

February 1, 2011

The Honorable Tom Vilsack  
Secretary of Agriculture  
U.S. Department of Agriculture  
1400 Independence Ave., S.W.  
Washington, D.C. 20250

**Sent via facsimile, e-mail, and U.S. Mail: 202-720-6314**

**Re: Urgent Joint Request for New Rulemaking Process to Preserve Competition by Prohibiting Meatpackers from Leveraging Captive Supply Livestock to Lower the Price-Discovery Market for Livestock**

Dear Secretary Vilsack:

We, the undersigned organizations, highly commend your efforts to address the ongoing erosion of competition in our U.S. livestock and poultry markets. We strongly support both your historical, collaborative efforts with the U.S. Department of Justice to hold joint competition workshops, as well as your Department's proposed rule published by the Grain Inspection, Packers and Stockyards Administration (GIPSA) on June 22, 2010 (proposed GIPSA rule), which includes provisions necessary to begin proper administration and enforcement of the Packers and Stockyards Act (PSA). We recognize the proposed GIPSA rule as an essential, first step toward bringing our U.S. livestock and poultry industries into compliance with the PSA, which has not been properly administered or enforced for decades.

Testimony provided at the competition workshop held Aug. 27, 2010, in Fort Collins, Colo., and in prior and subsequent workshops, reinforces the need for the U.S. Department of Agriculture (USDA) to take additional steps beyond the proposed GIPSA rule to address the alarming erosion of competition in the cash or spot market, *which is the price-discovery market for livestock*.

In addition, testimonies at the workshops demonstrate the urgency associated with taking corrective action. We respectfully, but in the strongest sense possible, urge you to immediately initiate a rulemaking process to specifically address the ongoing erosion of competition for livestock by prohibiting the meatpackers' practice of leveraging their captive supplies (i.e., livestock committed to meatpackers through direct ownership or by contract for many days, weeks, or even months prior to slaughter) to lower prices in the price-discovery market. The effect of this anticompetitive practice is to artificially lower livestock prices for *all* livestock producers, regardless of whether they market livestock in the cash market or through the various forms of forward contracts or marketing agreements.

Even prior to the competition workshops, researchers – including Purdue University economist John M. Connor – found that captive supplies have been shown to increase the instability of prices for cattle producers and hold down prices overall. The 2007 Livestock and Meat Marketing Study commissioned by GIPSA found that an increase in either contract or

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packer-owned hog quantities not only causes the spot market price to decrease, but also, higher quantities of either contract or packer-owned hogs available for sale *lowers the price of contract or packer-owned hogs and induces packers to purchase more of the now relatively less expensive hogs and purchase fewer hogs sold on the spot market.* This same study revealed that a shift of the volume of cattle procured in the spot market to any one of the various forms of captive supplies also is associated with a decrease in cash market prices.

The Fort Collins competition workshop revealed that the price-discovery market for livestock is imperiled. The volume of hogs reportedly marketed in the price-discovery market is now below 8 percent, and in some marketing regions, the volume of cattle marketed in the price-discovery market has fallen into the low 30-percent range. One panelist at the workshop stated his research revealed that in some cattle marketing regions, cattle producers go for weeks with only one prospective buyer for their slaughter-ready cattle – clearly a function of the meatpackers’ practice of hoarding captive supplies to avoid bidding in the price-discovery market.

Time is of the essence. As the price-discovery market for livestock continues to evaporate, so evaporates competition. And as competition evaporates, the only remaining available substitute for price discovery in livestock markets is the market power exerted by dominant meatpackers, which results in the antithesis of competition.

Based on testimonies and information gathered during the 2010 competition workshops, the need is undeniably urgent for USDA-GIPSA to exercise its preexisting authority under the PSA to address this disastrous loss of competition. Please initiate, as quickly as possible, a rulemaking process to reverse the alarming erosion of competition for livestock by prohibiting meatpackers from leveraging their captive supplies to lower the price-discovery market.

Sincerely,

Alabama Contract Poultry Growers Association  
American Agriculture Movement  
American Corn Growers Association  
Buckeye Quality Beef Association  
California Dairy Campaign  
California Farmers Union  
California Food & Justice Coalition  
Carolina Farm Stewardship Association  
CASA del Llano  
Cattle Producers of Louisiana  
Cattle Producers of Washington  
Colorado Independent Cattle Growers Association  
Colville Confederated Tribes of the Colville Reservation  
Contract Poultry Growers Association of the Virginias  
Dakota Resource Council  
Dakota Rural Action  
Davidson College Office of Sustainability

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Farm Aid  
Farm and Ranch Freedom Alliance  
Food & Water Watch  
Food Chain Workers Alliance  
Food Democracy Now!  
Freedom21, Inc.  
Heartland Center  
Idaho Farmers Union  
Illinois Farmers Union  
Illinois Stewardship Alliance  
Independent Beef Association of North Dakota  
Independent Cattlemen of Nebraska  
Independent Cattlemen of Wyoming  
Institute for Agriculture and Trade Policy  
International Texas Longhorn Association  
Intertribal Agricultural Council  
Iowa Citizens for Community Improvement  
Iowa Farmers Union  
Kansas Cattlemen's Association  
Kansas Farmers Union  
Land Loss Prevention Project  
Land Stewardship Project  
Michigan Farmers Union  
Mississippi Livestock Markets Association  
Missouri Farmers Union  
Missouri Rural Crisis Center  
National Association of Farm Animal Welfare  
National Family Farm Coalition  
National Farmers Organization  
National Latino Farmers & Ranchers Trade Association  
Nebraska Farmers Union  
Nebraska Sustainable Agriculture Society  
Nevada Live Stock Association  
North Carolina Contract Poultry Growers Association  
Northeast Organic Farming Association, Interstate Council  
Northern Plains Resource Council  
Northern Wisconsin Beef Producers Association  
Ohio Environmental Stewardship Alliance  
Ohio Farmers Union  
Operation Spring Plant, Inc.  
Oregon Livestock Producers Association  
Oregon Rural Action  
Organic Consumers Association  
Organization for Competitive Markets  
Peach Bottom Concerned Citizens Group

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Pennsylvania Farmers Union  
Powder River Basin Resource Council  
R-CALF USA  
Renewable Harvest  
Rocky Mountain Farmers Union  
Rural Advancement Foundation International - USA  
Rural Coalition/Coalición Rural  
Sisters of St. Francis of Philadelphia  
Socially Responsible Agricultural Project  
South Dakota Livestock Auction Markets Association  
South Dakota Stockgrowers Association  
Sovereignty International, Inc.  
Texas Farmers Union  
The Center For Food Safety  
The Cornucopia Institute  
Trappe Landing Farm & Native Sanctuary  
United Poultry Growers Association  
West Carroll Cattlemen's Association  
Western Organization of Resource Councils  
Western Sustainable Agriculture Working Group  
Williams County Alliance  
Wood County Citizens Opposed to Factory Farms

Cc: Members of Congress  
The Honorable Edward Avalos  
The Honorable John Ferrell  
The Honorable J. Dudley Butler