



**Iowa
Cattlemen's
Association**

August 30, 2021

Sarah J. Helming
Chief of Staff, Office of the Administrator
USDA Animal and Plant Health Inspection Service
Whitten Building – Suite 312-E
1400 Independence Ave SW
Washington, DC 20250

Docket No. AMS-TM-21-0058
Office of the Secretary, USDA

Submitted electronically via <http://www.regulations.gov>

Re: Notice and Request for Comment: Investments and Opportunities for Meat and Poultry Processing Infrastructure

Dear Ms. Helming:

The Iowa Cattlemen's Association is a grassroots organization representing more than 8,000 independent cattle producers and stakeholders affiliated with the beef cattle industry. We submit the following comment on the U.S. Department of Agriculture's (USDA) \$500 million investment to improve infrastructure, increase capacity, and hasten diversification across the processing industry.

Economic Impact of the Beef Cattle Industry in Iowa

Iowa's beef cattle industry is an economic boon to the state, generating more than \$6.8 billion in business activity and supporting more than 33,000 jobs.¹

More than 25,000 cattle operations in Iowa raise 3.65 million head, including 890,000 beef cows.² In 2020 alone, more than 1.7 million head of fed cattle were marketed by Iowa cattle producers.

Iowa is fourth in the nation for cattle and calves on feed, totaling nearly 1.2 million head.³ More than one-fifth of our cattle operations are feedlots.

Concentration in the Beef Meatpacking Industry

¹ Department of Economics, Iowa State University.

² U.S. Department of Agriculture. State Agriculture Overview, 2020.

https://www.nass.usda.gov/Quick_Stats/Ag_Overview/stateOverview.php?state=IOWA. Accessed 20 July 2021.

³ Ibid.

In 1980, the four largest meatpackers accounted for 36 percent of steer and heifer slaughter. According to the most recent USDA Agricultural Marketing (AMS) Service Packers and Stockyards Division report, Cargill, JBS, National Beef, and Tyson control approximately 85 percent of all fed cattle slaughter in the U.S.⁴ Fed cattle slaughter is more concentrated than hogs, sheep and lambs, broilers, and turkeys.

In Iowa, we've witnessed loss of beef packing capacity firsthand. Since the 1980s, we've lost major packing facilities in Denison, Des Moines, Fort Dodge, Oakland, and Spencer.⁵ These plant closures hit home, often costing hundreds of locals their jobs and triggering economic disaster response plans.⁶

USDA's efforts to bolster the food supply chain with additional competition aligns with the written and oral testimony provided by the Iowa Cattlemen's Association and Mr. Jon Schaben to the Senate Judiciary Committee on July 28, 2021.⁷ The oligopsony in the beef meatpacking sector must be addressed immediately, and adding new competitors to the market may assist in providing opportunity for independent cattle producers.

- **What competition challenges and risks might new entrants face from high levels of market concentration or other relevant market conditions, and how can USDA and other Federal government agencies assist new entrants in mitigating those risks?**

Lack of Efficiency and Access to Capital

The Iowa Cattlemen's Association shares concern that new entrants will likely be outbid by the four largest meatpackers due to their inability to compete with the well-established efficiency and capital that Cargill, JBS, National Beef, and Tyson have at their disposal.

USDA's focus on funding to improve market dynamics within the fed cattle market is imperative. Entry to the beef packing industry is capital intensive. As USDA evaluates proposals for funding within this sector, it's important that an emphasis be placed on adding competition that will ultimately soften the unintended market forces that have strengthened due to consolidation within the beef packing sector over several decades.

Just as importantly, USDA should focus efforts to enhance business and competition where high frequencies of negotiated-type fed cattle transactions take place. Ultimately, the signals provided within these regions inform other types of fed cattle marketing across the country. That said, particular focus of investment should be placed in current fed cattle regions that transact more fed inventory via cash negotiated and negotiated grid marketing. This will best inform the market and lessen market pressure effects of previous packing industry consolidation.

⁴ *Packers and Stockyards Division Annual Report 2019*. U.S. Department of Agriculture - Agricultural Marketing Service, 2019, www.ams.usda.gov/sites/default/files/media/PSDAnnualReport2019.pdf.

⁵ *Economic Importance of Iowa's Beef Industry*. Iowa State University Extension and Outreach - Iowa Beef Center, May 2018, www.iabeef.org/Media/IABeef/Docs/ibc0127bexecutivesummarypressquality050218.pdf. Accessed 16 July 2021.

⁶ Wolf, Gordon, and Scott Stewart. "Closing of Historic Denison Beef Plant Triggers Economic Disaster Response." *The Daily Nonpareil - Council Bluffs, Iowa*, 14 Aug. 2015, https://nonpareilonline.com/news/local/closing-of-historic-denison-beef-plant-triggers-economic-disaster-response/article_128184c6-abff-53a1-8d8f-b367a69f8082.html.

⁷ *Beefing Up Competition: Examining America's Food Supply Chain*, U.S. Senate Judiciary Committee Hearing, 117th Cong. (2021) (Testimony of the Iowa Cattlemen's Association and Jon Schaben). <https://www.judiciary.senate.gov/meetings/beefing-up-competition-examining-americas-food-supply-chain>. Accessed 27 July 2021.

Skilled Labor and Immigration

The beef supply chain cannot function without consistent skilled labor at our packing and processing facilities. The COVID-19 pandemic highlighted this need at small, mid, and large-scale processing facilities.

The beef cattle industry witnessed a severe backlog of cattle due to slowed throughput at meatpacking plants caused by plant closures and a compromised workforce. This left producers in Iowa with extremely limited options to sell their market-ready livestock. Some producers turned to their local meat lockers, but it became glaringly apparent that we also do not have enough meat lockers in the state to compensate for the scale of our livestock industries.

Our industry does not operate seasonally—we produce cattle and beef throughout the year. We need an H-2A program that aligns with our industry; the program should be year-round with consideration to lift the cap on visa holders. The Iowa Cattlemen’s Association encourages USDA to work with meatpackers and representatives of the beef cattle industry to address skilled labor and immigration challenges.

- **What regions show demonstrated processing needs, at what levels, and for which species?**

The state of Iowa demonstrates an obvious need for beef cattle processing. According to research conducted by the Iowa Beef Center at Iowa State University, less than 25 percent of Iowa’s fed cattle are slaughtered within the state.⁸

According to the 2016 National Beef Quality Audit, fed cattle travel 135 miles on the average to slaughter. The standard deviation is 135 miles so it would not be unusual for fed cattle to be shipped 250 to 350 miles to a slaughter plant in the U.S. Total daily slaughter capacity within 200 miles of the Iowa border is over 27,000 head, several times the number of cattle marketed each day in Iowa (estimated at 6,762 head per day). Extending the range to 500 miles, the daily slaughter capacity exceeds 60,000 head for potential Iowa fed cattle marketings. However, within the borders of the state of Iowa, daily slaughter capacity by larger packing plants is only approximately 1,700 head. (Iowa State University Extension and Outreach - Iowa Beef Center, 2018)

Based on the growth of our fed cattle production in Iowa, we believe there is a significant need for midsized beef meatpacking facilities (minimum 1,500 head per day slaughter capacity).

- **How can USDA and industry stakeholders partner with institutions of higher education, including community colleges and other academic institutions invested in the local community, such as Tribal colleges or land grant institutions, or other partners to start up or expand meat and poultry operations including workforce development and training programs related to entrepreneurship, meat cutting, or other necessary skills?**

The Iowa Legislature recently passed House File 857, which was signed by Governor Kim Reynolds on June 9, 2021. This legislation established a Butchery Innovation and Revitalization Fund and program administered by the Iowa Economic Development Authority and Iowa Department of

⁸ *Economic Importance of Iowa's Beef Industry*. Iowa State University Extension and Outreach - Iowa Beef Center, May 2018, www.iabeef.org/Media/IABeef/Docs/ibc0127bexecutivesummarypressquality050218.pdf. Accessed 16 July 2021.

Agriculture and Land Stewardship. The program includes a task force to study the feasibility of establishing an artisanal butchery program at a community college or at Regent institution.

The task force is scheduled to meet for the first time in September, and plans to report back to the General Assembly by December 31, 2021.⁹ We ask that USDA consider consulting groups of technical experts, such as members of this task force, to explore opportunities aimed at workforce development.

- **Should USDA have the ability to block the sale of processing facilities built or invested in through federal funds to large or foreign-owned corporations? What other options should USDA consider in order to prevent new, expanded, and successful facilities from being acquired by the large corporations whose consolidated operations can suffer from bottlenecks and create significant supply chain vulnerabilities?**

The USDA AMS and Department of Justice have the authority to manage mergers and acquisitions within the meatpacking sector, through the enforcement of the Packers and Stockyards Act. Federal funds should be directed to new competitors or expanding small and midsize entities outside of the four largest meatpackers to the meatpacking industry, which aligns with President Joe Biden's Executive Order 14036.

- **Should the processor be required to purchase a minimum volume through auctions or other public transactions?**

The Iowa Cattlemen's Association whole-heartedly supports cattle procurement via auction markets and negotiated cash trade, as they both provide valuable price discovery and transparency. The Iowa Cattlemen's Association maintains every sector and entity within the beef supply chain has a responsibility to provide price discovery through actively participating in the negotiated cash and negotiated grid markets regularly. This is why we have strongly advocated for legislation to mandate cash trade. However, we recognize that Livestock Mandatory Reporting (LMR) only requires that plants slaughtering more than 125,000 head of cattle per year report to USDA.

Thank you for allowing the Iowa Cattlemen's Association to comment on behalf of our members. We appreciate the renewed commitment from USDA to increase competition and provide transparency within our beef supply chain. Questions related to this comment may be directed to Cora Fox, Director of Government Relations at (515) 296-2266 or at cora@iacattlemen.org.

Respectfully,

Matt Deppe
Chief Executive Officer, Iowa Cattlemen's Association

⁹ *Secretary Naig Announces Artisanal Butchery Task Force Members*, Iowa Department of Agriculture and Land Stewardship, 24 Aug. 2021, iowaagriculture.gov/news/butchery-task-force-members-announced-8242021. Accessed 30 August 2021.