

4/17/2020

The Honorable William Barr
U.S. Attorney General
United States Department of Justice
950 Pennsylvania Ave, NW
Washington, DC 20530

Dear Justice Barr:

Representing all facets of the production segment of the U.S. cattle industry, undersigned state cattlemen's associations express the need for the Department of Justice (DOJ) to work with more intent and with sharper timelines with the USDA Packers and Stockyards Division regarding an investigation of beef pricing margins resulting from two recent extreme market shifts due to a packing plant fire in Holcomb, Kansas, in August 2019, and more recently due to COVID-19. Vital to our producers' continuity of business is the evidence of any fraudulent business practices within the meatpacking industry be identified quickly and rectified immediately.

The nature of previous and current concern in both situations is extreme market degradation to the producer segment quickly followed by sharp increases and unseasonal profitability to the packing segment through boxed beef prices. The repeat nature of these market reactions absolutely emphasizes how the production sector of the industry is exposed to the highest potential for risk with little-to-no leverage to change that risk position.

Following a fire at Tyson's Holcomb, Kansas, beef harvest plant in August, average cash fed cattle prices dropped \$150 to \$200 per head during the next five weeks. During this same time, packing plants managed to maintain 'pre-fire' harvest capacity and boxed beef values moved sharply higher. The outcomes – windfall profits for the beef packing industry while the production sector dealt with multi-year market-low prices for calves, yearlings, and fed cattle. We are now seeing that same type of price action repeated – only in a more extreme manner and during a time of crisis that includes logistical stressors on the nation's food production and distribution system.

The day after the first COVID-19 diagnosis in the United States (January 22, 2020), the CME Live Cattle Futures April Contract closed at \$126.775/cwt and negotiated fed steers traded at \$124.17/cwt according to the USDA-LMR Daily Direct Steer and Heifer Slaughter Cattle Summary 5-Area average. USDA-LMR's closing Choice boxed beef index for the week ending January 24, 2020, was \$214.78/cwt and the Select index closed at \$212.17/cwt. As of April 3, 2020, the CME live cattle futures April contract had declined over 30% in price to close at \$88.325/cwt with the average fed steer was trading at \$111.28/cwt as reported by the USDA-LMR Weekly Direct Steer and Heifer Slaughter Cattle Summary. Meanwhile, boxed beef for the week ending March 27, 2020, was \$252.84/cwt Choice and \$242.38/cwt Select.

We understand and acknowledge there is a pending USDA investigation. However, as our industry looks for clarity of business function moving forward, we believe the DOJ would be the appropriate agency to open an investigation and also support USDA in its investigation allowing this process to be concluded in a timely manner. This is of vital importance to the future of one of the largest sectors of U.S. agriculture. Both events continue the undue financial burden for all cattle producers within the production side of the beef cattle industry and in turn affect rural America short-term and long-term.

Respectfully,

Alabama Cattlemen's Association

Arizona Cattle Growers' Association

Arkansas Cattlemen's Association

Georgia Cattlemen's Association

Hawaii Cattlemen's Council

Illinois Beef Association

Iowa Cattlemen's Association

Michigan Cattlemen's Association

Minnesota State Cattlemen's Association

Mississippi Cattlemen's Association

Missouri Cattlemen's Association

Montana Stockgrowers Association

North Carolina Cattlemen's Association

North Dakota Stockmen's Association

Ohio Cattlemen's Association

Oregon Cattlemen's Association

South Dakota Cattlemen's Association

Tennessee Cattlemen's Association

Utah Cattlemen's Association

Washington Cattlemen's Association

West Virginia Cattlemen's Association

Wisconsin Cattlemen's Association

Wyoming Stock Growers Association

CC:

USDA Secretary Sonny Perdue