

October 30, 2020

The Honorable Collin Peterson
Chairman
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Mike Conaway
Ranking Member
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

The Honorable Pat Roberts
Chairman
Senate Committee on Agriculture, Nutrition,
and Forestry
328A Russell Senate Office Building
Washington, DC, 20510

The Honorable Debbie Stabenow
Ranking Member
Senate Committee on Agriculture, Nutrition,
and Forestry
328A Russell Senate Office Building
Washington, DC, 20510

Re: H.R. 8557 and S. 4647

Dear Chairman Peterson, Chairman Roberts, Ranking Member Conaway, and Ranking Member Stabenow:

The undersigned state cattle organizations respectfully urge that action on H.R. 8557 and S. 4647 be postponed until an industry-driven solution to increase negotiated trade is given time to be tested.

Several of our organizations, along with other members of the National Cattlemen's Beef Association (NCBA), have developed a solution to improve price discovery. This group of industry experts is also working with multiple university economists to examine the levels of negotiated trade that support robust price discovery in various regions of the country and how new proposals could improve price discovery. NCBA affiliates unanimously approved this approach, rather than immediately requesting government intervention in cattle marketing practices, at the 2020 NCBA summer business meeting.

Based on this work, NCBA released "A Voluntary Framework to Achieve Price Discovery in the Fed Cattle Market" on October 15, 2020. This approach lays out a plan to increase negotiated trade and incentivize each of the major packers' participation in such negotiated trade. The framework explains in detail the "75% Plan," which is designed to provide negotiated trade and packer participation benchmarks for the industry to strive toward. The weekly negotiated trade information for each of the USDA Agricultural Marketing Service's cattle feeding reporting regions will be evaluated on a quarterly basis in arrears. The evaluation eventually will include an analysis of packer participation data, but this information is not yet published under Livestock Mandatory Reporting. To avoid triggering heightened scrutiny by the cattle industry, in any given quarter, each region will have to:

- Achieve no less than 75% of the weekly negotiated trade volume that current academic literature indicates is necessary for "robust" price discovery in that specific region;
- Achieve this negotiated trade threshold no less than 75% of the reporting weeks in a quarter;
- Achieve no less than 75% of the weekly packer participation requirements, to be determined in short order, and assigned to each specific region; and
- Achieve this packer participation threshold no less than 75% of the reporting weeks in a quarter.

While there are other concepts that may have merit in these bills, advancing Section 3 of H.R. 8557 and S. 4647, titled “Cash Market Acquisition of Cattle,” at this time would be in conflict with the efforts of the industry group. We believe the solution outlined above should be given time to be tested. However, if this solution is unsuccessful, policy adopted at the 2020 NCBA summer business meeting will require NCBA to seek a legislative or regulatory solution to price discovery. We support this approach.

Price discovery and transparency are necessary and important to the cattle industry to ensure functional markets and efficient risk management. Our organizations are actively working to accomplish this goal through free market mechanisms that avoid unnecessary costs to cattle producers and maintain the freedom to realize value-based marketing arrangements that respond to consumer demands for high-quality, sustainably produced beef.

Negotiated trade (cash sales) declined steadily over the last several decades as more cattle producers responded to market signals to improve beef quality and utilized alternative marketing agreements based on carcass characteristics (such as formulas and grids) to sell their cattle. This has allowed both cow-calf producers and cattle feeders to be rewarded for investments in genetic improvements and feeding practices.

It is important to note that increasing negotiated trade will aid in price discovery, but historical data show it will not necessarily lead to higher cattle prices. Supply and demand factors – significant growth in the U.S. cow herd and decreased packing plant capacity – are the principle reasons for recent price decreases. Likewise, no amount of negotiated trade will prevent price declines or supply disruptions during major events such as the COVID-19 pandemic.

The cattle industry has come together to address the lack of robust price discovery in fed cattle markets. We respectfully request that no action be taken on H.R. 8557 and S. 4647 until the industry solution outlined above can be implemented and tested.

Sincerely,

Arizona Cattle Feeders Association
California Cattlemen’s Association
Colorado Cattlemen’s Association
Colorado Livestock Association
Florida Cattlemen’s Association
Hawaii Cattlemen’s Council
Idaho Cattle Association
Indiana Beef Cattle Association
Kansas Livestock Association
Kentucky Cattlemen’s Association

Louisiana Cattlemen's Association
Michigan Cattlemen’s Association
Montana Stockgrowers Association
Nevada Cattlemen’s Association
Oklahoma Cattlemen’s Association
Texas & Southwestern Cattle Raisers Assn.
Texas Cattle Feeders Association
Washington Cattle Feeders Association
Washington Cattlemen’s Association