



**Iowa
Cattlemen's
Association**

May 17, 2021

The Honorable Merrick Garland
Attorney General
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530

Dear Attorney General Garland,

The Iowa Cattlemen's Association writes to bring your attention to an important issue affecting cattle producers in Iowa and across the United States. The current state of the cattle industry is egregious, and must be addressed immediately.

Since August 2019, the cattle industry has suffered multiple extreme market disruptions, often referred to as 'black swan events.' These disruptions are unpredictable, such as the Tyson plant fire in Holcomb, Kan., or the supply chain disruption caused by the COVID-19 pandemic, and are often accompanied by a ripple effect directly or indirectly affecting the cattle industry for an extended period of time.

Every market disruption comes with a significant price—some more than others. The cattle industry is particularly vulnerable due to few buyers in the market. In the current, an oligopsony of four meatpackers control approximately 85 percent of the processing industry. The concentration of processing power between Tyson Foods, JBS, National Beef, and Cargill has created a severe bottleneck in the beef supply chain during black swan events and has also opened the door for market manipulation.

Demand for beef has remained high throughout the COVID-19 pandemic. The value of beef exports reached record highs in March 2021, with 124,808 metric tons of beef equaling \$801.9 million purchased outside of the U.S. In addition, daily cattle slaughter reports from the U.S. Department of Agriculture (USDA) Agricultural Marketing Service (AMS) reflect healthy demand for beef and the ability to process the cattle necessary to fulfill purchase requests.

As of May 14, 2021, the choice boxed beef cutout was valued at more than \$316/cwt. At the same time, cattle producers received average bids of approximately \$119/cwt. The gross packer margin, on an average steer weighing approximately 1,450 lbs. with a 63 percent dressing percentage, exceeds \$1,000/head. This alone would not be cause for concern, however, thousands of cattle producers in Iowa and across the nation are struggling to break even. Estimated returns for many cattle producers are below zero.

In concert with the irregular disparity between fed cattle demand and beef product demand, fed cattle delivery times have consistently been pushed several weeks following purchase. To further exacerbate the issue, most of those cattle were purchased using lucrative formula contracts, with details undisclosed to the public. We recently witnessed the impact of captive supply in Iowa, as one of the major packers announced they would not be active in the market for an entire week. While cattle producers wait for their purchased cattle to be harvested, they are expected to cover the cost of care, feed, and yardage for livestock they no longer own. With corn exceeding \$7.00/bu., cattle producers find themselves hemorrhaging thousands of dollars. The combination of limited competition, captive supply, and formula contracting has not only suppressed live cattle prices, but has also placed an exorbitant financial burden on the shoulders of cattle producers.

Cattle producers work hard to manage inputs, mitigate risk, and raise cattle that ultimately provide the high-quality beef that packers, retailers, and consumers demand. They do their best to align production with seasonal consumer demand patterns to maximize market opportunities. Despite all of this, most are unable to better position themselves in the market due to the exploitative actions of the packing industry.

Failure to act on this matter leaves the USDA and DOJ culpable for the countless cattle producers that will inevitably be starved out of the industry by corporate entities. How many more family farmers and ranchers do we need to lose before the Packers and Stockyards Act is enforced?

Today, we formally ask the USDA and DOJ to initiate concurrent investigations examining whether packers violated the Packers and Stockyards Act through price manipulation, collusion, restrictions of competition, or other unfair practices.

We appreciate your attention on this important matter. Questions related to this letter may be directed to Cora Fox, Director of Government Relations, at (515) 296-2266 or at cora@iacattlemen.org.

Respectfully,

A handwritten signature in black ink, appearing to read "Richard W. Godfrey". The signature is written in a cursive style with a horizontal line underneath.

Richard Godfrey
President, Iowa Cattlemen's Association

CC:

The Honorable Tom Vilsack