anywhere in the world for providing safe reliable beef to consumers, is fast being destroyed by government inaction toward antitrust violations, anticompetitive practices, and unsafe and unsustainable import policies. Our U.S. cattle and beef production system, historically dominated by widely dispersed family farmers, ranchers, and independent businesses, is now eminently threatened by a corporate dominance incapable of guaranteeing a comparable level of food safety, food reliability, and food security for U.S. consumers.

R-CALF USA implores Congress to immediately involve the yet non-corporatized segment of the U.S. cattle industry to assist in identifying and targeting the causes and sources of our nation's food safety problems, and we request that Congress not impose unnecessary and costly remedial measures on those segments of the U.S. cattle industry that have continually produced only the safest and healthiest cattle in the world.

Sincerely,

R. M. Thornsberry DVM

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

Attachment: Endnotes

ENDNOTES

[1] *See* U.S. Farm Sector Cash Receipts from Sales of Agriculture Commodities, 2004-2008F, U.S. Department of Agriculture (hereafter USDA), Economic Research Service (hereafter "USDA ERS"), available at http://www.ers.usda.gov/briefing/farmincome/data/cr_t3.htm.

[2] *See* Surveillance for Food-Borne Illness Outbreaks – United States, 1993-1997, U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, (hereafter "DHHS CDC"), March 17, 2000, at 41, available at http://www.cdc.gov/mmwr/PDF/ss/ss4901.pdf.

[3] Preliminary FoodNet Data on the Incidence of Infection with Pathogens Transmitted Commonly Through Food – 10 States, 2007, DHHS CDC, MMWR Weekly, 57(14); 366-370, April 11, 2008.

[4] *See* Annual Choice Retail Beef Demand Index 1980-2008, Kansas State University (using a 1998=100 index determinate, the beef demand index increased from 105.9 in 1996 to 110.7 in 2008), available at http://www.agmanager.info/livestock/marketing/graphs/Meat%20Demand/Beef%20Demand/AnnualBeefDemandIndexTable/AnnRetailChoiceBeefDemandIndexTable.htm.

[5] Domestic beef consumption increased from 11.903 million metric tons in 1996 to 12.520 million metric tons in 2008. *See* Beef and Veal Summary Selected Countries, Livestock and Poultry, World Markets and Trade, USDA Foreign Agricultural Service, October 2008, (domestic beef consumption), available at http://ffas.usda.gov/dlp/circular/2008/livestock_poultry_10-2008.pdf; *see also id.*, 1995-1998, available at http://www.fas.usda.gov/dlp2/circular/1999/99-10LP/catsumm.pdf.

[6] *See* Beef Values and Price Spreads, USDA ERS, available at http://www.ers.usda.gov/briefing/foodpricespreads/meatpricespreads/; *see also* Retail Price Spreads, Red Meat Yearbook, USDA ERS, available at http://usda.mannlib.cornell.edu/data-sets/livestock/94006/.

[7] *See* Farms, Land in Farms, and Livestock Operations, 2008 Summary, USDA National Agricultural Statistics Service (hereafter "USDA NASS"), February 2009, at 14, available at http://usda.mannlib.cornell.edu/usda/current/FarmLandIn/FarmLandIn-02-12-2009.pdf; *see also* Cattle, USDA NASS, January 1997, at 17, available at http://usda.mannlib.cornell.edu/usda/nass/Catt//1990s/1997/Catt-01-31-1997.pdf.

[8] *See* Farms, Land in Farms, and Livestock Operations, 2008 Summary, USDA NASS, February 2009, at 14, available at http://usda.mannlib.cornell.edu/usda/current/FarmLandIn/FarmLandIn-02-12-2009.pdf.

[9] The number of U.S. feedlots with a capacity of less than 1000 head shrank from 110,000 in 1996 to 85,000 in 2007. *See* Cattle Final Estimates, 2004-2008, USDA NASS, March 2009, at 75, available at http://usda.mannlib.cornell.edu/usda/nass/SB989/sb1019.pdf; *see also* Cattle Final Estimates, 1994-98, USDA NASS, January 1999, at 81, available at http://usda.mannlib.cornell.edu/usda/nass/SB989/sb953.pdf.

[10] *See* Table 103 – U.S. Cattle Inventory January 1 and July 1, Red Meat Yearbook, USDA ERS, available at http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1354; *see also* Cattle, USDA NASS, January 2009, at 1, available at http://usda.mannlib.cornell.edu/usda/current/Catt/Catt-01-30-2009.pdf.

[11] R-CALF USA calculated the production of beef derived exclusively from U.S.-borne cattle by subtracting the carcass weight equivalent of annual imported cattle from USDA ERS production data. This calculation reveals the production of beef produced exclusively from U.S.-born cattle has remained flat since 1996. A graph depicting this flat domestic production is available at http://www.r-calfusa.com/Competition/090225-PresentationToSecretaryVilsack.pdf.

[12] The number of U.S. feedlots with a capacity of over 50,000 head increased from 45 in 1996 to 58 in 2007. *See* Cattle Final Estimates, 2004-2008, USDA NASS, March 2009, at 74, available at http://usda.mannlib.cornell.edu/usda/nass/SB989/sb1019.pdf; *see also* Cattle Final Estimates, 1994-98, USDA NASS, January 1999, at 80, available at http://usda.mannlib.cornell.edu/usda/nass/SB989/sb953.pdf.

[13] The number of U.S. federally inspected packing plants that slaughter cattle fell from 812 firms in 1996 to 630 firms in 2008. *See* Livestock Slaughter, 2008 Summary, USDA NASS, March 2009, at 56, available at http://usda.mannlib.cornell.edu/usda/current/LiveSlauSu/LiveSlauSu-03-06-2009.pdf; *see also* Livestock Slaughter, USDA NASS, March 1997, at 85, available at http://usda.mannlib.cornell.edu/usda/nass/LiveSlau//1990s/1997/LiveSlau-03-21-1997.pdf.

[14] *See* Packers and Stockyards Statistical Report, 2006 Reporting Year, USDA, Grain Inspection, Packers and Stockyards Administration, May 2008, at 44, available at http://archive.gipsa.usda.gov/pubs/2006_stat_report.pdf.

[15] *See* Complaint by U.S. Department of Justice and 17 States against JBS S.A. and National Beef Packing Company, LLC, *United States v. JBS S.A.*, U.S. District Court for the Northern District of Illinois, Eastern Division, Case No. 08 C 5992, at 3.
[16] 60 Federal Register, at 38668, col. 1.
[17] *See* Audit Report, Food Safety and Inspection Service Assessment of the Equivalence of the Canadian Inspection Service, Report No. 24601-05-Hy, December 2005, at 4 (The report stated, "Timely actions have not been taken because FSIS does not have protocols or guidelines for evaluating deficiencies in a country's inspection system that could jeopardize a country's overall equivalence determination. In addition, FSIS did not institute compensating controls to ensure that public health was not compromised while deficiencies were present. Over 4.4 billion pounds of Canadian processed product entered U.S. commerce from January 1, 2003 through May 31, 2005.").
[18] 69 Federal Register, at 51194, col. 1.
[19] 7 U.S.C. 8303 (a)(1).
[20] *See* 72 Federal Register, at 53347, col. 1.
[21] *R-CALF USA et al. v. USDA et al.*, CIV-07-1023, Defendants' Statement of Facts in Support of Defendants' Opposition to Plaintiffs' Motion For Preliminary Injunction, at 11; *see also* 73 Fed. Reg., 54087, col. 3 (USDA assumed that infected animals could be imported into the United States under the OTM Rule but determined this was acceptable on the basis that "our conclusion that the risk of the exposure of U.S. cattle and the establishment of BSE in the United States was negligible." (Emphasis added.)).
[22] *See* Audit Report: Animal and Plant Health Inspection Service's Control Over the Bovine Tuberculosis Eradication Program, USDA Office of Inspector General, Midwest Region, Report No. 50601-0009-Ch, September 2006, at 19, 20.
[23] *See id.*, at iii.