

**PERSPECTIVES ON THE LIVESTOCK
AND POULTRY SECTORS**

HEARING
BEFORE THE
**COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY**
UNITED STATES SENATE
ONE HUNDRED SIXTEENTH CONGRESS
FIRST SESSION

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SEPTEMBER 25, 2019
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PERSPECTIVES ON THE LIVESTOCK AND POULTRY SECTORS

WEDNESDAY, SEPTEMBER 25, 2019

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The Committee met, pursuant to notice, at 10:03 a.m., in SD-106, Dirksen Senate Office Building, Hon. Pat Roberts, Chairman of the Committee, presiding.

Present: Roberts, Boozman, Hoeven, Ernst, Hyde-Smith, Braun, Grassley, Thune, Fischer, Stabenow, Brown, Bennet, Gillibrand, Casey, Smith, and Durbin

STATEMENT OF HON. PAT ROBERTS, U.S. SENATOR FROM THE STATE OF KANSAS, CHAIRMAN, U.S. COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Chairman ROBERTS. Good morning. I call this hearing of the Senate Committee on Agriculture, Nutrition, and Forestry to order.

Today, we will hear about “Perspectives on the Livestock and Poultry Sectors” from a panel of industry leaders and experts.

First, I want to thank all of you for taking the time away from your farms, ranches, and places of work to be here to share your perspective and to advocate on behalf of American agriculture.

Many of you have devoted years of voluntary service in organizations that represent the livestock and poultry industries. I thank you for your dedication, and on behalf of the full committee, I know they share my strong feeling.

My State of Kansas and every State in the United States is home to growers and ranchers who raise livestock and poultry that become the center of the dinner plate for consumers in the United States and all around the world.

These industries are the backbone of American agriculture. Grain production, equipment manufacturing, veterinary services, livestock markets, and many other businesses that populate rural towns rely on this sector to support their own livelihoods.

As my colleagues know, the cattle industry has played a significant role in the rich history of the State of Kansas, or if they do not, I am going to tell them now.

Cattle were driven to cowtowns and then shipped to stockyards in Chicago and Kansas City. Among the famous Kansas cowtowns were Dodge City, one of my several hometowns in Kansas; Wichita; and Abilene, home of our great President, President Dwight D. Eisenhower. Those were the days.

Our modern beef industry and the broader livestock and poultry industries have changed dramatically since the heyday of the cattle drives, but the importance of your industries to rural communities and American agriculture continues. Yet it is a business fraught with ever-evolving challenges. That is why you are here.

Production cycles in the livestock and poultry sectors can span years. A single event, such as a hurricane, a wildfire—we just had one of those; it was a little different than a wildfire—a disease outbreak, the loss of a processing plant or an export market can have a ripple effect that sends shockwaves throughout the industry.

When onerous regulatory burdens that often confront this sector are added to the mix, growers and ranchers can find it difficult to simply do what they do, and that is to raise livestock and care for their land. That is their first love.

That brings me to the reason for having this hearing today, to hear from all of you about industry priorities, issues of concern, and potential opportunities.

There is no shortage of challenges that you face. Today, I expect we will hear about everything from foreign animal disease threats to trade uncertainty—to trade uncertainty and then there is always trade uncertainty—to labor needs.

We also have opportunities ahead of us. I look forward to hearing your views on the implementation of the new Farm Bill—as well, the Ranking Member, I know shares my interest—and also the implementation to bolster our animal disease preparedness infrastructure, and the pending reauthorization of the Livestock Mandatory Reporting Act, just to name two.

I look forward to the testimony of our witnesses, and again, I thank you for joining us today.

I now turn to my colleague, friend, and distinguished Ranking Member, Senator Stabenow, for any opening remarks that she may have.

**STATEMENT OF HON. DEBBIE STABENOW, U.S. SENATOR
FROM THE STATE OF MICHIGAN**

Senator STABENOW. Well, thank you very much, Mr. Chairman, for holding this important hearing, and welcome to all of you. Thanks for sharing your perspectives on the livestock and poultry sectors. As the Chairman indicated, you are very important to our economy, and we are very happy to have all of you here.

We know that farming is the riskiest business there is. Whether it be farms, ranches, any part of the country right now, we are seeing everything from unexpected weather and market conditions to destructive pests and diseases. These challenges can have devastating effects on farm families and rural communities.

We have seen bomb cyclones, wildfires, and flooding destroy herds that have taken years, if not even generations, to build. That is why we made the livestock disaster programs permanent in the 2014 Farm Bill and further expanded them in the Bipartisan Budget Act last year.

Mr. Chairman, you may also recall that after the Kansas wildfires in 2017, a group of Michigan farmers came together to donate hay and supplies to ranchers in your State. When we met in Michigan for our field hearing, they were so happy and proud to

have an opportunity to meet you directly. Since that time, they have formed a nonprofit to provide relief all across the country.

In addition to weather, livestock producers also face threats from animal diseases. The 2015 avian influenza epidemic was one of the worst animal disease outbreaks in our history, claiming nearly 50 million birds and driving up the cost of food for consumers.

Today, the outbreak of Newcastle Disease domestically, the threat of African Swine Fever abroad, and the persistence of Bovine TB in Michigan and other places, underscores the need for robust investment in preparation, coordination, and research.

The 2018 Farm Bill took an important step by investing \$300 million over the next ten years in mandatory funding for animal disease prevention. This permanent funding will create a new National Animal Vaccine Bank, and a Disease Preparedness and Response Program to improve our ability to prevent and respond to the next outbreak. We also bolstered the National Animal Health Lab Network of diagnostic labs.

In order to further safeguard our agricultural economy, Mr. Chairman, you and I worked with our colleagues, Senators Cornyn and Peters, to address the shortage of agricultural inspectors at our borders. The Protecting America's Food and Agriculture Act authorizes Customs and Border Protection to hire additional inspectors, who serve as the first line of defense against threats to our agricultural economy.

Despite the risks facing our farmers, there are also some promising opportunities in the livestock sector. For example, two years ago, the Clemens Food Group opened Michigan's first new pork processing facility in decades. I was so pleased to be able to be there and see this incredible facility. The state-of-the-art plant in Coldwater, Michigan, employs about 800 people.

New opportunities like this help create markets and provide stability for our producers. However, I do have to note that the Administration's chaotic and unpredictable trade agenda has overshadowed the progress we have made. Farmers are seeing very real impacts on their bottom lines. I am concerned that American farmers will endure long-term loss in market share in some of our biggest markets.

I agree that we need to hold countries accountable when they break the rules, but this Administration's—what I feel is a reckless approach—does not provide farmers certainty.

To that end, I understand the urgency among many agricultural stakeholders to pass the U.S.-Mexico-Canada Agreement because they believe it will restore stability to these markets.

I would just add two cautionary notes, because I think there are two things that are important to remember as we work to get the very best possible agreement with strong, meaningful enforcement provisions.

First, NAFTA is in place now and producers need to know that the Administration will keep NAFTA in place until we have a new agreement—holding the devastating threat of withdrawal over the heads of farmers and other businesses is irresponsible and only adds to the instability.

Second, even with the USMCA in place, President Trump will still be able to use tariffs as his enforcement tool of choice, if he chooses, meaning the instability, unfortunately, will still exist.

Finally, one of the first bipartisan bills we worked on together when you became Chairman was the reauthorization of the Livestock Mandatory Price Reporting Act in 2015. Mandatory Price Reporting is a critical tool that provides information on current market conditions.

Mr. Chairman, I look forward to working with you again to reauthorize this law and to ensure continued transparency in livestock markets. Thank you.

Chairman ROBERTS. I now have the privilege of introducing our witnesses. Our first witness, Mrs. Jennifer Houston, president, National Cattlemen's Beef Association and East Tennessee Livestock Center in Sweetwater, Tennessee. Somebody has got to be writing country music about Sweetwater.

[Laughter.]

Chairman ROBERTS. Mrs. Houston is the president of the National Cattlemen's Beef Association. She has been active in the beef industry for over 30 years. She became a member of the first Tennessee Beef Industry Council back in 1986, serving twice as its chair. She has been an NCBA board member since 1996, and she most recently served as chair of their Policy Division.

Raised on a hereford farm in West Tennessee, Jennifer owns and operates the East Tennessee Livestock Center in Sweetwater with her husband, Mark. There, they hold weekly cattle sales, video sales, sales for graded feeder calves, and Holstein steers.

Thank you for being here today, Jennifer, and thank you for your long work on behalf of the industry.

Our next witness is Mr. Ron Kardel. It gives me great pleasure to recognize a real champion for agriculture, and I might add a person who, with her senior Senator, visits with the President of the United States about trade matters about every other week. She is a true champion for Iowa and for agriculture. Senator Ernst.

Senator ERNST. Yes. Thank you very much. Whoa. That is pretty loud. Everybody hear me? Thank you.

Well, it is an honor and a privilege to introduce today Mr. Ron Kardel, a turkey, corn, and soybean framer from Walcott, Iowa, and today he is here in his capacity as Vice Chairman of the National Turkey Federation.

Back in Iowa, Ron has been farming for 45 years and also is one of the founders and currently the Vice Chairman of the Board of West Liberty Foods, a grower-owned cooperative.

Ron, I welcome you and your wife Susie and daughter Abby here today as well. Thank you, ladies, for joining us. I really do look forward to your insights today, Ron. Thank you very much.

Chairman ROBERTS. Thank you, Senator.

Our next witness is Dr. Jayson Lusk, who is a distinguished professor and head of the Department of Agricultural Economics at Purdue University in West Lafayette, Indiana. Purdue is famous for its quarterbacks, one in particular who threw a touchdown pass over Kansas State in a bold move, but that is all right, Doctor.

He is the Distinguished Professor and head of Agricultural Economics Department at Purdue. He earned his B.S. in Food Tech-

nology from Texas Tech University and received a Ph.D. in Agricultural Economics from Kansas State University.

Since 2000, Dr. Lusk has published more than 220 articles in peer-reviewed scientific journals on topics including the economics of animal welfare and the impact of new technologies and policies on livestock and meat markets, and he served on the editorial councils of eight different academic journals, served on the executive committees of the Nation's largest agricultural economics association, and is a past president of the Agricultural and Applied Economics Association as well.

Dr. Lusk currently resides in West Lafayette, Indiana, with his wife and two sons.

Dr. Lusk, we look forward to your testimony. Thank you for coming.

Our next witness is Mr. Burton Pfliger, who is a third-generation rancher and past president of the American Sheep Industry Association from Bismarck, North Dakota. He and his wife Patty operate the Roselawn Legacy Hampshires, where they run approximately 400 ewes. Burton has also served in leadership roles with North Dakota Lamb and Wool Producers and the Ag Coalition in North Dakota.

In 2005, he was presented the North Dakota Master Sheep Producer Award.

Thank you for joining us, sir.

Our next witness is Mr. Trent Thiele, and again, Senator Ernst has the privilege of introducing our next witness. Senator?

Senator ERNST. Yes. Thank you very much, Mr. Chair, and it is a pleasure to have not just one Iowan on the panel today but two, and so I would like to welcome Trent Thiele here today. He is from Elma, Iowa. Trent is the president of the Iowa Pork Producers Association. He is also a partner in KMAC Farms, where he manages 19 KMAX finishing barns in a wean-to-finish hog business that markets 60,000 head a year.

Trent, thank you for taking the time to be here today as well. Welcome.

Chairman ROBERTS. Thank you, Senator.

What have we learned from the distinguished president pro tem? I understand you are going to grace our presence for a short period of time. Is there anything that you would like to say in preface of that?

Senator GRASSLEY. I am going to irritate you and be here for a longer period of time.

[Laughter.]

Senator STABENOW. Uh-oh. Uh-oh. Nice try.

Chairman ROBERTS. Well, you know, that is being consistent.

[Laughter.]

Chairman ROBERTS. All right. Mr. Shane Eaton is a member of the United States Cattlemen's Association and Eaton Charolais cattle in Lindsay, Montana.

To introduce our Montana friend, Senator Stabenow.

Senator STABENOW. Well, thank you, Mr. Chairman.

Nice try, Mr. Chairman, with Senator Grassley. It is always wonderful to have you here, Senator Grassley, in the committee.

Welcome, Mr. Eaton. Mr. Shane Eaton is testifying this morning as a member of the U.S. Cattlemen's Association Marketing and Competition Committee. Shane manages his family's farming and ranching operation in Lindsay, Montana and also manages feedlots in Colorado, Nebraska, North Dakota, and Wyoming.

Shane is also a director of the Montana Stock Growers Association, and we are pleased to have you with us.

Chairman ROBERTS. We have no less than eight committee hearings today, and I thank the witnesses for coming. I thank those in the audience who have a keen interest in something that affects virtually every American.

However, as a reminder to our witnesses, I am going to ask that the testimony be kept to under 4 minutes. Note that we always go over 5 minutes here, but for 4 minutes, if you can do that—and I know that is darn near impossible, but that is what we are faced with.

So I may go tappy tap on the gavel. If you hit 5 minutes, we are going to send you to Dodge City to the hanging judge.

[Laughter.]

Chairman ROBERTS. Right off the bat, Mrs. Houston, please.

STATEMENT OF JENNIFER HOUSTON, PRESIDENT, NATIONAL CATTLEMEN'S BEEF ASSOCIATION; AND EAST TENNESSEE LIVESTOCK CENTER, SWEETWATER, TENNESSEE

Ms. HOUSTON. Thank you, Chairman Roberts and other members of the committee, who have been helpful over the last few weeks as we have dealt with the recent fire at the Tyson plant in Holcomb, Kansas. NCBA supports the work of Secretary Perdue and looks forward to the results of the USDA investigation. All of these efforts show that Congress and the Administration understand this plant was a vital component of the beef supply chain, and we appreciate your getting a quick response and assistance from USDA and CFTC.

This situation in Kansas highlights the importance of both inner-agency cooperation and the need for Congress to give the agencies the regulatory tools needed to address real-time issues. This is the reason NCBA strongly encourages the committee to continue its work to push for a much needed CFTC reauthorization and a timely mandatory price reporting reauthorization.

These agencies are vital to having functioning cattle markets for our producers across the Nation. NCBA strongly supports mandatory price reporting and appreciates the work that USDA employees do every day to provide the cattle industry with market data that assists our members in making sound business decisions.

We are currently updating our policy for this issue as we await USDA to conclude their study on the current five-area reporting regions, and with these findings, we will then work on advocating for sound enhancements that are backed by research. This is perhaps the most studied MPR reauthorization we have seen, and it shows that we want facts to drive the decisionmaking, not emotions. Mandatory price reporting has always had a consensus approach to its reauthorization, and NCBA hopes that it will continue to work in that fashion to achieve what is best for the livestock industry.

The future success of the U.S. beef industry relies on competitive market access to a growing global consumer base in areas such as Asia. In 2018, we sold over \$8 billion worth of U.S. beef to foreign consumers, with one-quarter of these sales coming from Japan. While demand for U.S. beef is strong in Japan, we cannot remain competitive if the restrictive 38.5 percent tariff remains in place. NCBA strongly supports bilateral trade agreement.

Likewise, the Chinese market holds a lot of promise for U.S. beef exports but not until we resolve the retaliatory tariffs and remove the non-science-based trade barriers on U.S. beef. We need Congress to ratify the U.S.-Mexico-Canada agreement to send a message to the rest of the world that the U.S. is open for business.

Implementation of the 2018 Farm Bill is also very important to cattle producers, and we appreciate Congress' support for the creation of the Foot and Mouth Disease Vaccine Bank and support for voluntary conservation programs. We will continue to stress to USDA the importance of getting the FMD Bank up and running as quickly as possible to better protect our industry from foreign animal disease which remains a constant threat to our producers.

Another industry issue that has been of great concern to our cattle producers is avian predation on livestock. Birds, such as black vultures, of which there are 4.6 million currently in the U.S., ravens, and double crested cormorants, all protected under the Migratory Bird Treaty Act, prey on cows during calving, often killing calves before delivery is complete. Indemnity programs, where applicable, do not adequately compensate for these issues. The U.S. Fish and Wildlife Service does issue depredation permits to affected farmers and ranchers, but the terms of the permit usually do not allow producers enough flexibility to protect their cattle herd.

On behalf of all cattle producers and NCBA, thank you for allowing me to testify today. I am proud to lead and represent the members of NCBA as we fight tirelessly to improve the lives and business prospects of every single member of the cattle industry.

As Henry Ford once said, "Do not find fault. Find a remedy." That is exactly what NCBA will continue to do.

[The prepared statement of Mrs. Houston can be found on page 38 in the appendix.]

Chairman ROBERTS. I thank you, Madam President. You finished under time, and if I quit yapping, we can continue.

I want to point out I am going to be meeting with the Tyson folks. We have been meeting with them for some time. The 3,500 employees out there are still working. They are going to be up and running at the first of the new year, but from this point until now, they are taking every action that they know how to take to make sure that the market is not totally disrupted.

Thank you for your testimony. We really appreciate it. Mr. Kardel?

STATEMENT OF RON KARDEL, VICE CHAIRMAN, NATIONAL TURKEY FEDERATION; AND WEST LIBERTY FOODS GROWER, WALCOTT, IOWA

Mr. KARDEL. Good morning, Chairman Roberts and Ranking Member Stabenow, Senators Ernst and Grassley, and the other

members of the committee. Thank you for the opportunity to share the turkey industry's perspective today.

My name is Ron Kardel, and I am a turkey farmer from Walcott, Iowa, and Vice Chairman of the Board for West Liberty Foods. My farm, we raise about 4.2 million pounds of turkey each year for West Liberty Foods. I have been around the turkey industry since 1979 and currently farm on my family's homestead, which dates to the 1850's.

I also serve as Vice Chairman of the National Turkey Federation, and last year, more than 244 million turkeys were raised in the U.S. The USDA projects that turkey meat production will reach 5.8 billion pounds this year.

The turkey industry generates nearly 441,000 jobs. In order to support these jobs, we need to make sure policies coming out of Washington that affect us are commonsense and preserve America's ability to thrive. We look forward to working with Congress and this committee to address these issues.

Exports. You have read my written testimony. So I will be quick and frank. Expanded trade has significant growth for our industry, which means more jobs in rural America, and reducing the uncertainty is imperative. Therefore, we strongly urge Congress to vote on USMCA this fall. It should not be a partisan issue, and we feel confident it will pass.

We have a fantastic relationship with our business partners in Mexico and Canada, and ratifying this agreement will only improve that bond.

In 2018, our industry exported \$323 million of U.S. turkey products to Mexico. The agreement preserves access to Mexico and allows greater access for products going north to Canada as well. Please vote yes on USMCA.

Disease prevention and response. In 2015, the poultry industry was devastated by high pathogen avian influenza, especially in my home State of Iowa, which was hardest hit. From high path AI to African swine fever, no country is immune, and we need to be prepared with an adequate number of qualified response teams to focus on prevention.

The Farm Bill process created the National Animal Disease Preparedness and Response Program, designed to limit the impact of foreign diseases on livestock and poultry producers. We greatly appreciate the committee's work in realizing the risk and creating the program. It will pay great dividends protecting our industries moving forward. As the saying goes, an ounce of prevention is worth a pound of cure.

Immigration. Most turkey plans are located in rural, low-unemployment areas. To fully staff these plans, producers must recruit from outside of their local areas and, in many instances, must rely on immigrant labor. Existing guest worker programs target only seasonal, on-farm labor, and non-agricultural manufacturing. We need workers in our plans year-round, and we stand ready to work with any and all parties to achieve a workable system. There is currently no single bill that is the silver bullet, but it is time to resolve the immigration debate for the good of America's economy.

Research priorities. Finally, the meat and poultry industries have been working with the USDA, FDA, and academia to find in-

novative ways to combat diseases and conditions that impact food safety and overall animal health. Food safety and animal welfare are our top priorities, and we have committed hundreds of millions of dollars to these tasks.

The partnership of the Federal Government is important to us. There is considerable expertise at the Agricultural Research Service, and we simply encourage the Federal Government to continue committing and, if possible, enhance resources to improve food safety and animal welfare.

Again, thank you for the opportunity to testify, and I would be happy to answer any questions, if there are.

[The prepared statement of Mr. Kardel can be found on page 42 in the appendix.]

Chairman ROBERTS. Thank you, Mr. Kardel, and you are right on time as well. You are four for four in—whispering over here to my partner with regards to—I do not know who is riding. Are you leading the team, you know, the stagecoach, or am I now?

Senator STABENOW. Yes. I am not. You are.

Chairman ROBERTS. Okay. Four for four. You mentioned four very important things that we have to consider, and I know you have a deep background on all four. I really appreciate your testimony. Dr. Lusk, welcome to the committee.

STATEMENT OF JAYSON LUSK, Ph.D., DISTINGUISHED PROFESSOR AND HEAD, DEPARTMENT OF AGRICULTURAL ECONOMICS, PURDUE UNIVERSITY, WEST LAFAYETTE, INDIANA

Mr. LUSK. Chairman Roberts, Ranking Member Stabenow, and members of the committee, thank you for inviting me here today. My name is Jayson Lusk. I am a Distinguished Professor and head of the Agricultural Economics Department at Purdue University. I am going to focus my remarks on a few economic issues facing the livestock and poultry industries.

Population and income are two key drivers of meat demand, but slow population growth and concerns about an economic slowdown indicate the potential for weakening demand in this country. Health, environment, and animal welfare criticisms, coupled with emerging plant-and lab-based alternatives are also significant headwinds.

These factors suggest meat demand growth is largely expected to occur outside the United States. Having access to consumers in other countries has become increasingly important to the livelihood of U.S. livestock and poultry producers. The U.S. exported about 12 percent of beef, 22 percent of pork, and 16 percent of poultry production last year. Thus, trade agreements are important to help U.S. producers reach consumers that value their products most.

Some producers have expressed concerns about competition from imports, but the U.S. is a net exporter of meat and poultry, and the types and qualities of meat we export tend to differ from what we import.

There have also been some calls to renew mandatory country of origin labeling; however, to the extent consumers are truly willing to pay a premium for U.S.-labeled meat, there remain opportunities for private entities to take advantage of this market opportunity.

The current authority for livestock mandatory price reporting is set to expire. It is important for this policy to continue to modernize and be agile and responsive to the pace of change in this industry.

One challenge is the dwindling share of cattle and hogs sold in cash markets, which serve as the base price in formula contracts. There are significant benefits to formula contracts, and more producers have voluntarily chose this marketing method over time. Questions remain about the volume of transactions needed in the cash market to facilitate price discovery.

Last month, a fire at a packing plant in western Kansas renewed discussions about packer concentration. An unexpected reduction in processing capacity reduced demand for cattle, thereby depressing cattle prices. The need to bring in additional labor to increase Saturday processing involved additional costs that pushed up the price of wholesale beef. These price dynamics, while detrimental to producers are not surprising and are not inconsistent with the model of competitive outcomes and the fundamental workings of supply and demand.

I urge this committee to pay close attention to emerging animal disease issues. African swine fever has caused significant disruption to the Chinese hog supply, and the impacts are reverberating through global agricultural markets, reducing demand for U.S. soybeans, and inducing substitution toward beef and poultry.

Our pork exports to China have increased, but they are not what they could have been had China not raised tariffs. If a similar outbreak of African swine fever were to occur here, U.S. pork producers could stand to lose about \$7 billion a year.

This, of course, is not the only concern. An outbreak of foot and mouth disease or a return of avian influenza could have similar devastating impacts; thus, there is a need for additional funding for research to combat foreign animal disease.

Finally, there is also a need for funding to improve the productivity of livestock and poultry sectors. Productivity growth is the cornerstone of sustainability. Had we not innovated since 1970, 11 million more feedlot cattle, 30 million more market hogs, and 8 billion more broilers would have been needed to produce the amount of beef, pork, and chicken U.S. consumers actually consumed last year.

Innovation and technology saved the extra land, water, and feed these livestock and poultry would have required as well as the waste and greenhouse gases that they would have emitted.

Investments in research to improve the productivity of livestock and poultry can improve producer profitability, consumer affordability, and the sustainability of our food supply.

[The prepared statement of Mr. Lusk can be found on page 46 in the appendix.]

Chairman ROBERTS. Thank you very much for your testimony, sir. Everybody has been on time, which I truly appreciate.

Our next witness, Mr. Pfliger, why don't you continue.

STATEMENT OF BURTON PFLIGER, PAST PRESIDENT, AMERICAN SHEEP INDUSTRY ASSOCIATION; AND ROSELAWN LEGACY HAMPSHIRE, BISMARCK, NORTH DAKOTA

Mr. PFLIGER. Good morning, Chairman Roberts, Ranking Member Stabenow, and members of the committee. Thank you for this opportunity to speak to you today. I am Burton Pfliger, a North Dakota sheep producer and past president of the American Sheep Industry Association.

As more and more consumers are finding a place for American lamb on their dinner plate and the value in the wool clothing they wear, this rediscovery has translated into an increase of over 10,000 sheep operations and a great story for the American sheep industry.

I want to start out by expressing our strong support for the U.S.-Mexico-Canada Agreement. Mexico and Canada are two of our largest export markets for U.S. lamb, and both markets are pacing over 50 percent ahead of last year on volume. We urge Congress to act swiftly to ratify this agreement.

I would also like to touch on the ongoing issue with China. China has traditionally been our largest market for pelts and wool. In fact, prior to trade disruption, 72 percent of raw wool and 80 percent of pelts went to China. We have seen those numbers drop off dramatically, and now producers are being charged a pelt disposal fee by the packer. In a low-margin business, what once was an asset is now a liability.

Unfortunately, USDA's wool loan deficiency payment, which should help offset unshorn lamb pelt credit, is not providing any relief.

We appreciate this committee working with stakeholders in advance of the reauthorization of mandatory price reporting. Price reporting and transparency are incredibly important because Federal lamb price insurance products, LRP-Lamb, rely on USDA price reports. LRP-Lamb is our industry's primary risk protection, as neither lamb nor wool are traded on the commodity markets. Our industry lost this risk protection in 2016 due to packer consolidation and lack of full reporting. Although currently restored, we are constantly at risk of losing LRP unless we can resolve issues around confidentiality.

We urge this committee to take a hard look at confidentiality in this reauthorization and give producers needed flexibility to ensure access to price reports.

We thank this committee for their work on the 2018 Farm Bill and continue to work with USDA on the implementation of key programs. We greatly appreciate the support for the National Sheep Improvement Center.

We also strongly support the FDA's Minor Use Animal Drug Program. While minor use is part of the farm bill under animal disease prevention, that only addresses part of the needs of our industry. We urge funding from minor use drug research. This is not just about developing new technologies. Much of it is about giving producers access to technologies currently being used by our international competition but not labeled for use in the United States.

Finally, I would like to stress the importance of livestock protection and USDA Wildlife Services. Coyotes, mountain lions, wolves,

and bears kill tens of thousands of lambs and calves each year and cost producers more than \$232 million. One of the most important tools we have to protect against these losses and save the lives of our livestock is the M-44. Despite enhanced guidance from Wildlife Services on the use and the placement of these tools, these products continue to come under attack.

After a successful interim decision, the EPA Administrator has announced a reevaluation of this tool. This is not being driven by science but rather in response to pressure from all those who oppose all predator control. The M-44 is the safest, most humane, and most target-specific tool we have to control coyote populations during lambing, and without it, producers like myself would not stay in business.

Thank you for your support for the livestock industry, and I look forward to any questions.

[The prepared statement of Mr. Pfliger can be found on page 49 in the appendix.]

Chairman ROBERTS. Thank you, sir. Again, right on time. Mr. Thiele?

STATEMENT OF TRENT THIELE, PRESIDENT, IOWA PORK PRODUCERS ASSOCIATION; AND KMAX FARMS, LLC, ELMA, IOWA

Mr. THIELE. Chairman Roberts, Ranking Member Stabenow, and members of the committee, I appreciate the opportunity to discuss issues of critical importance to the U.S. pork producers. My name is Trent Thiele. I am the president of the Iowa Pork Producers Association and a hog farmer from Howard County, Iowa.

I am also here today on behalf of the National Pork Producers Council, a national association representing the interest of 60,000 U.S. pork producers.

First, U.S. pork producers need trade certainty and ramification of the USMCA trade agreement. Last year, more than 40 percent of the U.S. pork exported went to Canada and Mexico. U.S. pork producers urge Congress to ratify USMCA.

The trade agreement reached last month in principle with Japan is also critical. Japan is our largest value export market. We have watched helplessly as international competitors have taken our market share. The U.S. agreement with Japan will put us back on a level playing field, and it is critical that we implement this deal as soon as possible.

While Japan represents positive news for industry, U.S. pork producers are sustaining significant losses, over \$1 billion annually due to the ongoing trade dispute with China. While Chinese State media reports have suggested tariff relief for the U.S. pork, we need to remove market access uncertainty and gain permanent competitive access to China.

China holds more potential than any other market in the world for increased U.S. pork sales, given the challenges it faces with African swine fever. The prevention of foreign animal diseases that would cutoff our export markets and cause catastrophic damage to our rural economy is another top priority.

The risk of ASF, a deadly disease affecting only pigs, is growing as outbreaks continue in Europe, China, and other parts of Asia.

NPPC has worked closely with the USDA and Customs and Border Protection to strengthen biosecurity at our borders, and we are grateful for their strong response.

We think even more can be done. We ask for your support for appropriations funding for 600 additional CBP agricultural inspectors at our borders.

Foot and mouth disease represents another risk that would do serious damage to the U.S. economy. Unlike ASF, vaccines do exist, but the U.S. does not have enough vaccines to respond to an outbreak.

As you know, the 2018 Farm Bill includes mandatory funding for the development of vaccine bank. We ask Congress to support USDA implementation of the Farm Bill, as intended.

The competitive strength of U.S. livestock also depends on establishing a new technology: gene editing. Gene editing promises significant animal health benefits, while other countries are moving quickly to grab a competitive advantage by establishing a regulatory structure that supports the development of this technology. The U.S. is falling behind.

We ask you to support moving oversight of gene editing livestock on American farmers from the FDA to the USDA. Pork is one of the United States' most successful and competitive products. Unfortunately, U.S. pork producers are facing serious headwinds addressing these challenges. We will make U.S. hog farmers even more competitive by expanding production, fueling job growth, and contributing to rural communities.

Thank you for the opportunity to testify, and I look forward to any questions.

[The prepared statement of Mr. Thiele can be found on page 53 in the appendix.]

Chairman ROBERTS. Mr. Thiele, thank you very much. Again on time. That is amazing.

Mr. Eaton, all the way from Montana.

STATEMENT OF SHANE EATON, MEMBER, UNITED STATES CATTLEMEN'S ASSOCIATION; AND EATON CHAROLAIS, LINDSAY, MONTANA

Mr. EATON. Chairman Roberts, Ranking Member Stabenow, and members of the committee, thank you for holding this important hearing and for your work in passing, in a bipartisan fashion, the 2018 Farm Bill. The bill contains essential safety net programs, improvements to conservation title, and funding for animal vaccine bank, a needed shot in the arm for agriculture.

U.S. ranchers are committed to producing a high-quality, healthy product that meets and exceeds environmental standards, along with ensuring both working lands and open spaces for public recreation and enjoyment. When ranch families are successful, everyone benefits.

That being noted, U.S. ranchers are facing unprecedented challenges to their livelihood. Markets are unnecessarily distorted. Irregularities influence the daily cattle market, resulting in a lack of competition and true price discovery.

We can address these challenges in three areas, the first being trade. Exports are critical, and we are pleased to see progress on an FTA with Japan.

When it comes to China, instead of timeliness and certainty, we deal with tariffs and trade embargoes. The China trade talks need a definitive timeline. Our domestic meat counter reflects the reality of a global trade. Congress can and should implement a truth-in-labeling program for meat. Confusion at the meat counter undercuts both the U.S. producer and the consumer.

Second, transportation. This Congress has worked in a bipartisan manner to modernize hours of service rules. Let us continue this effort and finalize a livestock transportation solution.

Third, marketplace governance. Everyone is well aware of the recent packing plant fire. This incident shined a spotlight on a marketplace void of fundamentals and functionality. While the packers and stockyards investigation takes place, we offer the additional points for consideration.

Create a CME cattle working group for improving the operations linked to CME cattle contract. Link the CME live cattle contract to the USDA weekly choice spread quality percentages. Give the long the right to deliver in a CME cattle contract. The CME should utilize real-time information and data for calculating the feeder index, and, finally, the CME should install a time-delay speed bump to level the playing field for all traders.

This committee is tackling the reauthorization of mandatory price reporting. We need a new division for non-native live cattle in mandatory price reporting, which would instantly bring the need of price discovery to live cattle trading. Non-native feeder cattle imported into the United States today are reported as domestic, not as imported. Notably, these cattle do not meet the CME contract specifications for live cattle delivery and for calculating the feeder index.

Most egregiously, Mr. Chairman, these cattle can negatively influence the live cattle trade, the cash trade, the base price for formula cattle, and the futures market.

This glaring loophole could be fixed by this committee in a bipartisan fashion to create a competitive playing field for producers.

Finally, undue preferences and business justification provisions are often tossed around as a regulatory burden when, in actuality, there is a clear need to clarify the Packers and Stockyards Act definitions. If these key obstacles and loopholes are not addressed, the U.S. domestic cattle production and rural communities, as we know them, will collapse and go the way of other livestock sectors, becoming corporate contract growers.

In conclusion, thank you for your time and leadership. We ask this bipartisan committee for bold and immediate action. The U.S. Cattlemen's Association and its membership is ready to advance solutions. I look forward to your questions.

[The prepared statement of Mr. Eaton can be found on page 59 in the appendix.]

Chairman ROBERTS. Right on time, Shane.

Mr. EATON. Thank you.

Chairman ROBERTS. I am glad you came back.

I am the only one here, other than Mr. Grassley, that understood that. There was a movie sometime back with Alan Ladd. He was Shane.

Senator STABENOW. Shane, yes.

Chairman ROBERTS. We said, "Come back, Shane." He never did until right now.

[Laughter.]

Chairman ROBERTS. I had to get that out of my system.

Jennifer, in your testimony, you described a USDA study on cattle Livestock Mandatory Reporting, or LMR, that is being conducted. Knowing this is a very technical piece of legislation, I am interested in hearing a bit more from you on this study, how you anticipate it may inform any change to LMR that your organization may wish to pursue.

Ms. HOUSTON. Mr. Chairman, we actually continue to await the results of the study. We want to see the facts that are discovered. We want this reauthorization and us to look at our policy at NCBA as well as any suggestions we offer for improvements to the mandatory price reporting to be based on the facts that are found that are out in the market and also that it be something that benefits producers from all parts of the country.

Chairman ROBERTS. Dr. Lusk, we have heard several of the producers on the panel mention the importance of timely reauthorization of the Livestock Mandatory Reporting, or LMR. From the perspective of an economist, can you describe the value of the data generated by LMR, please?

Mr. LUSK. Sure. So earlier in my testimony, I remarked on the number of cattle that are being marked in cash contracts versus forward contracting. One of the reasons we know that is due to mandatory livestock price reporting.

So, certainly to economists and industry analysts like me, we have access to more and better detailed data than probably—on the U.S. livestock industries than probably analysts in any other part of the world.

One benefit of these markets in terms of helping facilitate market convergence is that they provide some level of trust in the price reporting at least in the cash market that serve as the base for some of these formula contracts, and so that has helped facilitate market convergence.

At least when this policy was first passed in the late 1990's, there was probably a little bit of over-optimism about what this policy could accomplish, but at the same time, I think there is good evidence that this policy has helped facilitate convergence of regional markets, which suggest we are probably doing a better job at price discovery than was the case in the past.

Chairman ROBERTS. Thank you, sir.

I have got a question for all the producers on the panel that mentioned Livestock Mandatory Reporting reauthorization. Included in the 2015 reauthorization was a directive by the Congress for the Department of Agriculture to issue a report that describes potential changes industry may wish to consider in the 2020 reauthorization.

To complete this study, the Department conducted 10 public meetings with 14 industry stakeholder groups over a year-long period. I am interested if the topics you raised today regarding the

LMR reauthorization were discussed at these meetings and if they were included in the report to Congress, and we can just start with President Houston.

Ms. HOUSTON. Yes, sir. We talked, but it is such an important tool to U.S. beef producers. So we feel comfortable.

Chairman ROBERTS. Mr. Thiele?

Mr. THIELE. Yes, sir. We do believe the importance in this as well.

Chairman ROBERTS. Mr. Eaton? Shane.

Mr. EATON. Yes. Mr. Chairman, I cannot speak to that report, but I could speak to the Congressional Research Service from November 2015, when we took information from different stakeholders and groups in the industry.

National Farmers Union wanted to have LMR look into reporting on imported cattle that were going into feedlots. R-CALF was looking to find transparency in the reports, more transparency, which reflects on the proposal put forth in my testimony for a non-native division in MPR.

NCBA at the time had a policy to allow the Agricultural Marketing Service to look into the discount specifically for Mexican and Canadian cattle and to made definition changes, as needed.

So I think there is industry backing to transform MPR to accurately report the discounts that are in the trade today, especially after what the professor said when we have 15 to 20 percent of the cattle traded into cash each week.

Chairman ROBERTS. I appreciate that.

Mr. Pfliger, I did not mean to jump you. Go ahead.

Mr. PFLIGER. Our biggest discussions with USDA centered on the confidentiality issues that surround MPR, livestock Mandatory Price Reporting. To date, those changes have not been offered to the industry.

In the 2015 reauthorization, we offered several changes, and some of those were accepted. One of them was lowering thresholds from 50,000 to 35,000 head for reporting entities, lowering the importers to 1,500 tons, and allowing the definition of cooperatives to report. That has added to the number of reporting parties, and stabilized and actually brought our Mandatory Price Reporting back online after we lost it in 2016.

The current renewal without changes may not allow that continued reporting through 2025 when it is set to again be reauthorized.

Chairman ROBERTS. I appreciate that.

Thank you to all the witnesses.

Senator Stabenow?

Senator STABENOW. Thank you very much, Mr. Chairman.

First of all, a question to Ms. Houston and Mr. Eaton on voluntary conservation measures. In Michigan we are surrounded by the Great Lakes. Our waterways are incredibly important to us, and agriculture has a really important role to play as we look at efforts in terms of protecting and addressing issues regarding our water.

In your testimonies, both of you touched on the importance of voluntary conservation programs administered by NRCS. I am wondering what are some examples of how animal agriculture is voluntarily reducing the sector's impact on the environment, and

what do you see are some of the barriers that producers face to adopt additional conservation practices?

Ms. Houston, I will start with you.

Ms. HOUSTON. Thank you.

Yes. U.S. cattle producers obviously are some of the most environmentally minded people there are, and the use of the tool, having the tools at NRCS to use voluntary conservation practices and to work with. People in the field, obviously, we feel there is need for more boots on the ground to help our farmers and ranchers get their conservation plans, but much more use of things, riparian areas, fencing off streams, some of the tools, and even the cost share that are provided by NRCS and other things certainly help us to move forward at an even quicker pace. It is certainly to our benefit to do these conservation methods because they include soil health, whether it is cover crops or whatever.

So voluntary conservation methods are something that we use on a daily basis and will continue to do so as we work to leave our land in better shape than it was when we got it.

Senator STABENOW. Great. Thank you.

Mr. Eaton?

Mr. EATON. Thank you, Ranking Member.

Ranchers and farmers are front-line environmentalists, period, and we are out there every day. We are working with the land. We are working with the soil. These partnerships we have with NRCS over the past decade, there has been tremendous strides, cost-share programs where people have been able to rotate their pastures, rotate around bird habitat at hatching periods. Like Ms. Houston said, we take care of riparian areas.

I know I have had my kids out planting trees. We go out and do that and try to make improvements.

The big barrier, honestly, is the problem I am here today to address is the tremendous drop in income to ranchers and farmers over the last four years. When you have your income reduced down in the margins so tight, the first thing to go are the extra things, and then that looks toward environment.

Senator STABENOW. Thank you very much.

Mr. EATON. Yes.

Senator STABENOW. Changing gears a little bit, my colleague Senator Crapo and I have introduced and been working on the issue of access to veterinarians for some time, which I know is a real challenge, particularly in more remote areas. We have had for some time the Veterinary Medicine Loan Repayment Program Enhancement Act to create stronger incentives for people to go into veterinary medicine, particularly in underserved areas.

So, as we look at all the challenges now that relate to animal disease, we have the Veterinary Feed Directive to ensure that antibiotics are used judiciously and only when appropriate for animal health. As we look at the relationship between producers and veterinarians, I know that for many producers in remote areas or smaller cow-calf producers are a challenge particularly for this.

So I wondered if each of our producers would speak to your experience. Do livestock producers in your State have adequate access to veterinary care, and do you think we should be moving to expand programs to address shortages?

Ms. Houston?

Ms. HOUSTON. Certainly in my area in Tennessee and across the Nation, there are areas when they are certainly underserved.

Part of this is because our vet schools graduate—a lot of them tend to gravitate to a more lucrative part of the profession, which is small animal, companion animal care.

In addition, they are out servicing farmers, and farmers do not have the money to pay. A lot of our vet students graduate with pretty crushing debt. So it is certainly in areas.

I am near a vet school. It is not really a problem for myself, but where I grew up in West Tennessee, it is a problem. Sometimes the vets two counties over or in other parts of the U.S., it is even further. So it certainly is a problem.

Senator STABENOW. Yes. Mr. Kardel?

Mr. KARDEL. Yes, it is a continuing problem.

Where we personally live, while there are perhaps a lot of hogs and cattle, there are no veterinarians available for the turkeys that we produce.

Consequently, West Liberty Foods, the company we sell our turkeys to and own part of, we hired a full-time veterinarian to have on staff. The only problem was we had one application.

Senator STABENOW. Wow.

Mr. KARDEL. So it is hard to pick what you think are the best and brightest when you only have one to choose from. So, yes, it is a continuing problem, and I have nothing against the vets that choose companion care, but us as farmers, we do need access to large animal and commercial livestock.

Senator STABENOW. Thank you.

What is happening in the sheep industry?

Mr. PFLIGER. Thank you, Ranking Member.

The sheep industry is not unlike that that has been described. Certainly, there is a shortage in veterinarians. When we were in the hall, jokingly, we said there were three tiers in the veterinary system. You have the dog and cat, which is the high dollar, the companion animals. Then you have the midlevel, the mid-range veterinarian. Those are some of your large animals. Then you have the lower end of veterinary care, which is the sheep and the turkeys and the poultry, which are suffering for veterinarians who are not only willing but knowledgeable enough about those industries to practice veterinary medicine.

Senator STABENOW. Right. Thank you.

All right. Pork producers?

Mr. THIELE. So I am here from the pork producers, and we are pretty fortunate to have a great college right in our State, Iowa State. We seem to have a lot of interest in pork producing vets right now.

Right now, realistically for us, it seems like we are all right, but I can see the concerns of everybody else of needing more vets.

I agree 100 percent that we do need to have vets to help everybody know how to use their antibiotics judiciously all the way through. So thank you.

Senator STABENOW. Thank you.

Mr. Eaton?

Mr. EATON. Yes. I appreciate the bipartisan work you are doing on this because animal health leads to food security which leads to national security. We need to have vets out in the field. They can ensure we can produce the products to get to the consumers in this Country.

Senator STABENOW. Thank you, Mr. Chairman.

Chairman ROBERTS. I have been instructed by staff to remind all members that there are a lot of activities occurring in the Senate this morning, if you did not know that. So please be mindful of everybody's time.

Senator Ernst, I did not mean to pick on you.

Senator ERNST. Okay. Outstanding. Yes, we are hopping committee to committee, but thank you very much, everyone, for being here and being willing to share your perspectives and your knowledge from your various industries.

You have done a great job in highlighting that our farmers in ag communities have really been dealing with what we would call the perfect storm of circumstances.

I noticed that each of you had mentioned the importance of trade specifically, and it is important to understand exactly what passing the USMCA or a trade agreement with Japan or a trade agreement with China would mean not only to the overall industries that you represent, but then also to you individually.

If we could, just very briefly again, so we can keep things moving, if you would please just State the impact to your individual industry.

Ms. Houston, if we could start with you, please.

Ms. HOUSTON. Obviously, the beef industry trade with Mexico and Canada accounted for about \$1.85 billion last year. For each fed animal, ready for harvest, U.S.-Mexico trade alone, 70 bucks.

So, as a person who is in the livestock marketing industry for feeder calves, which is what Tennessee is known for, that certainly translates to significant dollars back in the hands of my producers and all our producers.

It is not only the dollars, which are certainly important. It is also the mix of products, the fact that they add value to certain cuts that are not so valuable in the U.S.

Senator ERNST. Thank you.

Mr. Kardel?

Mr. KARDEL. Yes. The USMCA is the obvious answer to your question because that could be done tomorrow, and we could have some definition and clear view of what is coming.

Everybody likes to reference China, and China is important, but from the poultry perspective, since the avian influenza outbreak, we have been banned from China. So the trade war could be over tomorrow, and we still would not be able to get poultry into China. So that needs to be moving forward on several fronts.

Prior to the outbreak of avian influenza, there was a good market for us and an expanding market for us. So, yes, that for us and poultry, that is a double-edged thing. It is the trade ban, the trade war, and the avian influenza ban.

For us, India is marginally open, and we need that door swung wide open in order to get access to here.

As was referenced before, the Japan Trade Agreement is good, and for us, the potential there exists for some value-added product going in, which for us would be huge.

So if you add up those countries I just mentioned, that is a lot of mouths to feed, and we would sure like to help feed them.

Senator ERNST. Sure would. Thank you.

Mr. Pfliger?

Mr. PFLIGER. Thank you.

The sheep industry is somewhat unique in that we were excluded from the Japan market since 2003 when the BSE took over that market, and we pushed hard to get that reinstated and only recently within the last few years have been able to do that.

Bottom line is that the trade with China has had a big impact on our wool and our sheepskins. We have had an 85 percent drop in the value of wool that is moving to China and an 84 percent drop by volume. That is 85 percent wool value and sheepskins have dropped 67 percent by value and 40 percent by volume.

I guess one key important thing that we appreciate about the Farm Bill is the foreign market development program that has allowed us to look at keys to developing new markets as we move down this road, but we are very thankful for that as part of the Farm Bill as well.

Senator ERNST. Excellent.

Mr. Thiele, I am going to have to end with you, just very briefly. Thank you.

Mr. THIELE. Okay. Thank you.

So for the pork producers, 40 percent of our exports go to Mexico, and to China, we have lost \$8 a head this last year. Every year, we will lose \$8 a head due to the trade dispute. So that adds up to be some pretty real money in my operation.

With that, I think that is all I want to say. Thank you.

Senator ERNST. Okay. Well, I have 30 seconds, Mr. Eaton, if you would like to contribute.

Mr. EATON. I would like to contribute. Thank you.

The expansion of beef into Europe is a really good deal. The Japanese progress is positive, but with this China trade talk, we get big swings in the market. As producers back home see these swings, our bankers see these swings, it is hard for them to manage risk, to get an operating loan, to figure out break-evens. So that is why this uncertainty really hits home.

U.S. Cattlemen's Association is split on the USMCA for the basic reason that we do not have any truth in labeling negotiated within the agreement, so we do not have a firm position on that.

Personally, our family lost a sizable investment when the Chinese said that they originally thought they were going to take product. We invested in a venture, and then when the tariffs came on and everything stopped, we lost everything.

So there has been an effect out there for small producers wanting to take advantage of that market.

Senator ERNST. Great. Thank you. I appreciate the input.

Thank you, Mr. Chair.

Chairman ROBERTS. We thank you, Senator.

Senator Smith?

Senator SMITH. Thank you, Chair Roberts and Ranking Member Stabenow. Thanks to all of you for being here today. It is very interesting.

I want to just followup briefly on Senator Ernst's line of questioning maybe with Mr. Thiele, just to note that, of course, pork is a big deal in Minnesota. About 10 percent of Minnesota's total exports are pork.

I think there is something that people do not really understand about the impact of these tariffs and trade wars, which is that once we find an agreement, it is not as if those markets just flip back on like a flip of the switch.

If you look at what has happened, this, I think, makes this point. Brazil is quickly filling the need that China has for pork, and according to the USDA, Brazil has increased its market share in China from just four percent in 2017 to 13 percent in 2018. Those numbers are specific to pork, but this shift in market share is not just going to recover overnight. So I appreciate the question that Senator Ernst is asking about this.

Actually, there are so many things I want to ask. Let me go to this. Several of you have mentioned—Dr. Lusk and others have mentioned the impact of concentration in the livestock sector and the whole ag sector on farm income. I have seen numbers that talk about how a generation ago, farmers kept about 37 cents out of every food dollar, and now that number is down to about 15 cents.

Mr. Eaton, you mentioned this as well.

Let me start maybe with Dr. Lusk. Could you just talk a little bit more about how concentration is affecting this decline in farm income and sort of how you see that economic issue?

Mr. LUSK. There is certainly no doubt that these industries at the packing level are concentrated, and the concentration has increased over time. There is a lot more debate about the impacts of that concentration, whether it has been positive or negative.

I would caution relying too much on, say, farmer's share of the retail dollar, in part, because a lot more happens after the farm today than happened in the past. There is larger cost in transportation. There is more marketing that happens now, and we transport these products further. I think it is important to evaluate these situations on a case-by-case basis.

One of the driving reasons for increased concentration is the ability of packing plants to get economies of scale, to produce at minimum cost efficiencies, and this helps consumers in the sense that it makes our meat more affordable than it would have been otherwise.

As you mentioned, there are some possible negative consequences. I do not think one can make blanket statements—

Senator SMITH. Sure.

Mr. LUSK [continuing]—about the impacts of concentration without looking at it on a case-by-case basis, but I am going to be a good economist and tell you that there are pros and cons.

Senator SMITH. You are going to tell me it is complicated?

Mr. LUSK. Yes.

[Laughter.]

Senator SMITH. It is complicated.

Well, what I worry about is just the lack of—the decline in power that the producer represented by the folks at this table have in this more concentrated industry.

Mr. Eaton, you talked about kind of the shift toward corporate contract growers and the impact that that had. Could you just talk to me a little bit more about that?

Mr. EATON. Well, I think that is where the industry is heading. We have 15 to 20 percent of the cattle traded in cash every week.

As a producer, I can tell you that the consolidation has produced lower prices due to lack of competition. When we sell fat cattle in western Nebraska, Colorado, we generally have one packer in the market, even though there are four packers there, because they have captive supply—

Senator SMITH. Right.

Mr. EATON [continuing]—or these formula contracts that have no premium or discount associated with them, and they are able to use a loophole in the Packers and Stockyards Act because we have not defined those definitions clearly enough as the industry has changed.

So, yes, I can tell you that it has resulted in lower prices. So that me, as a feeder, when I go to a producer, I am not going to bid them up any higher on their calves. The producers in Minnesota are going to feel it.

Senator SMITH. Yes.

Mr. Chair, I know that this is not specifically an issue directly related to this committee in terms of our jurisdiction, but I think that it does have a lot to do with the overall health in the ag sector and something I am really worried about.

I just want to quickly ask one more question. We were talking about animal health and human health. We are talking about African swine fever and the avian influenza, which was a huge deal in Minnesota.

I would like to just—maybe Doctor—I am not sure exactly who would be the best. How does the approach, the one health approach that I am working on with Senator Young from Indiana, to bring sort of a kind of integrating animal health and human health together as we think about animal health and human health? Do you think that that is a good approach?

Mr. LUSK. So I will comment very briefly on that, and that is, I think as African swine fever as pointed out, the diseases do not know boundaries.

Senator SMITH. Right.

Mr. LUSK. We certainly see that that disease is spreading, and it is a threat to producers here. So approaches that allow us to improve animal health across the globe are beneficial to us here in the United States.

Senator SMITH. Thank you.

Thank you, Mr. Chair.

Chairman ROBERTS. Thank you very much.

We turn now to Senator Fischer.

Senator FISCHER. Thank you, Mr. Chairman.

I thank all of you for being here today. I am a livestock producer as well. My family has a cattle ranch in the Nebraska Sandhills, and we have a cow-calf business there.

Dr. Lusk, many of our witnesses have touched on the Holcomb fire and its impact on cattle markets, and things, as you know, are rough right now in the ag economy.

In my area, we had a drought for eight years. Now we have plenty of rain, but obviously, cattle prices are down the last six years.

We have trade wars. We have rising input cost. We see extreme weather all across the State of Nebraska. So this list goes on and on and on.

To add to this, fed and feeder cattle prices are down, and box beef prices are up. The packer margin is high. Nobody is going to argue with that, I would doubt.

In your testimony, you say that this can be expected, and that with a reduction in packing capacity due to the fire, cattle demand is reduced and cattle prices suffer. Because of the demand for beef has stayed the same, wholesale beef prices have increased.

So using your modeling that you have, when this facility comes back online and packing capacity is going to be restored, prices should come back up, correct?

Mr. LUSK. Certainly, over the long run, I think that extra margin that you referred to is the incentive needed to induce more packing capacity to come online, whether it is additional slaughter on week-ends, conversion of plants that are currently processing, say, cows transitioning to steers and heifers. Those things cost extra money, and those heightened margins are what will induce the industry eventually to try to add back some of that capacity.

So the question is how quickly will that—how long does that take? How quickly will it occur? I do not know the answer to that, but I think the incentives in the system are there to eventually add back some capacity over time.

Something that will probably be in response, you talked about the cattle prices, and a lot of that corresponds to inventory and changing inventory over time with the cattle cycle. To the extent there are more cattle coming online, that will also probably over time produce an inducement to add some more packing capacity.

Senator FISCHER. Certainly, we hope it is sooner rather than later, because if those prices do not come up, I think we can begin to explore some of the other factors that may be at play in this arena.

For time's sake, though, I am going to move to Ms. Houston. I am happy to have you here today. The time is limited, so I am going to be brief.

Based on a recent Farm Bureau analysis, I see that packer margins have significantly increased since the fire. We know the margin is the difference between the price they buy cattle at and the price they sell the wholesale beef at. So I think it is safe to say that, at least right now, packers are doing all right. They are doing okay, and suppliers are getting hit and getting hit hard.

I am looking at last week's close. Fed cattle down. Feeder cattle down. Wholesale prices up. So I just want to be clear on this. Who is being hurt right now, and are you hearing from these folks?

Ms. HOUSTON. Certainly, we are hearing from our members.

I think at this point, probably the feedlot, the feeders are getting hurt the most. It is trickling down obviously to the cow-calf producer too.

We do realize that it is part of the cycle, as Dr. Lusk said, in numbers. Luckily, though, a lot of the capacity was being able to take up, whether it was by more Saturday kill.

So we could even be in a worse situation. It is certainly not a good one, but there was a long time when packers did not have a lot of margin and other parts are making a lot more money. So we hope things will stabilize pretty soon.

Certainly, the optics to our members are bad and especially when the ones that are feeling hurt because of floods in addition to fires, all these other things. This is just one extra thing that we certainly did not need in the beef industry.

Senator FISCHER. Right. Well, I hope NCBA continues to advocate for us. It is important.

Mr. Eaton, I want to give you the opportunity to comment on this issue as well. What are you hearing from your members, and do they believe that other factors are at play here?

Mr. EATON: Thank you, Senator.

When the fire happened, we had two and a half days of the futures going straight down, and to your question, will the prices go up when the plan opens up, you should pay attention and see if the futures go up for two and a half days because I do not think they will.

The members, they are very concerned because the packers created this additional margin, the cutout went out \$22 the first 3 days after the fire before a fat calf was even purchased. Then we lowered the fat cattle price \$7, and they maintained that margin going ahead, weeks ahead.

So there is severe frustration that they captured this margin and have kept it, even as the prices for the cutout have come down recently.

Senator Tester has asked the Chief Economist to look into the pricing mechanisms, that they are transparent in determining true price discovery, and I would ask that you join on that with Senator Tester and we look into that.

Yes, our members are very worried about the way things turned out.

Senator FISCHER. I look forward to working with all of you folks in making sure that we have a fair market to be able to sell our products to.

Thank you very much.

Chairman ROBERTS. I thank you, Senator.

Senator Durbin?

Senator DURBIN. Thank you, Mr. Chairman. I feel in this position like I have been culled out of the herd.

[Laughter.]

Senator DURBIN. I thank our guests for joining us.

On August the 7th, 680 people were arrested at seven different food processing plants in the State of Mississippi. They included five poultry plants. That was the largest raid, immigration raid in the United States, since May 2008 when the Postville, Iowa, processing plant was raided. It is not uncommon. It happens with frequency, and it reflects a reality which a couple of you have alluded to in your testimony.

When you go to meet in poultry processing plants in Illinois or anywhere across the United States, you will find a lot of immigrant workers. Many of them are undocumented. They take these jobs because they are hot, dirty, sometimes dangerous, and the local folks do not want them.

What I am finding, I might just add parenthetically, when I was working my way through college, I worked in a meat processing plant, a pork processing plant in East St. Louis, Illinois. It was good pay but tough work, and I had no doubt that I was going back to college at the end of every summer.

The point I am getting to is this. Mr. Kardel, you mentioned it specifically. Thank you. We have got to have an honest conversation about immigration here. The notion that this immigration issue is being driven on one side only by the liberals and the faith community ignores the reality. Immigrant labor, migrant labor is critical for agriculture in America. It is critical for each one of you.

In Illinois, I have people with orchards who say if you do not have the workers to pick these peaches and apples, I am going out of business.

Dairy farmers, third generation, no kids left in the family who are interested in it. If I do not get migrant workers to come in here, we are done.

We have got to have a more honest conversation about this, and I have got to ask you all to step up your game a little bit. This notion that we only can accept engineers with high-tech degrees as immigrants in this country, well, my mom would not have come to this country under that standard. Many people would not. We need folks who will do hard, tough work, and immigrants historically have done it.

Let me open the floor for a minute and see if anybody wants to comment.

Mr. KARDEL. Well, first of all, I do not care to comment on what happened in Mississippi. That is their problem, and I do not think that is up to us to go there.

I do not think this is just an agricultural issue. Everywhere you go, whether it is retail, whether it is the convenience store, there is a Help Wanted sign there. We need employees.

The frustration for us is that we have businesses in the United States that need employees, and we have people that want to come here, and we do not get it accomplished. It should be a perfect marriage, and it does not happen.

So what is needed, we needed a streamline visa approval, one that works, and in our case with poultry processing, a lot of people say, "Well, why don't you automate?" We are, and we are doing it, but we need people now. The automation takes time. It is expensive. We need people now, and there are people that want to come here.

Again, referencing West Liberty Foods, we utilize two government programs to monitor our employees. One is E-Verify, and the other one is the IMAGE program. They work great, but we need people.

Senator DURBIN. I get the same message back from the restaurant industry, hotel industry, nursing home industry. This notion that we ought to just close our borders, we are done, we do

not need any more legal immigration in this country is wrong, and it is unfair. So I hope that folks in the agricultural side will speak up.

Let me raise an issue, if I can, that has not been raised and is kind of rare in this committee. There is a conversation under way in some parts of America about global warming and climate change, and I have engaged my farmers in Illinois to join in the conversation.

Now, most farmers and Farm Bureau, for example, and other groups come see me and start off by saying they do not trust the Environmental Protection Agency. They think they are mettlesome and get in the way of sound agriculture.

Yet, I will tell you 20 years ago, there were not many farmers who could predict if they could set aside a 20-foot by 20-foot patch on their farm and put up a wind turbine and make several thousand bucks a month as part of the solution to the climate crisis we face.

What kind of conversation is under way when it comes to livestock and the future when it comes to climate change in terms of waste and manure management or rotational grazing? Are you in this conversation?

Ms. HOUSTON. Absolutely. We have a U.S. Roundtable for Sustainable Beef, where we talk about not only is beef production not part of the problem. It is part of the solution, not only because we have become more efficient—and I think as was alluded to in one of the testimonies, we are producing 33 percent more beef with the same number of cattle as compared to 1970 but also the carbon sequestration that is done by our grasses. If that all is taken into effect—and our own EPA said that beef cattle account for less than two percent of the greenhouse gases. If we take into effect the grasslands that our cattle graze on, our livestock graze on, as well as all the land that we use that is not useful—it is marginal land or just totally unsuitable for something else and a cow with their four-compartment stomach can take it and convert it into high-quality protein.

So, certainly, in the beef industry, we have this conversation all of the time and want the rest of the world to know that we are part of the solution.

Senator DURBIN. Thank you, Mr. Chairman.

Chairman ROBERTS. Thank you, Senator, for raising such pertinent issues that we all have to face.

Coop, you are up.

Senator THUNE. Thank you, Mr. Chairman, and thank you, Ranking Member Stabenow.

Thank you to the panel for being here. As has already been pointed out, this is a tough, tough set of conditions for people in farming and ranching in addition to you have got difficult weather conditions, low commodity, livestock prices, market uncertainty, and this fire last month contributed greatly to that.

I have heard from a lot of ranchers who are concerned about the integrity of the cattle market following the fire. The fact that losing just one beef plant in the United States created so much volatility in the cattle marketplace, including decreased cattle prices for producers and increased beef prices to me is deeply concerning.

I think transparency in these markets is really important, and, Dr. Lusk, I will ask you this question. Maybe take it for the record so I can ask a couple other questions.

As we consider livestock mandatory reporting reauthorization, suggestions that you would have to improve accounting for the decreasing portion of cattle and hogs that are sold in negotiator cash markets, and then anybody else wants to comment on that, I would welcome it too.

Ms. Houston, Mr. Eaton, you both mentioned the Tyson plant fire that occurred last month in your testimony. Given your personal involvement in the cattle market, what are your thoughts about the volatility that followed that fire, and do you think that USDA's investigation into beef pricing margins is an adequate response, or are there other actions that we should be taking?

Ms. HOUSTON. I do. Immediately after the fire, NCBA certainly went to USDA and asked for their cooperation on a number of different issues. One was flexibility of inspectors, if needed, in different plants or over hours. We also asked for there to be immediate oversight from both the CFTC and USDA on what happened in the market, to be sure that things were happening.

So I do believe the Secretary. I have full-faith in his investigation that he is going to use not only the resources of USDA but possibly outside resources, such as Dr. Lusk and other market analysts, to find out what has happened, and then we can—once we know the facts.

There is a lot of emotion right now and a lot of people hurting. I think I really have faith that this investigation will bring out the facts of what did happen.

Senator THUNE. Mr. Eaton?

Mr. EATON. Yes. Thank you, Senator.

I think we should wait for the investigation and to see what they come up with, but I think there are some things we can suggest that they look into as well.

I know in my personal experience in feeding cattle, there was lack of transparency issues a few weeks after the fire that negatively influenced the cash trade, and that goes back to the recommendations the U.S. Cattlemen's Association are making in regards to the non-native division of mandatory price reporting.

I think we should not make these opinions on emotion and look at the facts, but not clearly defining the Packers and Stockyard Act definitions for what is a formula contract and what is a cash trade, how do we get more cash trade back into the market. These "bonus buys" or "top sales" where major, corporate feeders can get a dollar over the weighted average, where there is no account for premiums or discounts, it is just one dollar and I get all your inventory as a packer. That has been a problem, and that has taken the competitiveness out of the industry.

Senator THUNE. What is the cash market now represented as a percentage of the total?

Mr. EATON. Fifteen to 20 percent. You can take Texas, Oklahoma, for instance. You have 4-, 5,000 head out of 80,000 a week traded in the cash. We traded in the cash. So you just think about that as a businessperson, where if you have such a small number that can be influenced, that will influence the rest of the cash trade

or the formula base price, we need to have all the transparency we can get as producers.

Senator THUNE. Yes. Agreed.

Mr. EATON. We need a referee.

Senator THUNE. You spoke about—and I would tell you that like you, I was opposed to the repeal of COOL, Country of Origin Labeling, in 2015. You spoke in your testimony about a loophole that has allowed imported cattle or beef to be labeled products of the USA. What are your recommendations for addressing that loophole?

Mr. EATON. Yes. So my loophole is not about beef. It is about actually reporting live cattle, and I know it is a little bit confusing if you are not super familiar with it. Mandatory price reporting has two divisions—imported and domestic. The CME does not—in the feeder index—does not include imported feeders in calculating the feeder index, which is the price your ranchers are going to get paid off of. The live cattle futures contract does not allow foreign-born fats to be delivered against the contract.

As a producer, I have to sign an affidavit attesting to the fact that they were born and raised in the U.S.

So what is happening today, USDA does not report in the domestic trade, these imported feeders that come into Nebraska, Texas, wherever, and get fed to slaughter weight, they do not report them separately. So these imported feeders, even though they are not able to be delivered against a contract, are influencing the price for the producers in South Dakota, and I will tell you they are influencing negatively.

So that is why we need this new division. It has been a loophole since the inception of Mandatory Price Reporting, and like I told the Chairman, in 2015 we had several other industry groups wanting to look at this. We have come with a specific answer on how to fix it.

Senator THUNE. All right. Good. Thank you. We will take that to heart.

Mr. Chairman, thank you.

Chairman ROBERTS. Senator Braun?

Senator BRAUN. Thank you, Mr. Chair.

I have been involved in agriculture for a long time. I was a turkey farmer or half owner of an operation from 1979 to 2012, recently a part owner of a registered cattle herd and found out how hard it was to fatten out pigs back in the early 1980's. I probably lost more money in a short period of time back then when it was a deer, as now as well, but I remember the hard lesson.

Chronic overproduction of row crops in this country, to me, there are so many issues besetting farmers, especially since many where I am from, Southern Indiana, have specialized either in livestock or poultry production or even row crop production. Many of the farms that did several things seem like they are specialized.

I am worried about the status of the family farm, simply because it is being challenged in so many directions. Never before have we had acres come on stream like they are coming on in all continents to compete with soybeans and corn. Livestock and poultry production may be a new trend where many that specialized only in growing beans or corn—of course, there is not much wheat production

in a lot of places in our country now. That market has been chronically oversupplied.

Do you think the transition can be made for many grain farmers to get back into the livestock or poultry business as a way to get a better return on their time and their acres?

I am just curious. I am looking for answers because input costs are historically high. All of a sudden, all the folks selling this stuff are now owned by fewer and fewer large corporations. Those prices do not seem to come down.

I do see low grain prices for a long, long time, which may be a way to make money on the farm by walking it off the farm or feeding it to poultry.

I think I would like to start with Dr. Lusk. What is your thinking on how farmers migrate through the current troubles? Anyone else that wants to weigh in.

Mr. LUSK. Well, certainly there is a lot of difficulty out there in the farm sector right now, and to kind move a little bit away from specialization, in some ways, it makes more sense if you have a hog or poultry operation on a corn and bean farm. It acts as sort of a natural hedge because when those prices are low, your input costs go down for your livestock or poultry operation. So that makes some sense.

One thing that fights against that is—one of the reasons farms have become more specialized over time is just increasing sophistication of all of these sectors, the ability to understand all the dynamics and be able to adopt the latest technologies.

I think it has been one of the reasons that all of us here have talked a lot about trade is if we are going to have the high levels of production here, one answer is higher consumer demand. As I mentioned, it is not like population—

Senator BRAUN. Which is always tricky creating that.

Mr. LUSK. That is right.

Population does not look like it is going to grow exponentially here in this country, and so the other driver there would be income. I think that is an important component here, particularly when we are talking about meat consumption. Generally, across the world when incomes grow, this is one of the first things consumer add to their diets. So just thinking about ways we can increase economic prosperity across the globe is one—

Senator BRAUN. The other side of the equation would be on the supply side, and like everyone who is raising something, to comment, are we the low-cost producers of pork and turkey and cattle? When you go through markets that are tough, that is always your protection. You do it better than your competition.

I would love to hear how we stack up against our international competitors.

Ms. HOUSTON. Certainly, in the beef industry, we are the gold standard with the efficiency that we have. A lot of us came through college with animal science degrees or ag degrees, that was the whole goal is to become more efficient. We are, and we can produce our high-quality beef quicker and better, just like I talked about with so many less cattle, the same amount of beef on the market.

As to your thing about using the grain, I think we do have farmer feeders that certainly use that. I have some of my customers

that they made the decision this year to feed cattle, and it is a year-to-year decision. So it does give them one more option as they look at how they market their grain, whether it is through cattle or whatever. It has its challenges, as Dr. Lusk said, but it is an option. The diversity is usually not a bad thing on the farm.

Senator BRAUN. How about the turkey business? Do we produce turkeys more competitively than anyone else?

Mr. KARDEL. Well, I guess the best answer to your question is when the markets are open, we are able to export to other countries. So, obviously, we are competitive or we would have no exports.

To your question about the specialization of farmers, my opinion is, as a farmer, I think that has happened since we got here, since the first person landed in this country. The number of farmers has been shrinking ever since, and I think it will continue to. I do not think it is a bad thing. It frees up the citizens to do other things, whether it is engineering or medical or whatever. I think it is an evolution. Can it go to zero? No, but—

Senator BRAUN. Thank you.

I am out of time. I would invite any one of you to engage my office to where we could talk about it more in detail. I would love to hear more with less of a time constraint.

Thank you.

Chairman ROBERTS. Thank you, Senator Braun. Thank you for your firsthand experience and reiterating that.

It is now my privilege to recognize the distinguished president pro tem, the Chairman of the powerful Finance Committee and a terribly important person here on the Agriculture Committee.

Senator GRASSLEY. I suppose I should recognize the wisdom of the Chairman by inviting two Iowans, representing 88,000 Iowa family farmers to come and give their testimony because we lead in agriculture. So thank you for your wisdom.

Chairman ROBERTS. I may take your time back if you do not quit.

[Laughter.]

Senator GRASSLEY. Three questions. One to Ron and one to Mr. Thiele and also to you. I am going to start out with Ms. Houston.

Could you speak more about whether there are specific changes that need to be considered in the next CFTC reauthorization to make sure that the CFTC has the appropriate flexibility to fairly regulate transactions by everyone from small farmers to big operators?

Ms. HOUSTON. I really cannot speak to specific changes. We just value the role of CFTC to provide that oversight for our markets.

Senator GRASSLEY. I will accept that answer since you do not have any suggestions, but I have heard from cattlemen in Iowa about the problems of all the trading that goes on in the last half hour of a day and some people having some advantage over other traders as well, so that is the reason I asked that question.

Ms. HOUSTON. Well, we did have a two-year working group that worked with both the CME and the CFTC on a lot of these problems. We solved a few of them, and some of them, I think, are just—certainly on futures market, how trading goes on, it is just a very different world than it was when we had pit trading.

So we have looked at this, and we also hear from our members all the time about this issue and how it can be better.

Senator GRASSLEY. Well, let me followup on that. Have you through your study of your association came to the conclusion that nobody has a fair advantage over anybody else?

Ms. HOUSTON. During our study, we found no wrongdoing. We asked the CFTC very specifically to look into that. It is volatile—that was really sort of the key of the study, the working group at that time, was the volatility of the market, and no wrongdoing at that time was found.

Senator GRASSLEY. Ron, it has been three years since—I think it has been three years since we had all these deaths because of high path avian influenza. So we ought to review whether or not the government is ready for another one.

In your experience, what did the government do to be helpful, and what do we need to do better? Do you think we are on a path to doing better if we have another outbreak?

Mr. KARDEL. I think we are on a path to better. Yes. If nothing else, we had a learning experience in Iowa, and the animal disease preparedness bill helps in that regard.

As you know, Senator, being in Iowa when millions of animals are dying, it is not a pretty sight. So what we need—and it is being established are labs throughout and laboratories that can be taken to the site so the disease can be identified immediately. Along with that would be equipment, whether it is to disposal or whatever, and the ability to transport that equipment where it is needed, when it is needed in a timely fashion.

I think the thing we learned the most especially in Iowa was that a rapid response is the most important. There was too much delay in making decisions from the government to put the animals down, and the sooner the animals were put down, the quicker the disease subsided.

We will need further research in regards to disposal techniques, whether there is something new, something better, and learn how these diseases got here, how they evolved. How do we get ahead of them, whether it is the avian influenza or, for example, salmonella, which is everywhere? We need to study its effects, how it is here, how we get in front of it and minimize it to the greater extent.

Senator GRASSLEY. Trent, trade is important not only for your industry but for all of Iowa agriculture, and foreign disease outbreaks would cutoff our markets and have cutoff our markets. It would be devastating to the rural community.

In your experience, let us say with Porcine diarrhea or African swine fever running rampant in China, what did the government do to be helpful, and what do we need to do better?

Mr. THIELE. Okay. Some of the things that we can improve on would be our FMD bank, vaccine bank. That would be a very important tool for us producers in case we would get foot and mouth disease here. There is vaccine already for foot and mouth, but we do not have nowhere near enough dosage to cover all of our animals in the United States, and to add 600 ag inspectors at our borders to help inspect the containers of meat products or foot products coming in or even some of our feed products coming in.

Then one more thing I had was our gene editing is a tool that we are having come forward. It will allow us to edit some of the faults of the animals out, so they are not susceptible for certain diseases, and it will also decrease the need for some of the antibiotics. Those are three of the important things that we can be doing different.

Senator GRASSLEY. Thanks to the three of you for having a dialog with me.

Mr. Chairman?

Chairman ROBERTS. Senator Hoeven?

Senator HOEVEN. Thank you, Mr. Chairman.

I want to begin with Mr. Pfliger. Thank you for being here, a producer from North Dakota.

With regard to the livestock, in regard to raising sheep and the Ag Market Service, I guess they are no longer publishing lamb formula purchases because of the concentrated market, and so the suggestion from AMS is to release a comprehensive report that would produce the price based on various reporting attributes.

Is that something that you think would be helpful? Do you have other recommendations? What would be helpful in that regard?

Mr. PFLIGER. We did support that recommendation, like we talked about for the 2015 reauthorization. We supported the threshold lowering as well.

We also talked about posting the price data in arrears so that it would not influence the market so much; in other words, a little bit later timeline on that. Those are the things that we did support.

We always are on the verge of losing this because we have such a few players in the lamb industry market, so it is very, very important to us.

We also looked at other ways, instead of the 3/70/20 rule proposing, I think Joe Parcell and Glynn Tonsor who may have worked at Texas A&M did a study for us about confidentiality solutions moving to the 3/80/20 or something like that, so to increase the level of participation for the reportable parties.

Senator HOEVEN. Also, you mentioned in your testimony that EPA has decided to reevaluate the compound sodium cyanide to control predators, and I understand that is important in the sheep industry. What are some of the consequences you would face if it is not available, and how do you ensure that you have proper wild predator control while also protecting humans and domestic animals?

Mr. PFLIGER. Well, it is currently under reevaluation. It is an important tool. Sheep producers carry the water on this important issue every year. For Wildlife Services funding, we have a coalition of 200-plus organizations that sign on to a letter.

I explained to the lady yesterday, I did a TV interview for Gray media, that if you have a female coyote who is denned up and happens to be whelping pups at the time that you are lambing and she is killing 14 to 15 of your lambs every week to feed her pups, that is a huge economic impact on you.

So these tools are only utilized on predators that are problem predators. We utilize all kinds of non-lethal predator control throughout our industry, but this one is just a tool that is utilized

to control those real problem predators that continue to damage us during our most vulnerable times of the year.

Senator HOEVEN. Thanks, and thanks for being here as well and representing the industry.

This next question is for Ms. Houston and Mr. Eaton. All the time, we hear about the challenges of transparency and competition in the cattle industry, particularly in terms of, obviously, buying and selling cattle. What are your recommendations to address it? What are the solutions?

Obviously, we have been talking about it here this morning, and it is a real concern right now in terms of what is going on for our cow-calf producers and so forth. What can we do so that there is competition and transparency in a way where we feel the markets are working, and that the producer can have confidence in the markets?

Ms. HOUSTON. Well, first of all, there are different parts of the market. There are different levels of transparency.

We own a livestock option market. So I am certainly a proponent of transparency, and that is the number one way that you get transparency is an option-type system.

There are a lot of regional differences. Our Southern Plains, there are more formula cattle, but a lot of them are happy with it.

As part of the working group I mentioned, there was a fed cattle exchange that was started to try to sell more fed cattle at auctions at a larger cash price. It basically has not gone very far because of lack of participation from farmers and ranchers. So it is not a one-size-fits-all solution. If I had a solution, I would have offered it a long time ago. It is something we need to look into, and we look forward to what USDA is going to find out.

Just to be honest, our industry has not 100 percent agreed on what the solutions are and how much transparency is needed.

Senator HOEVEN. That is a really good point you finished on. It would help us help you if you all could kind of get together in that regard, right?

Ms. HOUSTON. Well, we are independent farmers and ranchers. That is why we do what do. We do not agree on a lot sometimes.

Senator HOEVEN. I know it. I love that about them, and so does our Chairman. We love the independence of our ranchers, but it would be good if we could get together on some good solutions.

Your turn, Mr. Eaton.

Mr. EATON. Senator, thank you.

I talked earlier a couple times about the 2015 Congressional Research Service where several of the major industry groups were together on looking into the problems with imported cattle and the discounts that affect the price for U.S. cattle producers and how it is reported in the USDA reports for lowering the weighted average. That would bring a tremendous amount of transparency.

As far as competition, in the feeder cattle side, we have tremendous competition. As a cattle buyer, you see it every day. Ms. Houston sees it in her sale barn.

In the live cattle side, we do not see it because we have not defined the rules in the Packers and Stockyards Act—or definitions in the Packers and Stockyards Act to where these formula contracts that are put together by packers that do not account for pre-

miums or discounts but tie up tremendous amount of inventory take the packers out of the competitive situation. That is one thing that packers have told me after the run-up in 1913 and 1914, that they do not want to be in a competitive situation. That is why they want to put this inventory in their pocket, so they do not have to compete next week against another packer.

In our situation in western Nebraska, Colorado, like I said before, we will have mainly one packer in the market every week, so that is not competition.

So those are a couple of things we can do together to answer those questions.

Senator HOEVEN. Have the Cattlemen's Associations worked to try to come together on some recommendations? Because I think that would be helpful.

Mr. EATON. Mandatory Pricing Reporting is up for reauthorization this year, and that is why we have come with these solutions.

Senator Braun—or I am sorry—Senator Grassley talked about his producers getting worried about the futures and how they are traded. We recommend a speed bump, a time delay to give us a level playing field.

You are right. There are different interests in the industry, and quite frankly, U.S. Cattlemen's Association is representing those participants in the industry that are Schedule F taxpayers, people that are not stakeholders. They have everything invested, compared to somebody that is in a W-2 situation at a different end in the industry.

So that is where we are going to have difficulty coming to these conclusions. I will tell you what, there is a tremendous amount of frustration back in Montana and North Dakota about not seeing things happen in the way that benefit those that pay in a Schedule F.

Senator HOEVEN. Yep. That is why I asked the question.

Mr. EATON. You bet.

Senator HOEVEN. Thank you.

Chairman ROBERTS. Senator Boozman?

Senator BOOZMAN. Thank you, Mr. Chairman, and thank you and Ranking Member Stabenow for holding this important meeting.

I asked the team to tell me exactly what was going on in Arkansas in regard to animal production. Sixty percent of the cash sales in Arkansas are animals and animal products. We are a pretty big ag State and do lots of different things. We are No. 2 in broiler production, No. 3 in catfish production, No. 5 in turkey production, No. 11 in beef cattle production, with over 28,000 farms just in that area. So it really is a very, very important topic.

Dr. Lusk, in your testimony, you mentioned several headwinds that livestock and poultry sectors are facing. Where do you see the opportunities?

Mr. LUSK. Not to beat a dead horse, but some of the trade issues are opportunities in area where we project to be increasing population growth and income.

Senator BOOZMAN. What would those be specifically?

Mr. LUSK. Yes. I mean, I think before some of our—before the most recent years, China was largely viewed as one of those areas

that was both increasing in population and income and so was viewed as a large market opportunity there, but Sub-Saharan Africa is where we are going to expect most of the population growth and they need an income that can support high-value protein in their diet. So I think that is going to be a challenge.

One thing we have not talked a lot about here so far is the other way to compete is on quality. We tend to think about beef or pork or turkey as a single commodity, but they are not. There are different qualities we can produce, and that is a margin of competition that I think will be increasingly important in the United States as consumers have incomes that can support satisfying their own wants and desires out of the food system. There will be opportunities for producers to provide niche products, particular qualities, particular market segments. So I think that is an opportunity for different areas of meat and livestock, poultry sectors.

Senator BOOZMAN. In your testimony, you mentioned that the livestock mandatory reporting must continue to modernize as the industry changes. What suggestions do you have for us at the committee level to look at we reauthorize that statute?

Mr. LUSK. So I do not have anything specific to suggest, other than looking at some of the changes that have happened in the past as new products are brought online that were not anticipated when the acts were reauthorized, the ability to respond to those new products as they come in.

I think Mr. Eaton has mentioned some issues, even on different kinds of cattle that maybe you did not think about at the time, and to the extent there could be flexibility built in and the ability to respond to some of those changes that are not anticipated, that we do not know about right now, but we know the industry is going to change. We know that new products will be innovated. We know there will be different qualities. How can we report prices on those in the future? So I think that is my general recommendation is to think about ways you can build in some flexibility to respond to things we know that are going to be different three or four years from now.

Senator BOOZMAN. Very good.

Ms. Houston, you mentioned in your testimony that cattle farmers and ranchers need more tools to control predatory birds during calving season. This is a huge issue in Arkansas, and I am sure around the country. Could you, and Mr. Eaton perhaps, comment? We discussed it a little bit with Senator Hoeven with sheep and things. Can you comment on what those tools should be? Any ideas?

Ms. HOUSTON. I guess when I say tools, I mean flexibility, permitting things such as that. We have got over 100 black-headed vultures on our farm. They just wait to look for that vulnerability. It is a huge problem in Tennessee and Arkansas.

So I think the access to speedy permits. We can get permits, but you have to prove ahead of time that you have exhausted all non-lethal possibilities, and meanwhile, as you know, calving season, we have worked hard to get them in a very small defined time. So calves are coming quickly, and this is happening quickly. So it takes a long time to get a permit, even though some of our farm bureaus have stepped in and gotten blanket permits. It still is a

time. So we need something, because the paperwork is not going to save our calves. We just need a quicker way to do what we need to do and not a cap on what we do because a lot of that depends on the population of vultures on your farm. Getting rid of five out of a hundred is probably not going to help me a lot.

Senator BOOZMAN. Mr. Eaton, I do not know if you all have the vulture problem. I know you have got similar problems.

Mr. EATON. We have got a little different problem than vultures, Senator. We have bears and wolves. They are starting to move out of western Montana and eastern Montana.

Senator BOOZMAN. The vultures are vicious.

Mr. EATON. Right. We have customers in Florida, and they tell us that it is not a very good deal.

Senator BOOZMAN. It is huge.

Mr. EATON. If we go back to mandatory pricing reform for a second, another situation we can look at doing, that we need to do, is we do the weighted average on the cattle to trade in zero to 30 days, given that they are reported in zero to 14 and 15 to 30. We should only be reporting, for transparency purposes, the cattle that are traded in zero to 14 days, because that is more accurate and timely and what the producer is going to get.

We need to really look at changing this, because as the industry has changed, there is more cash trade in the North. Wyoming, South Dakota are not included today in the five-State area weighted averages, and that is something that I would suggest this Committee look into and add them in there because that is where the cash trade is taking place.

Senator BOOZMAN. Very good.

Thank you, Mr. Chairman.

Chairman ROBERTS. That will conclude our hearing today. Thank you to each of our witnesses for taking time to share your perspectives on issues of importance to the livestock and poultry sectors. This has been a very informative hearing. I want to thank each of you again for taking time out of your valuable schedule to come and offer suggestions to us. They have been good suggestions. You have been very responsive, and I truly appreciate it.

To my fellow members, we would ask that any additional questions you may have for the record be submitted to the committee clerk 5 business days from today or by 5 p.m., on Wednesday, October 2.

The committee is adjourned.

[Whereupon, at 11:55 a.m., the committee was adjourned.]

A P P E N D I X

SEPTEMBER 25, 2019

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Testimony
on behalf of the

National Cattlemen's Beef Association

with regards to
"Perspectives on the Livestock and Poultry Sectors"

submitted to the
United States Senate Committee on Agriculture, Nutrition and Forestry
Senator Pat Roberts, Chairman

submitted by
Jennifer Houston
East Tennessee Livestock Center, Sweetwater, TN
President
National Cattlemen's Beef Association

September 25, 2019
Washington, DC



Chairman Roberts and Ranking Member Stabenow, thank you for allowing me to testify today on behalf of cattle producers across this great nation. My name is Jennifer Houston, currently I serve as President of the National Cattlemen's Beef Association (NCBA). My husband Mark and I are cow-calf producers and own and operate East Tennessee Livestock Center in Sweetwater, Tennessee. Over the years we have participated in every aspect of the cattle industry except for owning a feed yard or packing plant.

Mr. Chairman, I would like to start by thanking you and other members of this committee who have been helpful over the last few weeks as we have dealt with the recent fire at the Tyson Plant in Holcomb, Kansas. We also support the work of Secretary Perdue and look forward to the results of the United States Department of Agriculture (USDA) investigation. All these efforts show that Congress and the Administration understand this plant was a vital component of the beef supply chain, and we appreciate your help in securing a quick response and assistance from USDA and the Commodity Futures Trading Commission (CFTC). This situation in Kansas highlights the importance of both interagency coordination and the need for Congress to give agencies the regulatory tools needed to respond to these issues in real-time.

This is the reason why NCBA strongly encourages the Committee to continue its work to push for a much-needed CFTC Reauthorization and a timely Mandatory Price Reporting Reauthorization. These agencies are vital to having functioning cattle markets for our producers across the nation. NCBA strongly supports Mandatory Price Reporting (MPR) and appreciates the work that USDA employees do every day to provide the cattle industry with market data that assist our members in making sound business decisions. We're currently updating our policy for this issue as we await USDA to conclude their study on the current 5-area reporting regions and with those findings, we will then work on advocating for sound enhancements that are backed by research. This is perhaps the most studied MPR reauthorization we have seen, and it shows that we want facts to drive the decision making, not emotions. NCBA continues to receive our policy directly from our members at the grassroots level across the nation. We work to paint the entire picture which requires us to also coordinate effectively with industry participants, congress, and federal agencies to ensure our positions are the best for the market to thrive. Mandatory Price Reporting has always had a consensus approach to its reauthorization and NCBA hopes that it will continue to work in that fashion to achieve what is best for the livestock industry. NCBA's goal is to have Mandatory Price Reporting policy that is driven by verifiable facts and not formed by speculation of possible "what ifs".

NCBA and its members also appreciate your continued help in asking the Department of Transportation (DOT) to provide flexibility under Hours of Service (HOS) for the cattle we are still trying to move to other packing facilities in the wake of the fire. Unfortunately, DOT has yet to grant NCBA's HOS flexibility request to further assist moving these cattle. The pressures created by recent events illustrate why NCBA has and will continue to push for flexibility in Hours of Service from DOT for livestock haulers across this country who need flexibility when hauling live animals.

While the domestic market continues to be the dominant source of our livelihood, the future growth of the U.S. beef industry relies on competitive market access to a growing global

consumer base in areas such as Asia. In 2018, we sold over \$8 billion of U.S. beef to foreign consumers, with one-quarter of those sales coming from Japan. While demand for U.S. beef is strong in Japan, we cannot remain competitive if the restrictive 38.5 percent tariff remains in place. For this reason, NCBA strongly supports President Trump's effort to level the playing field in Japan with a bilateral trade agreement and we hope that agreement is implemented as soon as possible. Likewise, the Chinese market holds a lot of promise for U.S. beef exports, but not until we resolve the retaliatory tariffs and remove the non-science-based trade barriers on U.S. beef. We also still need Congress to ratify the U.S.-Mexico-Canada agreement (USMCA) as soon as possible to send a message to the rest of the world that the United States is open for business.

NCBA strongly supports passage of the USMCA because it allows U.S. beef producers to continue being the dominant source of beef in North America by having duty-free, unrestricted access to a strong consumer base in Canada and Mexico. Additionally, it ensures continued protection from failed policies like Mandatory Country-of-Origin Labeling (MCOOL).

Implementation of the 2018 Farm Bill is also very important to cattle producers and we appreciate Congress' support for the creation of the Foot and Mouth Disease Vaccine Bank (FMD Bank) and support for voluntary conservation programs. It is also important that the recently released sources sought process for the FMD Bank moves efficiently but expeditiously. We are now a year into implementation of the 2018 Farm Bill, and another day without the United States FMD vaccine bank is another day of uncertainty for our producers. We will continue to stress to USDA the importance of getting the FMD bank up and running as quickly as possible to better protect our industry from foreign animal disease which remains a constant threat to our producers.

In 2018, NCBA adopted policy to establish clear parameters regarding use of the term beef. Our members work hard each and every day to produce a safe, affordable and nutritious protein, and we firmly believe the word beef should be reserved for products derived from actual livestock raised by farmers and ranchers. That said, this issue is about far more than just nomenclature. Our efforts on alternative protein products, or what we at NCBA refer to as "fake meat," is about one main goal: ensuring sensible regulatory oversight so that all protein products can compete on a fair and even playing field.

NCBA's advocacy efforts in 2018 focused on cell-cultured products which have yet to enter the market. We were pleased to see USDA and the Food and Drug Administration (FDA) announce a dual-oversight agreement late last year. Under the framework, FDA will oversee cell collection, cell banks, and cell growth and differentiation. USDA will oversee the day-to-day production of cell-cultured meat and poultry products, nomenclature and labeling decisions, as well as any post-market activities like product recalls. NCBA believes that moving forward, both agencies must do their due-diligence to ensure these products are safe for consumption before market entry. Further, all major decisions should be made in a transparent manner that is science-based and allows ample opportunity for public input. To that end, we remain committed to working with both USDA and FDA moving forward.

Regulatory overreach is another area of critical concern for our industry. According to our members, 95% of which are family-owned businesses, regulatory compliance can consume as much as 40 hours of their work week. That is why regulatory reform has been of such great importance to NCBA and we are pleased to see the progress being made in areas such as the Waters of the United States (WOTUS) and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

Earlier this month, the Environmental Protection Agency (EPA) finalized its repeal of the 2015 WOTUS Rule after federal courts found it illegal under the Clean Water Act and Administrative Procedure Act. After nearly four years of fighting in the courts, at EPA, and on Capitol Hill, vital property rights have been restored to cattle producers and landowners across the country. However, this victory was not achieved without support from Capitol Hill – thank you for continuing to reiterate Congress’ intent when it comes to the Clean Water Act’s application. EPA’s revised definition for “waters of the United States” will protect the nation’s water resource while simultaneously allowing cattle producers to do their jobs effectively. NCBA submitted substantive comments to EPA, outlining its support for the revised definition, in addition to specific recommendations. We look forward to the new rule’s finalization.

While WOTUS is certainly a top priority for cattle producers, equally important remains the protection of vital farm location information. Following a decision from the D.C. Circuit Court that manure emissions from routine agricultural operations were subject to hazardous waste reporting requirements under CERCLA and the Emergency Planning and Community Right-to-Know Act (EPCRA), the location data of nearly 200,000 livestock operations was put in jeopardy. Congress was extremely helpful in ensuring that livestock producers are not subject to needless emissions reporting requirements under CERCLA or EPCRA – last year’s passage of the FARM Act is a true example of bipartisan cooperation.

Another issue that has been of great concern to our cattle producers is avian predation on livestock. Birds such as black vultures (of which there are 4.6 million currently in the U.S.), ravens, and double crested cormorant—all protected under the Migratory Bird Treaty Act—prey on livestock during calving, often killing calves before delivery is complete. The loss of newborn animals is emotionally and financially traumatic and indemnity programs, where applicable, do not provide adequate compensation for losses. The U.S. Fish and Wildlife Service does issue depredation permits to affected farmers and ranchers, but the terms of the permit usually do not allow producers enough flexibility to protect their cattle herd. Simply put, our producers need more tools to control these exploding populations on their operations.

On behalf of all cattle producers, thank you for allowing me to testify today. NCBA looks forward to working with each of you in order to help the beef industry and our cattle producers continue to thrive. I hope that today’s hearing focuses on how we can continue to work together to support our cattle producers.

**Testimony of Ron Kardel on behalf of the National Turkey Federation
September 25, 2019**

Good morning, Chairman Roberts, Ranking Member Stabenow, Senators Ernst and Grassley and members of the committee. Thank you for the opportunity to share the turkey industry's perspective today.

My name is Ron Kardel, and I'm a turkey farmer from Walcott, Iowa, and Vice Chairman of the Board for West Liberty Foods. On my farm, we raise about 4.2 million pounds of turkey each year and grow corn and soybeans as well. For me, raising turkeys is a family business. I've been around the turkey industry since 1979 and currently farm on my family's homestead which dates to the 1850s. We are one of more than 40 farmer operations that supply turkeys to West Liberty Foods, a grower-owned cooperative in West Liberty and Mt. Pleasant, Iowa. West Liberty also has two additional facilities in Bolingbrook, Illinois, and Tremonton, Utah. West Liberty Foods was formed in 1996 and has grown from its humble roots, when we received a federal loan guarantee to purchase our plant and open our doors, to today processing 22,000 turkeys per day and employing more than 1,500 people in Iowa with an additional 1,100 employees in Utah and Illinois.

I also serve as the Vice Chairman of the National Turkey Federation, which represents the entire U.S. turkey industry from farmers like me to processor companies and our industry partners as well. Last year, more than 244 million turkeys were raised in the United States, and USDA's latest data projects that turkey meat production will reach 5.8 billion pounds this year, similar to where we were in 2018. In total, the turkey industry generates nearly 441,000 jobs. As the industry continues to recover from the avian influenza outbreak in 2015 and gain access to new markets for turkey, we are also working to find more ways to remain competitive and meet consumer demands in a crowded protein field. After all, while turkey may have its big day on Thanksgiving, it's a great protein source year-round. I see significant potential for the turkey industry's growth in the near future, but we need to make sure policies coming out of Washington that affect agriculture and food manufacturing are common sense and preserve rural America's ability to thrive. That's where we need your help, and we look forward to working with Congress, and this committee, to address these issues.

Exports

After several years of recovery from the loss of export markets due to Highly Pathogenic Avian Influenza (HPAI), the turkey industry is now back up above 10 percent of its products that are being exported, and trade continues to play a more

critical role in our industry's ability to grow profitability. Now more than ever, the turkey industry needs our government's assistance opening closed markets or those markets that are open and prohibit U.S. turkey imports in other ways. We are pleased to report that almost all markets that were closed due to the 2015 HPAI outbreak have reopened, but we still lack access to some very critical markets, such as China, as they continue to block U.S. poultry entering the market. We are encouraged and hopeful that the ongoing trade discussions will yield a successful return – having this market available again will greatly improve current soft market conditions.

In 2019, if current trends continue, NTF members expect to export more than 623 million pounds of turkey to over 60 countries. We will continue working with our government to build relationships that benefit not only us but assist those importing countries in growing jobs through further processing and distribution of delicious turkey products.

To that end, the turkey industry continues to hold out hope for the passage of the U.S.-Mexico-Canada Agreement (USMCA). The turkey industry has a fantastic relationship with our business partners in Mexico and Canada and ratifying this agreement will only improve that bond. The agreement preserves access to Mexico, which is by far the largest export destination for U.S. turkey products and allows greater access for products going north to Canada as well. The agreement did not go as far as we were hoping given their supply management system for poultry; however, it is a modest improvement. It also achieves valuable concessions on sanitary/phytosanitary standards across the board. We can't stress enough the importance of Congress and the administration coming together on the agreement as soon as possible.

Additional markets that we are hopeful to improve access to are China, as previously mentioned, and India, which is still only nominally open even though we have been granted access.

Disease Prevention Through Monitoring and Rapid Response

In 2015, the poultry industry was devastated by HPAI, which exponentially reduced our export markets and forced the destruction of flocks throughout my home state of Iowa. Today, with the dangerous spread of African Swine Fever (ASF) throughout the world, we are reminded once again that we must be proactive in limiting our exposure to emerging diseases that are a constant threat. The global spread of HPAI and now ASF shows that no country is immune, and we need to be prepared with an adequate number of well-qualified response teams

who have the resources to work directly with animal agriculture to avoid these diseases through prevention first and foremost. The Farm Bill process created the forward-looking, mandatory National Animal Disease Preparedness and Response Program designed to limit the impacts of foreign zoonotic diseases on U.S. livestock and poultry producers. We are pleased that APHIS has moved forward with posting applications for cooperative agreements, and NTF is working with our state associations to make sure appropriate steps are taken to get those applications in on time. We need to stay focused on targeted efforts, in both monitoring and most importantly rapid response, that reduce the ability of foreign diseases to gain a foothold in this country, devastate our industries and wreck trade markets. The turkey industry appreciates the communication with APHIS on this front and looks forward to creating stronger, coordinated disease prevention measures with your assistance. It is much cheaper to practice the moniker “an ounce of prevention is worth a pound of cure,” and we will continue to ask for your assistance protecting our industry.

Immigration

The turkey industry, like the rest of the animal agriculture community, supports immigration reform that includes policies and provisions that will maximize benefits to the industry and ensure a strong and durable immigration system that meets the needs of the U.S. economy. The current system is broken, and we must find a way to modernize it for all involved.

Most turkey plants are located in rural, low-unemployment areas. To fully staff these plants, producers often recruit from outside of their local areas and in many instances must rely on immigrant labor. Existing guestworker programs target only seasonal, on-farm labor and non-agricultural manufacturing. We need workers in our plants year-round, and we stand ready to work with any and all parties to achieve a workable system. The turkey industry hopes that Washington can put the rhetoric aside and find a solution.

As mentioned earlier, the meat and poultry industry has the opportunity to grow and provide additional quality jobs, particularly if export markets can be improved, but we must have workers available to help meet new demands. Otherwise, it will be virtually impossible to capitalize on opportunities when the doors of new export markets are pushed further open. NTF members need better access to a pool of legal, general labor immigrant workers, and we support a visa program that addresses the needs of the meat and poultry processing industries. There is currently no single bill that provides a “silver bullet,” but it is time to resolve the immigration debate for the good all of America’s economy.

Research Priorities

Finally, the meat and poultry industries have been working with USDA, FDA and academia to find innovative ways to combat diseases and conditions that impact food safety and overall animal health. Food safety and animal welfare are our top priorities, and we have committed hundreds of millions of dollars to these tasks. But, the partnership of the federal government is important to us. There is considerable expertise at the Agricultural Research Service, and we simply encourage the federal government to continue committing – and if possible, enhance – resources to improving food safety and animal welfare. Research, modernizing inspections and a streamlined process for new technology approval is critical to maintaining the status of having the safest food in the world.

Once again, thank you for the opportunity to testify today on the state of the U.S. turkey industry and the issues impacting our businesses. I will be happy to answer any questions.



DEPARTMENT OF AGRICULTURAL ECONOMICS

**Testimony of Jayson L. Lusk, Ph.D.
before the
U.S. Senate Committee on Agriculture, Nutrition and Forestry
Hearing on "Perspectives on the Livestock and Poultry Sectors"**

September 25, 2019

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Chairman Roberts, Ranking Member Stabenow, and Members of the Committee, thank you for inviting me here today. I serve as Distinguished Professor and Head of the Agricultural Economics Department at Purdue University, and I will focus my remarks on six economic issues currently facing livestock and poultry industries: global protein demand and trade, mandatory price reporting, competition, labor, animal disease, and the need for innovation.

Population and income are two key drivers affecting demand for meat and poultry. Slow population growth and concerns about an economic slowdown indicate the potential for depressed meat demand in this country. Health, environment, and animal welfare criticisms, coupled with emerging plant- and lab-based competitive alternatives, are also significant headwinds.

These factors suggest that meat demand growth is largely expected to occur outside the United States. Having access to consumers in other countries has become increasingly important to the livelihood of U.S. livestock and poultry producers. The U.S. exported about 12% of beef, 22% of pork, and 16% of poultry production last year. It is in this context that trade agreements are important to help open markets for US producers to allow products to flow to consumers who value them most.

Some U.S. producers have expressed concerns about the competition from imports, but the U.S. is a net exporter of meat and poultry products, and the types and qualities of meat we import tend to differ from what we export. There have been some calls to renew Mandatory Country of Origin Labeling (MCOOL). Congress repealed MCOOL for beef and pork in 2015 to avoid more than \$1 billion in retaliatory tariffs after a protracted legal battle with other countries before the World Trade Organization. Our survey and experimental research suggests many consumers indicate they are willing to pay premiums for U.S. meat products; however, research also shows few consumers were aware of actual origin labels when grocery shopping, and analysis of grocery store scanner data did not reveal any significant changes in consumer demand for beef or pork after the implementation of MCOOL. Meat demand indices indicate, if anything, beef and pork demand has increased after the repeal of MCOOL. Cattle prices fell shortly after the repeal of MCOOL, but this is largely explained by an increase in cattle inventory that happened to coincide with the labeling policy change. To the extent consumers are truly willing to pay a premium for U.S. labeled meat that exceeds the costs of tracing and labeling, there remain opportunities for private entities to take advantage of this market opportunity.

The current authority for Livestock Mandatory Reporting (LMR) is set to expire in 2020. LMR was designed to improve transparency, facilitate market convergence, and reduce information asymmetries. Despite these laudable goals, academic research on impacts of LMR is mixed. Shortly after its initial passage in 1999, surveys of cattle producers suggest expectations about the impacts of LMR may have been overly optimistic. Some concerns have been expressed that LMR might facilitate rather than curtail anticompetitive behavior among packers. However, evidence indicates LMR helped facilitate integration of regional markets. It is important for LMR to continue to modernize and be agile in response to the pace of change in the industry. One challenge is the dwindling share of cattle and hogs sold in negotiated or cash markets, which typically serve as the base price in formula contracts. There are significant benefits to formula contracts and more producers are voluntarily choosing this method of marketing over the cash

market, but questions remain about the volume of transactions needed in the cash market to facilitate price discovery. A benefit of LMR is the massive amounts of data provided to economists and industry analysts to help understand these and other market dynamics.

Last month, price dynamics following a fire at a packing plant in Western Kansas renewed discussion about packer concentration and potential anti-competitive behavior. Concerns about anticompetitive behavior in general must be evaluated on a case-by-case basis, and details about this particular case are still emerging in light of simultaneous market dynamics that were also at play. Available evidence to date suggests the observed reduction in cattle prices and the increase in wholesale beef prices following the fire are not inconsistent with a model of competitive outcomes. An unexpected reduction in processing capacity reduces demand for cattle, thereby depressing cattle prices. The need to bring in additional labor to increase Saturday processing and temporarily repurposing cow plants for steers and heifers involves additional costs that pushed up the price of wholesale beef. These price dynamics are not surprising and are generally what would be expected from the fundamental workings of supply and demand.

In general, a lack of availability of labor at processing facilities and in transportation have proved significant hurdles for the sector. When processors are unable to secure sufficient workforce to operate facilities at capacity, there is the potential to reduce demand for livestock and poultry, which has much the same price effects witnessed after the Kansas fire.

I also urge the committee to pay close attention to emerging animal disease issues. African Swine Fever (ASF) in China has had a decimating impact on their hog herd and has increased their pork prices by almost 50%. The significant disruption to the Chinese hog supply has reverberated through global agricultural markets, reducing demand for U.S. soybeans and inducing substitution toward alternative proteins such as beef and poultry. While U.S. hog producers have been able to increase exports to China as a result of ASF, exports are not what they could have been had China not raised tariffs on pork. It appears that ASF is spreading beyond China. My calculations suggest that if an outbreak of ASF similar in relative magnitude to the one in China were to occur here, U.S. pork producers could lose about \$7 billion/year and U.S. consumer harm would be at least \$2.5 billion/year. ASF is not the only animal disease concern, and an outbreak of foot mouth disease, discovery of bovine spongiform encephalopathy (BSE), or a return of avian influenza or Newcastle disease could have similar devastating impacts. Thus, there is a need for additional funding for research to combat foreign animal disease.

There is also a need for funding to improve the productivity of the livestock and poultry sectors. Productivity growth is the cornerstone of sustainability. For example, had we not innovated since 1970, about 11 million more feedlot cattle, 30 million more market hogs, and 7 billion more broilers would have been needed to produce the amount of beef, pork, and chicken U.S. consumers actually enjoyed in 2018. Innovation and technology saved the extra land, water, and feed that these livestock and poultry would have required, as well as the waste and greenhouse gases that they would have emitted. Investments in research to improve the productivity of livestock and poultry can improve producer profitability, consumer affordability, and the sustainability for food supply chain.



Testimony of

Mr. Burton Pfliger

On behalf of the

American Sheep Industry Association

On the

Perspectives on the Livestock and Poultry Sector

Before the

**Committee on Agriculture, Nutrition and Forestry
of the United States Senate**

September 25th, 2019

Washington, D.C.

Introduction

Chairman Roberts, Ranking Member Stabenow, and members of the committee, thank you for the opportunity to speak with you today. I am Burton Pfliger, a sheep producer from North Dakota and past president of the American Sheep Industry Association (ASI). ASI is the national trade association for the U.S. sheep industry, representing nation's 100,000 sheep producers. America's sheep producers continue a strong tradition of supporting wildlife habitat, natural resources, and open space across the country – all enabled by careful resource management while grazing our flocks on private and federal lands.

The sheep industry is very broad and diverse, nationally accounting for an economic impact in excess of \$2.7 billion to the U.S. economy. I appreciate the opportunity to present our industry's perspective across a number of priorities:

Trade

ASI strongly supports the ratification of the United States-Mexico-Canada Agreement and urges Congress to act swiftly. We have seen the benefits of trade and have made major progress first with the reopening of Taiwan and most recently with the reopening of Japan to American lamb. We have also experienced first-hand the detriments of trade as over half of the lamb consumed in the U.S. is imported. The vast amount of imported lamb distorts traditional market signals to producers for expansion and muddies price discovery. We support fair trade on a level playing field, and as the Administration looks to negotiate future agreements with China, the European Union, the United Kingdom and others; we urge a cautious approach. We do not currently enjoy the ability to export U.S. lamb to many of these countries and most enjoy the benefit of direct or indirect subsidies to their sheep industry. We welcome the opportunity to compete, but we can only compete on a level playing field.

The current trade disruption with China has been tremendously challenging for our U.S. wool exports. Prior to the implementation of tariffs, 72 percent of U.S. raw wool exports and 80 percent of U.S. sheep skins were sent to China. Since the implementation of tariffs, we have seen raw wool exports drop by 85 percent and sheep skin exports drop by nearly 70 percent in value. Once a valuable asset, sheep skins now have either no value or more often result in a loss to producers at the processing level.

Continuing to build strength in the international marketing of lamb and wool requires a commitment to the promotion and export of U.S. wool to export markets through strong USDA Foreign Agricultural Service (FAS) Program funding. ASI is the cooperator with the FAS for American wool and sheepskins and finds success every year in securing customers through the Market Access Program, the Foreign Market Development Program, and the Quality Samples Program. In 2001, ASI relaunched an export program for wool and significantly improved the competition for American wool.

Mandatory Price Reporting

In September 2015, the President signed into law the Agriculture Reauthorization Act of 2015 which included an extension of the Livestock Mandatory Reporting Act of 1999 (MPR). Unfortunately for sheep, this reauthorization has not adjusted to changes in the lamb meat industry. Of particular concern is the implementation of current confidentiality rules of the U.S. Department of Agriculture which restricts the information available. Additionally, federal lamb price insurance products available to the sheep industry rely on the USDA price reporting. ASI is in ongoing discussions with USDA and the Agriculture Committees in the House and Senate to resolve this issue as the date for

re-authorization nears. Increased consolidation in the packing industry across livestock will continue to hinder producers' access to accurate price reports and we believe issues of confidentiality will need to be resolved sooner rather than later to preserve this program and the risk management tools that rely on it.

FDA Minor Use Animal Drug Program

It is also critical that producers have continued access to key technologies. We strongly support the Food and Drug Administration (FDA) Minor Use Animal Drug Program and its historic collaboration with USDA's National Institute of Food and Agriculture (NIFA). The targeted use of biologics and pharmaceuticals within a veterinary-client-patient relationship is key to our ability to maintain flock health and provide a safe wholesome product. We urge the creation of a mechanism for NIFA funding for minor use animal drug research through the Minor Use Animal Drug Program. We look forward to working with the USDA as they make funds available under Section 12101 of the 2018 Farm Bill to ensure sheep producers have access to critical technologies, many of which are currently being used with great success by our international competition, but not labeled for use in the United States.

Wildlife Services

Coyotes, mountain lions, wolves, and bears kill tens of thousands of lambs and calves each year. Livestock losses attributed to these predators cost producers more than \$232 million annually. For years, ASI has led the aggressive defense of livestock protection by bringing together a diverse coalition of supporters in the areas of aquaculture, aviation, forestry, livestock production, range/forage management, and state departments of agriculture to ensure the program's survival. Earlier this year, ASI led a coalition of 219 organizations to sign a letter supporting Wildlife Services funding.

Every dollar spent on predation management returns three dollars in livestock value saved. This has a tremendous impact on sheep and cattle producers and the rural economies they support. Predator management also supports abundant wildlife, hunting, and recreation activities on private and federal land. We applaud Congressional efforts ensuring USDA Wildlife Services is fully funded and has the resources needed to carry out their livestock protection program.

We are also keenly aware that the continued use of highly effective predator control products like sodium cyanide and sodium fluoroacetate (Compound 1080) is being threatened. These are the best available products for predator control; highly targeted, species specific, environmentally sound and humane. Despite enhanced guidance from USDA/APHIS/Wildlife Services on the use and placement of these tools and a track record of EPA approval, these products continue to come under attack. Currently, we are working with the EPA on the Administrator's announced "reevaluation" of the latest label review for sodium cyanide. We are concerned that this reevaluation, coming on the heels of the successful issuance of an Interim Review Decision by EPA, is not being driven by a science but rather as a response to pressure from those who oppose predator control. To remain in business, sheep producers need effective predator control and for states where it is approved for use, that includes the use of the M-44.

Bighorn Sheep in Domestic Sheep Grazing Allotments

Nationally, about half of all domestic sheep spend time grazing on federal lands, including rangelands managed by the U.S. Forest Service (USFS). Over the years, the USFS has been systematically removing domestic sheep ranchers from federal lands in the name of bighorn sheep management, despite the fact that there are reasonable, science-based solutions to accommodate

domestic sheep grazing while protecting the health of bighorn sheep populations. In mid-2016, the USFS announced that it may close some allotments in the Ashley National Forest and the Uintah-Wasatch-Cache National Forest in Summit County, Utah due to bighorn sheep concerns. This is being done without any offer of alternative allotments. In total, three allotments could be closed and a fourth allotment reduced. The ranchers on these allotments have letters from the USFS detailing that when bighorn sheep were introduced to the area, there would not be an impact to the domestic sheep population. There are many examples of these egregious actions.

U.S. Sheep Experiment Station (USSES)

The domestic sheep industry relies heavily on the work of the U.S. Sheep Experiment Station (USSES) and the Animal Disease Research Unit (ADRU). Both facilities work collaboratively and are critical components of the USDA's Agriculture Research Service. As our nation's only experiment station primarily dedicated to sheep production, the work carried out by these researchers and faculty are critical to our ability to remain productive and provide science-based evidence against flawed and biased studies on the range and in the area of animal health. In the past, administrative action has worked to limit the scope of these facilities. Such action not only threatens the viability of this resource for producers, but also threatens the USSES' unparalleled historic sage grouse data. We support the merger of the USSES and ADRU and encourage growth in their roles in food-animal science, rangeland systems, and animal health programs. These stations have a dedicated history of careful use of taxpayer funds to solve challenges for our producers and counter flawed information from those wishing to remove livestock and multiple-uses from our nation's public lands. We appreciate USDA's recognition in the role of the USSES as a critical part of our nation's agricultural research system and will continue to work with Congress, stakeholders and collaborators to build that resource.

Scrapie Eradication

Working collaboratively with USDA/APHIS and state partners, the American sheep industry has nearly eliminated scrapie from the United States. Official identification, surveillance, and traceability of both sheep and goats are critical to continuing and maintaining these efforts in order to preserve and enhance current and future export markets. Continued and increased funding of the National Scrapie Eradication Program must remain a priority to expand and build on export opportunities.

H2-A Temporary Agricultural Workers

The American sheep industry has a decades long history of a reliable, consistent, and legal workforce. Sheep ranchers depend on the H-2A shepherd program to help care for more than one-third of the ewes and lambs in the United States. To meet those needs, the industry has largely participated in temporary visa programs (in various forms) since the 1950s. As a result, sheep producers employ a legal labor force with an estimated eight American jobs created/supported by each foreign worker employed. A workable temporary foreign labor program is essential for the sheep industry including the special procedures for herding in any future legislation involving immigration workers.

Conclusion

Thank you for your support of the livestock industry and for allowing me to visit with you about our priorities.



Written Testimony of Iowa Pork Producers
Association President Trent Thiele on behalf of
the National Pork Producers Council on

**“Perspectives on the Livestock and Poultry
Sectors”**

U.S. Senate Committee on Agriculture,
Nutrition and Forestry

September 25, 2019



Introduction

NPPC is a national association representing 42 state producer organizations. It represents the federal policy and global interests of 60,000 U.S. pork producers. I am president of the Iowa Pork Producers Association, which has more than 4,000 affiliated and associate members. Iowa is the top pork producing state in the country and I am proud to be testifying on behalf of the U.S. pork industry.

The U.S. pork industry is a major component of the agricultural economy, and a significant contributor to the overall U.S. economy. In 2018, pork producers marketed about 124 million hogs, and those animals provided total cash receipts of more than \$20 billion. Overall, an estimated \$23 billion of personal income and \$39 billion of gross national product are supported by U.S. pork. The U.S. pork sector generates more than 550,000 American jobs.

The U.S. pork industry provides 26 billion pounds of safe, wholesome and nutritious meat protein to consumers worldwide. Exports are vital to the livelihoods of America's pork producers. New technologies have been adopted and productivity has increased to maintain the U.S. pork industry's international competitiveness.

Exports of pork add significantly to the bottom line of each pork producer and support approximately 110,000 jobs in the U.S. pork and allied industries. In 2018, U.S. pork exports totaled 5.3 billion pounds – valued at nearly \$6.4 billion. That represented over 25 percent of U.S. production, and those exports added more than \$51 to the value of each hog marketed, with the average price received for a market hog in 2018 being \$141.

U.S. pork producers are facing numerous challenges, including efforts to expand full market access to countries around the globe, punitive, retaliatory trade tariffs, a serious labor shortage on U.S. farms, efforts to combat African swine fever (ASF) and other animal diseases, and ensuring proper oversight over gene-edited livestock.

USMCA

Ratification of the U.S.-Mexico-Canada (USMCA) trade agreement is a top priority for U.S. pork producers. Last year, more than 40 percent of U.S. pork exported went to Canada and Mexico, and the two countries are expected to make up a large percentage this year as well. USMCA will strengthen the strong economic ties with our North American neighbors, and help ensure tariff-free trade on pork remains in place for the long term. Trade with Canada and Mexico provides significant benefits, including support for 16,000 U.S. jobs at a time when rural America is struggling. U.S. pork producers urge Congress to ratify USMCA, providing much-needed certainty in two of our largest export markets.

Japan

A successful U.S. pork industry needs market certainty and we were very pleased last month when the U.S. and Japan announced an agreement in principle. We are encouraged to see reports that, once implemented, it will place us back on a level playing field with international competitors in one of our most important export markets. Japan is the largest value market and the second largest volume market for U.S. pork exports, but we had helplessly watched as the EU and the CPTPP nations took market share away from us through more favorable access. We need the same market access our competitors have in Japan.

Dr. Dermot Hayes, an economist at Iowa State University, estimates exports to Japan will grow from \$1.6 billion in 2018 to more than \$2.2 billion over the next 15 years as a result of the United States pork industry getting market access in Japan as favorable as its competitors. As our industry continues to struggle with retaliatory tariffs in China, the promise of a trade agreement with Japan represents significant relief.

China

Mostly because of free trade agreements, the United States is the leading global exporter of pork. We ship more pork to the 20 countries covered by free-trade agreements than we do to the rest of the world combined. That's why NPPC has and will continue to devote so much focus to expanding export opportunities. While Japan represents positive news for our industry, we continue to be frustrated by the situation in China. The trade dispute with China is costing U.S. pork producers \$8 per animal, or \$1 billion on an annualized, industry-wide basis because of the punitive tariffs we face in China.

China holds more potential than any other market in the world for increased U.S. pork sales. There is an unprecedented sales opportunity for U.S. pork producers in China, as that country continues to battle the spread of ASF and experiences a major reduction in domestic production. Were it not for the retaliatory duties on U.S. pork, we would be in an ideal position to meet China's need for increased pork imports and single handedly put a huge dent in the U.S. trade imbalance with China too. Instead, this trade opportunity is fueling jobs, profits, and rural development for our competitors. While recent Chinese media reports have suggested tariff relief for U.S. pork, we need to remove market access uncertainty and level the playing field in the world's largest pork-consuming nation.

In addition to China, U.S. pork producers are seeking the elimination of tariff and non-tariff barriers in a variety of other export markets promising significant growth opportunity, including Australia, Brazil, India, Jamaica, the Philippines, Thailand, South Africa, and Vietnam to name a few.

Preventing Foreign Animal Disease

The prevention of foreign animal diseases that would cutoff export markets and exact catastrophic damage to the rural economy is another top priority for U.S. pork producers. The risk of African swine fever (ASF), a deadly animal disease affecting only pigs and with no human health or food safety risks, is growing, as outbreaks continue in Europe, China and other parts of Asia. There is no vaccine to quickly contain and eradicate ASF so prevention is critical.

NPPC has worked closely with USDA and U.S. Customs and Border Protection (CBP) to strengthen biosecurity at our borders and to broaden awareness of steps that should be taken on farms to protect the national swine herd. We appreciate the many steps taken to date by USDA and Customs and Border Inspection to guard against ASF and other foreign animal diseases, including more robust inspections, bolstering the "beagle brigade" and collaborating with Canadian and Mexican officials on a coordinated North American prevention response.

We think even more can be done. We ask for your support for appropriations funding for 600 additional CBP agricultural inspectors at our borders, bringing the total number to approximately 3,100. This staffing increase is vital, since the most likely path for a foreign animal disease to enter the country would be through the importation of infected animals or contaminated products. We are also pushing CBP to work with shipment companies to strengthen safeguards against illegal product shipments and advocating for the maintenance or increase of airline ticket and cargo fees to help with ongoing funding for these activities.

Foot-and-Mouth disease (FMD) represents another foreign animal disease risk that would do serious damage to U.S. agriculture and the overall economy. Unlike African swine fever, vaccines do exist to contain and eradicate the disease. Unfortunately, the United States currently does not have access to enough vaccine to effectively respond to an FMD outbreak, one that according to Iowa State University economists, would result in approximately 1.5 million lost jobs and cost livestock and crop agriculture \$200 billion over 10 years. Accordingly, the 2018 Farm Bill includes mandatory funding, with USDA discretion for additional funding for the development of a vaccine bank.

We ask Congress to support USDA implementation of the Farm Bill as intended. USDA must quickly allocate funds provided by Congress to carry out its intent to safeguard rural economies and provide the solution it has identified for managing an FMD outbreak: vaccination.

Labor Shortage

Another challenge that U.S. pork producers and other farmers face is a serious labor shortage that, if not addressed, will increase production costs and food prices for consumers. U.S. agriculture is highly dependent on foreign labor and current visa programs

widely used by pork producers are not effectively addressing the issue. Pork production is a year-round endeavor and we need access to a non-seasonal labor pool to maintain cost-efficient operations and ensure the highest levels of animal care.

According to a study from Iowa State University researchers, farmers face a constrained rural labor supply due to low unemployment, an aging native-born workforce and falling birth rates, making access to foreign-born workers a critical matter for the prosperity of rural America. The study demonstrates that native-born and permanent residents will not fill the labor void if immigration policy restricts access to foreign-born workers. U.S. pork producers and other livestock farmers are seeking visa reform, addressing non-seasonal agriculture needs in order to avoid serious financial harm to their farming operations. Reform is needed to ensure that one of the most competitive U.S. agriculture sectors can continue to provide safe and affordable pork to consumers worldwide.

NPPC supports comprehensive visa system reform that provides agricultural employers with sustained access to year-round labor, establishes a legal and productive workforce, and tis easy for farmers to access and navigate.

A positive first step toward reform would be to expand the existing H-2A visa program expansion to include non-seasonal workers and to move oversight of this program from the Department of Labor to the USDA, where livestock agriculture's needs are better understood. As currently defined, the H-2A visa program has limitations, since it applies only to seasonal ag workers.

Gene Editing

The competitive strength of U.S. livestock agriculture also depends on establishing a promising new technology: gene editing. Gene editing technology, which introduces useful genetic variation into food animal breeding programs, promises significant animal health benefits, including a natural immunity to disease and a reduction in the need for antibiotic use.

While countries like Canada, Brazil and Argentina are moving quickly to grab a competitive advantage by establishing regulatory structures that support the development of this technology, the U.S. is running the risk of falling far behind as a result of a regulatory land grab by the Food and Drug Administration (FDA). Under the FDA's regulatory framework, gene editing faces an impractical, lengthy and expensive approval process, threatening hundreds of thousands of jobs and nearly six percent of U.S. gross domestic product. The FDA's framework inaccurately classifies livestock as drugs and farms as drug-manufacturing facilities, an approach that will effectively cede use of this technology to U.S. competitors and make it unavailable to American farmers.

We ask you to support establishing oversight of gene-edited livestock on American farms with the USDA's Animal and Plant Health Inspection Service (APHIS), the agency best

prepared to implement a regulatory framework that will allow us to realize gene editing's promise.

Mandatory Price Reporting

Additionally, U.S. pork producers support timely reauthorization of the Livestock Mandatory Reporting Act. The Livestock Mandatory Reporting program, managed by USDA's Agricultural Marketing Service, is the sole source of market information on sales to packers of cattle, swine and lambs and on the subsequent sale of meat products.

Timely and accurate information is important for a competitive market to function effectively. Pork producers need a transparent, accurate and timely national market reporting system to make knowledgeable business decisions about selling their hogs. Mandatory price reporting offers market information on pricing, contracting for purchase and supply-and-demand conditions for hogs, all of which enhance market transparency. The current program is set to expire in September of 2020 and NPPC supports its reauthorization.

Summary

Pork is one of the United States' most successful and competitive products. Unfortunately, U.S. pork producers are facing serious headwinds, preventing our farm sector from fully realizing its full potential for our families, consumers and the American economy. Addressing these challenges will make U.S. hog farmers even more competitive, expand production, fuel job growth and contribute to rural communities across the country.

**Testimony of Shane Eaton
Eaton Charolais,
Lindsay, Montana**

**On behalf of the
United States Cattlemen's Association**

**Submitted to the U.S. Senate
Committee on Agriculture, Nutrition, and Forestry
“Perspectives on the Livestock and Poultry Sectors”**

**September 25, 2019
Washington, D.C.**

INTRODUCTION

Mr. Chairman, Ranking Member Stabenow, and Members of the Committee, it is truly an honor to be invited here today as a representative of the U.S. livestock industry. I am Shane Eaton, one part of a whole family farming and ranching operation in Lindsay, Montana. I am a descendant of Francis Eaton, a passenger on the Mayflower in 1620, and my great grandfather homesteaded the land our current operation sits on in 1909. Through four generations, our family has maintained that land's productivity. Since 1965, we have focused on growing our herd of commercial cows and registered Charolais, along with managing feedlots in North Dakota, Nebraska, Colorado, and Wyoming to background our cattle and thousands of our customer's calves.

I am here today representing the United States Cattlemen's Association (USCA), where I serve as a member of the Marketing and Competition Committee. Based in Washington, DC, USCA was founded on the principle that a grassroots effort by U.S. cow-calf producers, feedlot operators, backgrounders, and livestock haulers can work positively and effectively with Congress and the Administration to reform U.S. agriculture policy and ensure a fair, competitive marketplace.

I am also actively engaged with my state cattlemen's association, serving as a Director of the Montana Stock Growers Association (MSGA). With a 135-year history, MSGA is the trusted voice of cattle ranchers, and advocate of cattle ranching for state and federal legislators and a true partner in efforts to preserve & advance Montana's cattle industry.

Across the United States, cattlemen and women are facing unprecedented challenges to their livelihood. As these threats rise, and cattle prices fall, more and more families have come to the realization that they simply cannot keep their bottom line "in the black" at the end of the year. Our concern lies not only in the ability of our nation to continue producing the highest-quality, safest food supply in the world, but also in the ability of our producers to feed themselves.

The U.S. cattle industry requires bold leadership by Congress to address the current inadequacies in the marketplace. We offer the following for consideration by this Committee.

BACKGROUND

The 2017 Census of Agriculture, released in April 2019, raised alarms for those concerned with the future of U.S. agriculture. For starters, the net cash farm income of producers fell from \$37,241 in 2012 to \$32,217 in 2017. More so, over 56 percent of all American farms and ranches reported a negative net cash farm income in 2017. The current state of the farm economy has contributed to a 3 percent decrease in total farms and ranches and an increase in the average age of the American farmer and rancher to 57.5 years old, as more and more individuals choose to go make a more lucrative living in the cities.

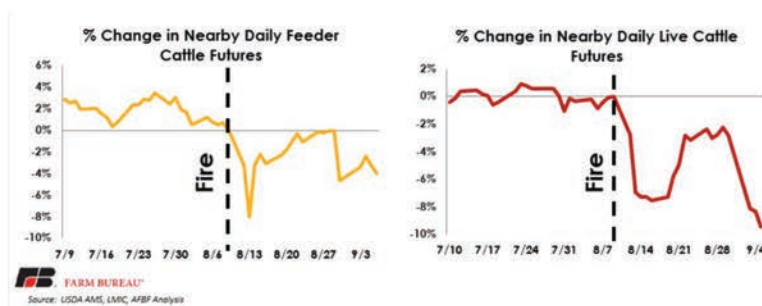
The declining farm economy threatens the ability of U.S. producers to cultivate a safe, affordable, and abundant food supply. Solutions are available to reverse this trend, but they will require bold and immediate action by Congressional leaders.

MARKETING AND COMPETITION REFORM

On August 9, 2019, a fire broke out at one of the largest beef packing plants in the U.S. The Finney County Beef Plant in Holcomb, Kansas, owned by Tyson Foods, accounts for nearly six percent of the nation's slaughter capacity.

In the days following the fire, U.S. cattle producers witnessed extreme volatility in the daily feeder and live cattle futures. Prices have not yet recovered from the impact of the fire, despite a return to business as usual for both processors and retailers.

CATTLE FUTURES CHANGES SINCE FIRE¹



A September 16, 2019 report released from Kansas State University listed projected values for finished steers in Kansas feedyards last month at -\$184.99². During that same time period, packer margins spiked significantly to nearly four times their annual average, or approximately \$549. Within that same report, Kansas State University predicts that cattle feeders will not see a positive net return on finished steers or heifers until May 2020.

The livestock industry is a historically up and down, ever-changing marketplace due to its dependence on consumer trends, domestic and international policies, and foreign market factors; however, today's marketplace lacks the transparency and true price discovery indicative of a healthy industry. While the fire in Holcomb, Kansas is a unique event, it paints an accurate illustration of the importance of the futures board to the cattle marketplace.

The Live and Feeder Cattle Futures Contracts are a critical risk mitigation tool not only for seasoned cattle producers, but especially for young producers who use the futures board to assist in securing operating loans from lenders.

However, the futures board fails to reflect marketplace fundamentals. USCA submitted four recommendations to the CME Group that would improve the way the Live and Feeder Cattle Futures Contracts operate.

First, the creation of an industry working group remains the most critical missing piece in ensuring that the fundamentals of the cattle market are working properly and that the futures

¹ (American Farm Bureau Federation, 2019)

² (Tonsor, 2019)

contract specifications are carefully maintained to ensure market integrity. This working group should include representatives from at least the following organizations: American Farm Bureau Federation, Livestock Marketing Association, National Cattlemen's Beef Association, National Farmers Union, and the United States Cattlemen's Association

Second, we believe that the creation of a field coordinator position to liaison with auction markets, feeders and cattle producers would demonstrate the CME Group's commitment to addressing the volatility concerns that have historically plagued the cattle marketplace. This field representative shall keep in regular dialogue with auction markets and emphasize the importance of serving as a delivery location. Further, the CME Group should compensate sale barns with an annual stipend for participating in the Contract as delivery locations.

Third, as stated in our March 2019 comments to the CME Group, we support the implementation of a mechanism to systematically update the Choice/Select quality percentage of the par value of the Live Cattle futures contract using a weekly public report published by the United States Department of Agriculture ("USDA").

Once these changes have been implemented, USCA would like to see CME move forward in a similar fashion for deliverable cattle weights. Though we recognize that confidentiality may restrict the availability of some of these data points, the calculation of a bell-shaped distribution graph with individual cattle weights would greatly enhance the ability to properly define dynamic contract specifications for weights.

Finally, the Contract should utilize real-time information and data, as produced by a third-party contractor, for calculating the CME Feeder Cattle Index. Utilizing sales data as it is available adds volume and creates a more complete picture of market activity.

The easiest solution Congress can provide to immediately restore order to the futures market is to direct CME to allow the long to demand delivery.

(See Exhibit One for more information.)

MANDATORY PRICE REPORTING REAUTHORIZATION

Overseen by the United States Department of Agriculture, Agriculture Marketing Service (USDA AMS), Mandatory Price Reporting (MPR) was established to ensure transparent price discovery and provide all market participants, with accurate and comparable levels of market information for slaughter cattle, swine, sheep, boxed beef, lamb meat, and wholesale pork.

Feeder Cattle are sold based on origin, breed, quality, and value. Divisions for Feeder Cattle price reporting include Canadian, Mexican, Brahma Cross, and Split Load among others. However, Live Cattle MPR reports are based only on gender and dairy influence and does not currently report Canadian or Mexican origin cattle separately like the Feeder Cattle reporting does. Live Cattle MPR is further defined by "Imported" or "Domestic." "Imported" Live cattle are cattle delivered straight to a packing plant from another country and are reported separately from "Domestic" cattle. However, "Domestic" cattle include non-native feeders, which are fed to slaughter weight in the US. The current system of "Domestic" reporting does not allow producers to be able to distinguish what is the market price for USA born and raised Live Cattle, and what is the market price for non-native feeders fed to slaughter weight. This lack of

transparency in "Domestic" reporting is crucial, as non-native feeders can sell at a severe discount compared to USA born and raised cattle.

The Chicago Mercantile Exchange (CME) contract policy requires that producers who deliver Live Cattle to a CME delivery point sign an affidavit certifying that the cattle were born and raised exclusively in the US. Under these contract specifications, CME Live Cattle price reporting is based solely on the prices for US born and raised live cattle. Similarly, the CME Feeder Index excludes Non-USA origin cattle when calculating the Feeder Index. Thus, the CME Feeder Index is reporting the prices paid solely for USA born and raised feeder cattle. CME reports serve as a guide and benchmark for producers in determining their sale decisions, access to current and accurate pricing is essential.

Packers require that cattle feeders sign affidavits indicating that Feeder Cattle originating from Canada and Mexico were on feed for over 100 days. This requirement serves as an industry-led tracking system for non-native live cattle. Strict state health requirements also provide for a tracking system for foreign born imported feeders. Many states allow only certified feedlots to feed foreign born feeders, so feedlots track non-native cattle for these reasons also.

The practices outlined above by the CME, state health requirements, feedlots, and packers encourage transparency in the livestock market. However, such improvements will not be realized in market reports unless current MPR Live Cattle divisions are changed. Currently, MPR divisions only report "Imported" live cattle as "steer" or "heifer", leaving out crucial origin information on imported feeder cattle fed to slaughter weight and sold as "Domestic". This severely impacts the transparency and true price discovery within the livestock market.

Negotiated sales of live cattle set the base price and weekly formula in live cattle marketing; however only 20% of sales are negotiated ³, leaving the market vulnerable to small manipulations due to undisclosed cattle origin. In utilizing such a small percentage of sales to guide the entire market, any impact on the weekly formula results in ramifications across the entire industry, with producers bearing the bulk of the burden.

The MPR classifications for live cattle must be updated to include a "non-native" division. This addition would improve transparency across all Live Cattle markets and prevent market manipulation.

PACKERS AND STOCKYARDS ACT

In October 2017, the USDA withdrew the Interim Final Rule (IFR) regarding the Scope of Sections 202(a) and (b) of the Packers and Stockyards Act. In a lawsuit filed following the withdrawal, USDA is accused of violating Congress' mandate in the 2008 farm bill, which was to publish a regulation that laid out criteria around contracting practices by June 2010. The organization making the accusations state that without a reasonable explanation for doing so, the agency's actions are "arbitrary and capricious".

USCA has always supported the clarification of The Packers and Stockyards Act of 1921. The P&S Act was passed "to regulate the sale of livestock by farmers to the more economically powerful livestock buyers." The Act passed following a long list of existing antitrust laws: the

³ (CME Group, 2016)

Sherman Antitrust Act of 1890, the Federal Trade Commission Act of 1914, and the Clayton Act of 1914. Congress recognized that while these existing laws addressed issues of anti-competitive and collusive behaviors in U.S. markets, they did not address the subject of individual producers interacting with the highly-concentrated meatpacking sector. Thus, the P&S Act directly addressed this issue with its most critical portion of the law, Section 202.

The legislative history and purposes clearly demonstrate that sections 202(a) and (b) were to be distinct from the antitrust injuries illustrated in subsections (c), (d), and (e) based on the absence of anticompetitive language. The congressional intent was clearly to provide remedies for individual producers in the instance that meat packers took unwarranted actions to provide less than fair market value to similarly situated producers. Consistent with the language and structure of the P&S Act, USCA wholly supports the USDA's longstanding position that the protections intended by sections 202(a) and (b) extend beyond the competitive injury required under the antitrust laws.

USCA also believes that the "harm to competition" phrase must be addressed. The interpretation of this phrase has led to preferential contract deals between meatpackers and select producers that has increased captive supply and decimated price discovery, leading to a favorable position for the meatpacker. The "unreasonable" requirement allows packers to continue paying premiums for higher quality and value-based pricing without the threat of litigation.

USCA urges the USDA Grain Inspection, Packers and Stockyards Administration to carry out its mission of promoting "fair and competitive trading practices for the overall benefit of consumers and American agriculture."

CURRENT OPPORTUNITIES IN INTERNATIONAL TRADE

In 2018, the U.S. exported \$8.3 billion worth of U.S. beef. Our major export markets included Japan, South Korea, and Mexico.⁴

While Japan remains the top destination for U.S. beef exports in 2019, the industry is seeing an overall 3 percent decline in pounds of beef exported. It is vital for the U.S. to continue to export its products globally, however our trade agreements must reflect the unique nature of the cattle and beef industry.

Cattle and beef are perishable products, meaning they have limited and time-sensitive marketing periods and, therefore, face unique challenges in obtaining relief when trade is injurious, either from dumping, subsidies, or related surges.

When negotiating trade agreements, the following should be considered:

First and foremost, we need to maintain health of the domestic herd. The U.S. upholds the strictest protocols for animal and food safety; we must ask our trading partners to do the same.

⁴ (U.S. Meat Export Federation)

Trade deals should be negotiated in the best interests of the U.S. cattle producer. Significant and timely dumping and countervailing laws and remedies must be in place to ensure U.S. producers are not disadvantaged by injurious dumping, subsidies, and import surges.

Finally, USCA supports the prioritization of bilateral, over multilateral trade agreements. The complexity of multilateral trade agreements make them difficult to enforce. Bilateral trade agreements are easier to negotiate, go into effect quicker, and are much more likely to be enforced.

TRUTH IN LABELING

Since the repeal of country-of-origin labeling (COOL) in 2015, there are no clear definitions for what constitutes a U.S. beef product. Cattle or beef that is imported into our borders and undergoes further processing or handling at a USDA-inspected facility can be labeled as a "Product of the United States", even if the handling of the product was minimal.

Congress should close this loophole and clearly define the phrase "Product of the U.S.A." to mean cattle that are born, raised, and harvested within our borders.

Without meaningful country-of-origin labeling on meat products or strong rules of origin, many consumers who wish to purchase meat derived from animals born and raised in the United States are unable identify such product. This deprives U.S. cattle producers of the ability to differentiate their product in the market and allows meat packers to take advantage of different supply sources while capitalizing on consumer confusion about the source of the food they eat.

In February 2018, USCA submitted a petition for rulemaking⁵ to the USDA Food Safety and Inspection Service, asking the agency to define the terms 'beef' and 'meat' as products derived from the flesh of a [bovine] animal harvested in the traditional manner. The petition remains under review at USDA FSIS and we look forward to their final rule on the matter.

The Food and Drug Administration (FDA) has made it a priority to tackle the issue of standards of identity for certain food products. USCA has weighed in with the agency several times asking that this same priority be placed on vegetarian- or insect-based products that attempt to imitate meat.

Our members testified in front of both FDA and USDA on the issue of foods produced using cellular technology multiple times in 2018 and we were pleased to see both agencies commit to working together on the labeling and oversight of cell-cultured protein.

Allowing these products to call themselves 'beef' would hijack the many years and millions of dollars of branding that producers have invested into the Beef Checkoff Program. Since 1986, nearly \$1.1 billion has been raised through the contributions producers make each time a beef animal changes ownership. Alternative proteins are attempting to ride the coattails of this program by capitalizing on consumer confusion.

⁵ (United States Cattlemen's Association , 2018)

It is imperative that misleading origin labels, and false advertising of alternative protein products, be remedied in a timely fashion. We urge this Committee to direct the Secretary of Agriculture to address both of these issues.

PROTECT THE HEALTH OF THE DOMESTIC HERD

With regard to international trade, the health of the domestic cattle herd must be protected at all times. We are seeing an epidemic of Africa Swine Fever take hold in China and other east Asian countries that is decimating domestic swine production.

Similarly, an outbreak of Foot and Mouth disease within our borders would result not only in the loss of animal life in historic proportions, but also disruptions in trade as a result of a change in the U.S. FMD status through the World Animal Health Organization (OIE).

An outbreak of FMD in the United Kingdom in 2001 resulted in the slaughter of 6.1 million animals, devastating the agriculture industry, the economy and strained resources to the breaking point. The devastating effects of FMD cannot be overstated.

It has been calculated by the OIE that a FMD outbreak within the United States could result in \$14 billion in losses calculated to include both farm income and the effect on consumers and international trade relations. The ability to prevent the introduction of foreign animal diseases must be maintained to ensure consumer confidence in that products purchased in the U.S. The U.S. upholds the strictest protocols for animal and food safety, we must ask our trading partners to do the same.

Along those same lines, with the growth of a global marketplace, our trading partners will begin to expect a more comprehensive and transparent animal identification system. Producers carry out animal traceability on their own operations every day. Tracing and tracking animals occurs on a regular basis via the filing and transfer of health papers, bill of sales, brand inspections, herd tags and lot loads. Though we recognize the gaps in the current framework, we also believe there are opportunities to strengthen and establish an animal identification system that works for all producers, which we believe would include these tenets:

1. A national ADT system should be carried out on a state-by-state basis.
 - a. State animal health officials should remain in charge of the data and information, to prevent the dispersal of sensitive material.
 - b. State animal health officials also have a heightened responsibility to respond to producer concerns and are more accessible to their constituents.
2. No single private organization should house all the data.
 - a. Private organizations should not be contracted to provide this service, as the data the system will hold is composed of sensitive and confidential market information.
 - b. The confidential nature of the information stored within an ADT system would present a clear conflict of interest for private organizations to own and manage.
 - c. In instances where disease traceback is needed, it would be more cost-efficient for the data to be stored in a manner in which public health officials

- can access the information. Housing the data in a private organization may impede that process and increase costs of traceback.
3. Streamlined technology to maximize efficiency.
 - a. The mixture of high- and low-frequency tags hinder the ability of auction markets and others involved in the process of buying and selling cattle to move at the speed of commerce.
 - b. It is expensive to maintain a system which has to take into account multiple forms of identification.
 - c. The '840' or U.S. origin tag should be used as often as possible to differentiate cattle born, raised and harvested in the U.S.

LIVESTOCK TRANSPORTATION PRIORITIES

Our members are responsible for the daily transportation of millions of animals. The welfare and the safety of their cargo is of the utmost importance to livestock transporters; it is their job to ensure that the animals arrive to their destination in the best condition possible. This responsibility requires additional hours of training and expertise, provided by industry programs such as the Master Cattle Transporter program and the National Pork Board's Transport Quality Assurance program. Both courses offer specific suggestions on keeping animals comfortable on long trips, including temperature considerations and the appropriate length of time that animals should be on the trailer. Livestock haulers must take into consideration the welfare of their cargo which means avoiding rough-road conditions, slowing down, and being more aware of their surroundings to prevent animal injury.

Because of these added demands, livestock haulers only make up between 6% and 7% of the nation's roughly 4 million commercial drivers yet are involved in less than 1% of the total crashes.⁶

On December 18, 2017, the U.S. Department of Transportation Federal Motor Carrier Safety Administration (FMCSA) required commercial vehicle drivers to install an electronic logging device (ELD) in their truck to track compliance with Hours of Service rules. The Administration exempted livestock haulers from this requirement until March 18, 2018 and a congressional delay has extended it through September 30, 2019.

Currently, for livestock and insects, HOS rules require that haulers turn on their ELD after they cross a 150-air mile radius of the origin of their load. After crossing a 150-air mile radius, haulers must start tracking their on-duty time and can only drive 11 hours before taking a mandatory 10-hour rest time.

Welcomed flexibility to the restrictive HOS rules comes in the form of the *Transporting Livestock Across America Safely Act (S. 2938, H.R. 6079)* which is pending before the Senate Commerce Committee. We are also encouraged by recent steps FMCSA has taken to address the HOS rules and for seeking input from the livestock industry. We encourage FMCSA to continue to evaluate changes with cattle producers in mind, and the impact this will have on shipping costs and potentially consumer costs at the grocery store.

IMPLEMENTATION OF 2018 FARM BILL

⁶ TRUCKS INVOLVED IN FATAL ACCIDENTS FACTBOOK 2005, Center for National Truck and Bus Statistics, University of Michigan, February 2008

We were pleased to see the inclusion of \$150 million in funding for two new programs: the National Animal Vaccine and Veterinary Countermeasures Bank and the National Animal Disease Preparedness and Response Program (Preparedness and Response Program). The 2018 Farm Bill also expanded funding opportunities for the existing National Animal Health Laboratory Network (NAHLN).

The 2018 Farm Bill made important improvements to the Farm and Ranch Stress Assistance Network, including explicitly providing access to tribal communities and authorizing up to \$10 million each year for the program until 2023. Suicide rates are consistently higher for farmers and agriculture workers when compared with total occupations, with some studies estimating that specifically male farmers are nearly four times more likely to commit suicide.⁷ The bill also directed USDA and the Department of Health and Human Services to examine the problem of occupational stress among farmers and individuals who work in agriculture to develop a long-term strategy and response.

Title II is a critical component to ensuring the viability of working lands and wildlife habitat. The Conservation Planning Assessment included in the 2018 Farm Bill serves as a pathway to enrollment in one of the many voluntary, cost-share conservation programs offered by USDA, including the Conservation Stewardship Program (CSP), Environmental Quality Incentives Program (EQIP) and more.

Acting as an initial consultation or orientation, the Conservation Planning Assessment pairs landowners with either qualified USDA NRCS conservationists, qualified conservation district staff, or a certified rangeland professional to assess the rangeland resource concerns that effect the ecological integrity and of that land resource and make recommendations that are economically feasible.

Programs such as CSP and EQIP are critical to building on past conservation successes.

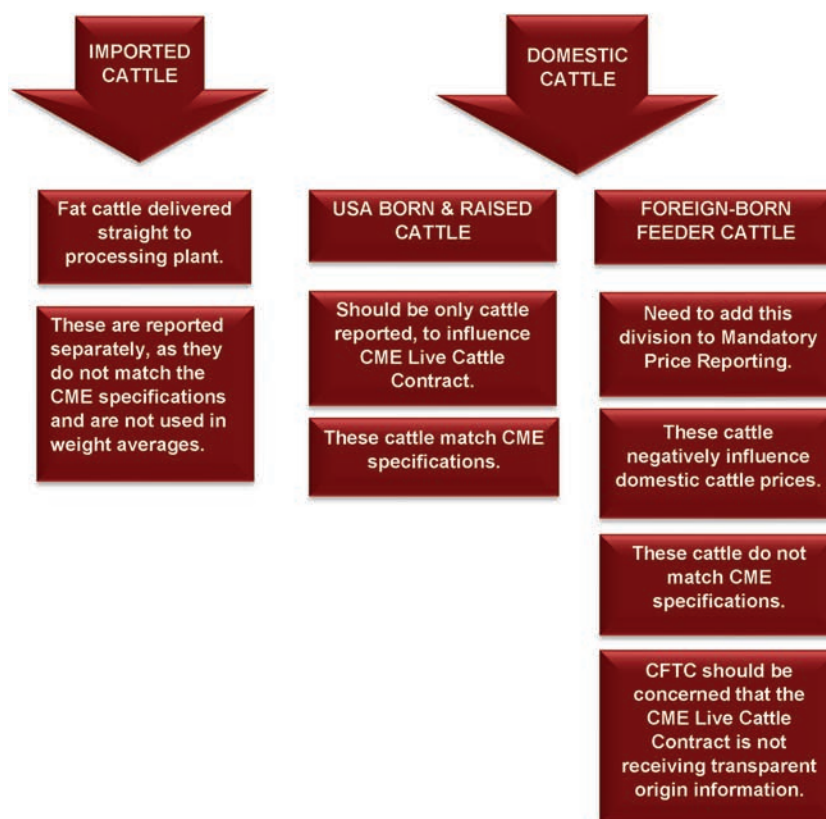
Finally, we'd like to express support for a provision included under *Title I: Commodities, Subtitle E – Supplemental Disaster Assistance*. The recognition that producers may be compensated for inspections of cattle tick fever under the Emergency Livestock Assistance Program did not go unnoticed and will go far in helping producers recoup the costs associated with eradicating the disease in the southwestern parts of the United States.

CONCLUSION

We have spent the last decade charting a course for the long-term health and vitality of the U.S. cattle industry, but we are currently tasked with unprecedented threats to the success of the independent rancher. Congress has a unique opportunity to enact meaningful change that will serve to strengthen the bottom line of U.S. cattle producers. The U.S. benefits from one of the safest, most plentiful, and highest-quality food supply in the world. Our members can only continue to produce that food supply if it is sustainable for them to do so. We recommend the above policy changes to ensure that our farming and ranching families will continue to be profitable for many generations to come.

⁷ (Univeristy of Iowa, Spring 2014)

EXHIBIT ONE: MANDATORY PRICE REPORTING FLOW CHART



CONGRESSIONAL ACTION:

1. Define "non-native cattle": *Foreign-born, imported feeder cattle fed to slaughter Weight within U.S.*
2. Currently, 0-14 and 15-30 day windows are used in weight average; this should be reduced to 0-14 days.
3. Change five-state area to include states that trade cash-negotiated cattle.
4. Add "Bonus Buys" to weight average for the one- and two-dollar over transactions.

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QUESTIONS AND ANSWERS

SEPTEMBER 25, 2019

Senate Committee on Agriculture, Nutrition & Forestry

Perspectives on the Livestock and Poultry Sectors

September 25, 2019

Questions for the Record

Mrs. Jennifer Houston

Chairman Pat Roberts

1) Included in the 2015 Livestock Mandatory Reporting (LMR) reauthorization was a directive by Congress for USDA to issue a report that describes potential changes industry may wish to consider in the 2020 reauthorization. To complete this study, USDA conducted 10 public meetings with 14 industry stakeholder groups over a year-long period. Were the topics you raised in your testimony regarding LMR reauthorization discussed in these meetings, and if so, were they addressed in the report to Congress?

a. Leading up to the 2018 report to Congress, USDA held many stakeholder meetings with industry and NCBA was heavily engaged working on industry issues at that time. NCBA will continue to be engaged with USDA and Congress on methods that are positive for the market reports and data inputs. NCBA strongly supports Mandatory Price Reporting and appreciates the work that USDA employees do every day to provide the cattle industry with market data that assist our members in making sound business decisions. We are currently updating our policy for this issue as we await USDA to conclude their study on the current 5-area reporting regions, and with those findings, we will then work on advocating for sound enhancements that are backed by research. This is perhaps the most studied MPR reauthorization we have seen, and it shows that we want facts to drive the decision making, not emotions. NCBA continues to receive our policy directly from our members at the grassroots level across the nation. We also work to paint the entire picture which requires us to also coordinate effectively with industry participants, Congress, and federal agencies, to ensure our positions are the best for the market to thrive. Mandatory Price Reporting has always had a consensus approach to its reauthorization and NCBA hopes that it will continue to work in that fashion to achieve what is best for the livestock industry. NCBA's goal is to have Mandatory Price Reporting policy that is driven by verifiable facts and not formed by speculation of possible "what ifs".

2) Much of your testimony focused on the importance of Livestock Mandatory Reporting. If this authority were to lapse, what risk would you anticipate?

a. Our industry relies on these reports to hedge and mitigate their commercial risk. This reauthorization is vital to having functioning cattle markets and without it, NCBA fears that the cattle industry would not be in a desirable position. As our members are already faced with market movements, weather dynamics, and potential disease outbreaks, it would be helpful if we did not have to worry about this critical legislation having its authority lapse as we are already facing a downward trend in the overall rural economy.

- 3) The 2018 Farm Bill created a new program focused on Animal Disease Prevention and Management. It is an effort of which I am very proud, and I believe it was long overdue. Details regarding USDA implementation of this program were released in the past several weeks. Can you offer any feedback on the implementation of this program?

On the Animal Disease Preparedness side of the three-legged stool, NCBA and our state affiliates are working closely with their State Departments of Agriculture to apply for the available funding for important programs such as preparedness drills for a Foot and Mouth Disease outbreak for example. We have also been working very closely with USDA to stress the importance of moving expeditiously on implementation of the FMD bank. Congress gave USDA the authority and funding to implement an Animal Disease Vaccine Bank because a foreign animal disease outbreak would be so detrimental to the livestock industry. Our request to USDA/APHIS is that they move quickly with their timeline so that we do not continue to be so unprotected against a possible FMD outbreak.

- 4) The 2018 Farm Bill created the National Animal Disease Preparedness and Response Program. This program provides \$300 million in mandatory funding for preparedness efforts against outbreaks of animal diseases. And, it directs USDA to enter into cooperative agreements with States, Universities, industry organizations and others to carry out these activities. The ongoing outbreak of African Swine Fever has highlighted the risk that U.S producers face from foreign animal disease outbreaks. Can you describe any bovine-related research needs or opportunities that may exist and could be considered under this new Farm Bill program?

The twenty-one-member Research Council of the National Cattlemen's Beef Association annually identifies research priorities for the beef cattle industry. In the area of foreign animal disease and preparedness, 2019 NCBA research priorities call for the development of improved pen-side diagnostic tests for Foot-and-Mouth Disease (FMD), such as oral fluids testing for FMD. The prime replication point for FMD virus in cattle is the oral pharynx, making oral fluids testing for FMD a good modality for FMD virus detection. Like the pork industry, the beef cattle

industry is interested in developing pen-side diagnostic screening testing for FMD that can be easily administered to large populations of animals without the stress of increased animal handling, as required with blood collection necessary for current FMD diagnostic testing. In addition to active observational surveillance, diagnostic screening tests for FMD will be critical to decision-making for permitted movements of cattle and movement to slaughter. Oral fluids testing for FMD offers the option for pen-side FMD diagnostic testing that is easily administered, with sensitivity and specificity for the FMD virus. The current Beef Rule and Order does not allow beef checkoff dollars to fund any preharvest disease research so funding opportunities, like the NADPRP provided in the 2018 Farm Bill, are critical for future research work in foreign animal disease and preparedness for the beef cattle industry. Please refer to the attached full listing of NCBA Research Council Beef Industry Research Priorities for 2019.

Senator Joni Ernst

- 1) We've heard concerns from the livestock industry about the lack of recovery when a livestock dealer defaults on payment. The Farm Bill called for USDA to conduct a feasibility study on the creation of a dealer statutory trust giving unpaid sellers priority to recover livestock or related funds. Do you believe a dealer trust would improve recovery in these default situations?
 - a. NCBA has a policy that supports establishing a dealer trust, but many questions have been raised on how it would be implemented and its impact on our industry. As such, we believe that the eight provisions/questions included in the proposal will cover the questions which we have been asked by our members. In addition, we expect that the existing packer trust will be evaluated to help answer some of the proposed questions. Therefore, we suggest that the provisions of the packer trust be reviewed, especially considering the recent issues with a packer in Texas. Our industry is looking at the best ways to protect all market participants from the actions of criminals. As a producer I have had first-hand experience with a livestock dealer defaulting on payments and I know how it impacted my pocketbook. A dealer trust could serve as a tool to help, and as USDA moves forward with conducting the study, NCBA will be awaiting their findings to gain more insight on the best steps to make in the future to assure that the industry is moving in a positive direction to ensure safe market institutions. NCBA looks forward to reviewing the results of the study and providing those findings to our members for further consideration and action. In the meantime, we encourage the Packers and Stockyards Division of the Fair-Trade Practices Program at USDA to faithfully enforce the provisions of the Packers and Stockyards Act.

Senator John Thune

1) In June 2017, U.S. beef regained access to China after a 13-year ban. Unfortunately, China placed retaliatory tariffs on U.S. beef imports following the Section 301 investigation.

How have the tariffs affected U.S. beef sales in China, and what non-tariff trade barriers has China put in place that have restricted U.S. beef?

How will these tariff and non-tariff trade barriers affect future beef sales in the Chinese market?

Access for U.S. beef to China was restored in June 2017, ending a 13-year ban China installed in 2004 after confirmation of a single case of classic BSE was discovered in Washington state. Restoration of U.S. beef access to China is one of the most important market opportunities for the U.S. beef industry when you consider the potential for export sales to China and the long and arduous process it has taken multiple presidential administrations to secure.

The U.S. government and the U.S. beef industry worked for many years to help the Chinese government understand the safety of our production practices and our food safety measures, but China continued to apply non-science-based restrictions that were outside of their WTO commitments. China represents one-fifth of the world's population with a middle-class that is larger than the entire U.S. population. If the Chinese market was fully-open to U.S. beef, our annual sales to China could reach \$4 billion in five years. It is no surprise that we were very excited to see the restoration of beef access to China as the top agenda item resulting from the Mar-a-Lago Summit between President Trump and President Xi.

Unfortunately, there was little time to develop much of a consumer base in China before U.S. beef was targeted with retaliatory tariffs by China. The base tariff rate was increased from 12 percent to 37 percent, and the additional 10 percent value added tax means that importers pay a 47 percent tax on U.S. beef. The tariffs make it difficult for us to compete with beef from other countries like Uruguay, Brazil, Australia, and New Zealand who have lower tariffs and have already developed supply chains into China. But even if the retaliatory tariffs were removed, China would still be a difficult market for U.S. beef due to the non-tariff trade barriers placed on U.S. beef.

In December 2003, the U.S. beef industry suffered a massive economic blow from an event commonly referred to as "The Cow that Stole Christmas." That was the United States first and

only classical case of Bovine spongiform encephalopathy (BSE), known as mad cow disease, that was discovered in a Canadian-born dairy cow in Washington state. Overnight the United States lost access to our international markets including Japan, Korea, and China. The U.S. beef industry has worked closely with the U.S. government to take the necessary steps to ensure this event never happens again, and as a result the United States has some of the safest BSE safety standards in the world. Over time, many of the countries who closed their borders to U.S. beef reopened their markets albeit with arbitrary, non-science-based age restrictions on the cattle.

Restoring access to China has been a priority for the U.S. beef industry for over a decade. While previous administrations worked diligently to address China's concerns and negotiate terms of access, it was the Trump Administration that closed the deal and restored U.S. beef access to China in 2017.

U.S. negotiators worked hard to secure market access terms that are superior to terms of our competitors in China. For example, China has agreed not to close its market to U.S. beef if we have another BSE case, unless the World Organization for Animal Health changes our safety designation status—and that is something the industry will not allow. In fact, the U.S. beef industry invests heavily in producer-education and strongly supports research at the university and government levels, as well as close coordination with United States Department of Agriculture (USDA) and state veterinarians, to safeguard against BSE. Additionally, China also recognizes the equivalence of our food safety systems, so that it is USDA that determines which packing plants are eligible to export to China instead of China approving individual plants. Chinese approval of packing plants is required of our competitors like Canada, Brazil, and Australia. China also agreed to allow a broad range of U.S. beef cuts (both fresh and frozen, bone-in and boneless) along with numerous offal cuts (liver, hearts, tongue, etc.).

Unfortunately, China places significant restrictions on U.S. beef that will make it difficult for us to capitalize on this market for a few years. Specifically, China has two laws that ban the use of certain technologies that are deemed safe in the United States (and most of the world) and are commonly used in beef production. The first banned technology is ractopamine, a beta agonist used to promote leanness in meat. Ractopamine is fed to cattle (steers and market heifers) in feedlots during the last 28 to 42 days of the finishing period to safely increase carcass gain, feed efficiency and carcass leanness while maintaining beef's natural taste, tenderness and juiciness. The Codex Commission, the international food safety standards-setting body as recognized in the WTO-SPS Agreement, has established a set of Maximum Residue Levels (MRLs) for veterinary drugs widely accepted in international trade. In 2012 Codex adopted standards for maximum residue levels for ractopamine – standards that have been recognized in many countries. Regardless, China has a law that bans the use of this technology for both domestic production and for imported products. If any U.S. beef shipments to China test positive for ractopamine the shipment will be returned.

China also bans the use of hormones in cattle for domestically-produced beef and in beef imports. While beta agonists are used at the feedlot level, hormones are more commonly used at the cow-calf and stocker levels to help add weight. The U.S. industry has used this safe technology for decades, and non-science-based restrictions on the use of hormones have been ruled illegal by the World Trade Organization (WTO) (see WTO Case DS26 - European Communities — Measures Concerning Meat and Meat Products (Hormones). Nonetheless, as part of the protocol with China, any shipments that test positive for synthetic hormones and naturally-based hormones will be returned.

These combined restrictions mean that only a small number of cattle in the U.S. beef herd will be eligible for the Chinese market in the first few years. In fact, it may take roughly two to three years to convert a cattle operation to comply with these restrictions. But we anticipate that more producers will start to produce for the Chinese market once demand for U.S. beef is firmly established.

China represents a population of nearly 1.4 billion people and is quickly becoming the largest beef importer in the world. For example, in 2011 China imported 27,000 metric tons of beef, and that volume increased to 600,000 metric tons in 2016. Today, most of the beef imported to China is from grass-finished cattle from Australia, New Zealand, Brazil, and Uruguay, with only 5 percent of beef imports from grain-finished beef from Australia and Canada. We look forward to growing this market and becoming a leading source of beef in China.

2) We've heard concerns from livestock sellers about the inability to reclaim livestock or recover funds when a livestock dealer defaults on payment. The 2018 farm bill directed USDA to conduct a feasibility study for a dealer statutory trust, which would give unpaid sellers priority in receiving their livestock and related proceeds when a livestock dealer defaults on payment.

Do you believe a dealer trust would improve recovery in these situations?

a. NCBA has a policy that supports establishing a dealer trust, but many questions have been raised on how it would be implemented and its impact on our industry. As such, we believe that the eight provisions/questions included in the proposal will cover the questions which we have been asked by our members. In addition, we expect that the existing packer trust will be evaluated to help answer some of the proposed questions. Therefore, we suggest that the provisions of the packer trust be reviewed, especially considering the recent issues with a packer in Texas. Our industry is looking at the best ways to protect all market participants from the actions of criminals. As a producer I have had first-hand experience with a livestock dealer defaulting on payments and I know how it impacted my pocketbook. A dealer trust could serve

as a tool to help, and as USDA moves forward with conducting the study, NCBA will be awaiting their findings to gain more insight on the best steps to make in the future to assure that the industry is moving in a positive direction to ensure safe market institutions. NCBA looks forward to reviewing the results of the study and providing those findings to our members for further consideration and action. In the meantime, we encourage the Packers and Stockyards Division of the Fair-Trade Practices Program at USDA to faithfully enforce the provisions of the Packers and Stockyards Act.

- 2) As we consider livestock mandatory reporting reauthorization, do you have suggestions to improve accounting for the decreasing portion of cattle and hogs sold in negotiated or cash markets?

- a. As you know the thinness of the negotiated cattle market has been an ongoing concern for the industry. We must wait for USDA to complete their 5-area reporting study to see if they have found new methods for getting additional data reported that would be positive for the market place. NCBA strongly supports Mandatory Price Reporting and appreciates the work that USDA employees do every day to provide the cattle industry with market data that assist our members in making sound business decisions. As previously mentioned, NCBA is currently updating our policy for this issue as we await USDA to conclude their study on the current 5-area reporting regions and with those findings, we will then work on advocating for sound enhancements that are backed by research. This is perhaps the most studied MPR reauthorization we have seen, and it shows that we want facts to drive the decision making, not emotions. NCBA continues to receive our policy directly from our members at the grassroots level across the nation. We also work to paint the entire picture which requires us to also coordinate effectively with industry participants, Congress, and federal agencies to ensure our positions are the best for the market to thrive. Mandatory Price Reporting has always had a consensus approach to its reauthorization and NCBA hopes that it will continue to work in that fashion to achieve what is best for the livestock industry. NCBA's goal is to have Mandatory Price Reporting policy that is driven by verifiable facts and not formed by speculation of possible "what ifs".



National Cattlemen's Beef Association Research Council Beef Industry Research Priorities - 2019

The National Cattlemen's Beef Association (NCBA) established a council of members in 2016 to outline future industry research priorities (from farm to fork) based on the topics outlined in the [Beef Industry Long Range Plan \(LRP\) for 2016-2020](#). The council members represent a cross-section of the beef industry with expertise in a variety of scientific topics. Below are the sections of the LRP and the corresponding research priorities. The Council considered all areas noted important to the beef industry and recognizes that research may be underway for some priority topics; however, continued work may be necessary to fully address the industry's need. For each discipline:

- "A" priority initiatives are defined as initiatives that are "mission critical" to achieving the LRP Strategic Objectives. These initiatives deserve a majority of the industry's focus over the next five years and significant progress must be made in the execution of these initiatives. Those priorities in **BOLD** are considered highest priority.
- "B" initiatives would have a significant and measurable impact on the overall success of the beef industry over the next five years. These initiatives are important and should be pursued, provided sufficient focus is first devoted to the "A" priorities.

The Council believes consumer perceptions and/or misperceptions should be continually monitored and considered as each topic is investigated. If circumstances in the beef industry or with consumer perceptions change, the priority areas may be adjusted. The dissemination of research results and leveraging of research scientists and their findings to regulatory, industry, medical and scientific audiences must be a focus of any research program.

Beef Safety

- A priority topics: **investigating *Salmonella* in pre-harvest management practices; prevention of antimicrobial resistance**; intervention development as well as post-harvest controls; pathogenic *E. coli* controls post-harvest specifically related to non-intact, trim and ground beef production; diagnostic improvements and understanding residue profiles for different tissues; safety of products derived from alternative protein sources; *Salmonella* and Shiga toxin-producing *E. coli* controls for grindable offal
- B priority topics: evolution of retail-generated ground beef safety; and understanding of genetic influence on pathogen carriage

Human Nutrition

- A priority topics: **beef's role in a healthy dietary pattern and/or the health impacts of removing beef from the diet across age categories; impact of beef vs. other diet/lifestyle factors on chronic disease**; beef's role in cognitive performance, appetite, weight management and healthy diet compliance; beef's role as a first food
- B priority topics: understanding key nutritional differences/similarities in beef from different production systems; beef's role in performance and recovery of athletes and everyday physical activity

Product Quality

- A priority topics: **fabrication of middle meats to consumer-friendly portions from large carcasses; modernization of yield grade equation and the tools that evaluate carcass grades**; beef flavor differences/chemistry by production system and/or origin; consumer evaluation of quality characteristics - domestic vs. international perceptions; evolution of post-harvest practices and impact on tenderness, juiciness and flavor

- B priority topics: differences in fat composition across the beef carcass; cost/benefit analysis for chain speed impacts on tenderness sorting; sort options/technologies for subprimals; genetic impact on flavor across quality and yield grades; non-invasive beef tenderness prediction; evolution of feed ingredient inclusion on beef quality factors; changing composition of today's ground beef formulation; understanding key quality differences/similarities in beef from different production systems

Sustainability

- A priority topics: **water, land and other resource use in beef production; benefits of beef production to the environment, society, and nutrition**; nutrition/sustainability interaction; production system differences on sustainability; understanding consumer perceptions of beef sustainability; Life Cycle Assessment (LCA) benchmark update; communicating technology use from sustainability perspective; role of animal care and well being in sustainability
- B priority topics: understanding social data (worker safety, etc.) component in sustainability

Product Evaluation & Culinary

- A priority topics: **timely consumer trend data on beef purchasing; on-trend beef inspiration (photography and recipes/formulations)**; retail/foodservice (prepared foods) opportunities for beef; e-commerce; beef's adaption to ethnic flavors and cooking styles
- B priority topics: beef for breakfast; vacuum packaging acceptability by consumers; warmed over flavor solutions; shelf-stable beef opportunity; understanding food trends (local, slow food, etc.) and implications for beef; next generation of packaging innovation; pre-cooked, ready-to-incorporate beef options

Alternatives to Antibiotics - Immunomodulators, Anaplasmosis, Bacteriocidal Agents, Molecular Genetics

- A priority topics: **alternatives to human medically important antibiotics for cattle disease treatment or control of liver conditions**; rumen microbiome understanding; vaccine research for targeted disease (Bovine Respiratory Disease [BRD], Anaplasmosis, Pink Eye); case definition and diagnostics for BRD prediction; disease management and prevention; targeted therapy techniques; antibiotic use for herd disease treatment or prevention
- B priority topics: translation of bench-top science to industry applicability; immune system management and immune response in younger cattle; host immunity studies; use of molecular genetic technology for herd health management

Nutrition and Environmental Management

- A priority topics: **improvements in feed efficiency and rumen health**; microbiome understanding; methane reduction in cattle production
- B priority topics: feed efficiency understanding between feedlot-generated data and range production; estimation of dry matter intake on pasture

Animal Health & Wellbeing

- A priority topics: **genomic influence on immunity**; multivalent, domestic production of a vaccine and improved population diagnostic testing with oral fluids for Foot and Mouth Disease (FMD); genetic editing to improve animal health and wellbeing; animal wellbeing considerations for cattle management practices; case definition and diagnostics for BRD prediction; bovine congestive heart failure
- B priority topics: health and immunity-oriented Expected Progeny Differences (EPDs); permanent cattle identification technology evolution; behavior differences across production settings; transportation system improvements

Parasitic and Production Diseases

- A priority topics: **in-field rapid diagnostics for bacterial disease**; Cattle Fever Tick control (bovine and wildlife); wildlife interfaces with cattle and regional disease challenges
- B priority topics: mechanism of action for resistance of GI tract parasites; Trichomoniasis diagnostic improvements in sampling and collection methods; Bovine Virus Diarrhea/Pestivirus management



Recommendations:

The Council presents this set of priorities for areas of research focus to any organization interested in conducting and/or funding beef research that will best meet the industry's needs for continued decision-making based in sound science. The Council considered all areas noted important to the beef industry and recognizes that research may be underway for some priority topics; however, continued work may be necessary to fully address the industry's need. These priority areas will be reevaluated annually and an updated document made publicly available.

LRP Core Strategies and Strategic Initiatives Addressed:

- Protect and Enhance the Business and political Climate for Beef
 - Ensure Beef's Inclusion in Dietary Recommendations
 - Research and Innovate New Production Technologies
 - Support Global Food Security Message
- Grow Consumer Trust in Beef and Beef Production
 - Ensure Antibiotic Stewardship
 - Ensure Beef Safety
 - Protect Beef's Image
- Promote and Strengthen Beef's Value Proposition
 - Revolutionize Beef Marketing and Merchandising
 - Research and Communicate Beef's Nutritional Benefits
 - Measure and Improve our Sustainability
 - Improve our Product and Production Efficiency

NCBA Research Council Members:

Philip Ellis, Chair, cow calf, WY
 Jennifer Houston, auction market, TN
 Jerold Callahan, cow calf, OK
 Bill Rishel, cow calf, NE
 Dan Kniffen, seedstock, PA
 Robbie LeValley, cow calf, CO
 Ruth Litchfield, RD, Ph.D., cow calf, IA
 Dick Sherron, MD, cow calf, TX
 Bryan Nichols, cow calf, OK
 Tom Talbot, DVM, CA
 Tony Bryant, Ph.D., Five Rivers, CO
 Mike Engler, Ph.D., feedlot, TX
 Al Svajgr, Ph.D., feedlot, NE
 Glen Dolezal, Ph.D., Cargill, KS
 Dave McKenna, Ph.D., Tyson, IA
 John Stika, Ph.D., Certified Angus Beef, OH
 Homero Recio, TX, USMEF Representative
 Pat Mies, Ph.D., National Beef, MO, North American Meat Institute Representative
 Jennie Hodgen, Ph.D., Merck Animal Health, NJ, American Meat Science Association Representative
 Tom Portillo, DVM, TX, Academy of Veterinary Consultants
 Jason Bagley, TX, State Beef Council Representative
 Pete McClymont, NE, Affiliate Representative

Senate Committee on Agriculture, Nutrition & Forestry
Perspectives on the Livestock and Poultry Sectors
September 25, 2019
Questions for the Record
Mr. Ron Kardel

Chairman Pat Roberts

- 1) We've heard mention of a number of trade challenges facing the livestock and poultry sectors. The turkey sector has undoubtedly been impacted by the ongoing trade disputes we face. Could you describe a trade priority that needs resolution and would be the most beneficial for your industry?

Answer: The National Turkey Federation and the turkey industry support efforts to increase access to U.S. turkey products abroad, and now more than ever it is time to refocus our efforts on the ratification of the U.S.-Mexico-Canada Agreement (USMCA). The agreement preserves access to Mexico, which is by far the largest export destination for U.S. turkey products and creates the potential for increasing turkey exports to Canada. NTF remains committed to spreading the message on why the turkey industry needs this deal. Overall, the U.S. turkey industry exports roughly 10 percent of our products annually. While the volume of turkey exported is steadily on the rise, the industry has yet to fully recover export sales lost as a result of the 2015 HPAI outbreak. Recovery from HPAI, coupled with political obstacles that have kept some markets – such as China and Russia – closed to U.S. poultry, has required the turkey industry to reassess our industry goals related to exports. Part of NTF's expanded focus on exports is bringing turkey to new customers in places such as India, Australia and Latin America. India, in fact, has begun to buy some American turkey products, which is encouraging.

- 2) The 2018 Farm Bill created a new program focused on Animal Disease Prevention and Management. It is an effort of which I am very proud, and I believe it was long overdue. Details regarding USDA implementation of this program were released in the past several weeks. Can you offer any feedback on the implementation of this program?

Answer: Developing the National Animal Disease Preparedness and Response Program (NADPRP) and ensuring adequate funding for these programs was the turkey industry's top Farm Bill priority. We greatly appreciate your leadership and the work of the committee in creating the program. To date, our industry has been very pleased with the implementation process of the program. USDA APHIS has welcomed stakeholder input and has been transparent with our industry in order to achieve the most success from the program as possible. As additional funds are allocated, we look forward to continuing our work with USDA and this committee to ensure the turkey industry takes

advantage of the program and that it meets the critical components of a national animal disease defense strategy: robust prevention, early detection and rapid response.

- 3) The 2018 Farm Bill created the National Animal Disease Preparedness and Response Program. This program provides \$300 million in mandatory funding for preparedness efforts against outbreaks of animal diseases. And, it directs USDA to enter into cooperative agreements with States, Universities, industry organizations and others to carry out these activities. The ongoing outbreak of African Swine Fever has highlighted the risk that U.S producers face from foreign animal disease outbreaks. Can you describe any poultry related research needs or opportunities that may exist and could be considered under this new Farm Bill program?

Answer: The program our industry successfully advocated for in the farm bill envisions long-term support for three critical components of a national animal disease defense strategy: robust prevention, early detection and rapid response. Research in support of these three components is essential to their ultimate success. When it comes to prevention techniques, interventions or control measures, there is still a lot of anecdotal information about how the disease spreads, what methods worked and lowering the severity of an outbreak. We will need further research regarding disposal techniques, whether there is something new or something better, and to learn how these diseases entered the U.S. as well as how they have changed over the years. All of these are legitimate questions that need research and the benefit of smart minds to help limit economic impacts to the poultry sector of our economy on which many people depend for their livelihoods.

Senator Amy Klobuchar

- 1) In August 2019, USDA's Animal and Plant Health Inspection Service announced that it was accepting applications for the National Animal Disease Preparedness and Response Program on an expedited basis in order to ensure that some funding – around \$10 million - is distributed before the end of this fiscal year.

How have you been working with your state associations to ensure that eligible entities are aware that these funds are available?

Answer: First, on behalf of the turkey industry would like to say thank you for your leadership on the Farm Bill and helping lead the charge to create the National Animal Disease Preparedness and Response Program (NADPRP). Developing the NADPRP and ensuring adequate funding for these programs was NTF's top Farm Bill priority. Throughout the implementation process, our industry has been working diligently with our state associations and other eligible entities to take advantage of this opportunity to collaborate with APHIS on various animal health activities that will positively impact the turkey industry's ability to respond to a potential disease outbreak. NTF has hosted

conference calls for our members and has shared the available information from APHIS with our states on how to apply for the program.

Senate Committee on Agriculture, Nutrition & Forestry
Perspectives on the Livestock and Poultry Sectors
September 25, 2019
Questions for the Record
Dr. Jayson Lusk

Chairman Pat Roberts

- 1) Much of your testimony focused on the importance of Livestock Mandatory Reporting. If this authority were to lapse, what risk would you anticipate?

Response by Dr. Lusk: Since its initial passage, industry participants have come to rely on Livestock Mandatory Reporting (LMR), not only as a source of information but also as a key mechanism to settle formula and forward contracts, which have become increasingly prevalent over time. As a result, if LMR were to lapse, there would be significant short-term disruption to livestock markets. A federal government shutdown in October 2013, during which there was no price reporting, provides an illustrative example of how a lapse in LMR might shift the way cattle, hogs, and sheep are sold. It is also possible that a long-term lapse in LMR might hasten the trend toward vertical integration and ownership if trust in reported cash prices erodes.

More generally, one of the intended outcomes of LMR was to provide transparency and reduce information asymmetry. If it LMR were to lapse, it is possible some market participants would possess better and more accurate information about market conditions, which could be used to their economic advantage. A lapse in LMR would likely limit the ability of economists and industry analysts to accurately characterize market conditions and trends in cash and alternative marketing arrangements.

- 2) A common criticism producers make of the Livestock Mandatory Reporting Program is that often reports are unable to be published by USDA due to USDA's confidentiality rule, or 3-70-20-rule, being triggered. The Livestock Mandatory Reporting Act requires USDA to maintain the confidentiality of the data published to ensure against anticompetitive practices, and this rule was developed to ensure this requirement was upheld. Some producers have suggested that the confidentiality rule should be eliminated or revised so as to avoid situations where USDA is unable to publish reports and so the reports include more data points. As an economist, what risks could you foresee arising if this rule was eliminated?

Response by Dr Lusk: Some economists have expressed concern that LMR might facilitate tacit collusion among packers. Empirical evidence for this hypothesis is mixed. However, relaxing confidentiality requirements could enable packers in particular local markets to identify specific competitor actions and punish non-cooperative behavior or strategically respond to a rival firm's behavior.

Confidentiality concerns might be alleviated by aggregating outcomes over time, region, or meat products. While such changes might allow more data to be reported, the quality of the resulting data would deteriorate and would be less reflective of underlying market fundamentals, particularly in times of rapidly changing supply or demand conditions.

There have been a number of changes in live animal and meat reporting since the inception of LMR; one of the changes that has occurred is the increasing differentiation of products and associated interest in separate reporting by product type. This trend exacerbates challenges with confidentiality because specific differentiated products are often traded by a limited number of packers.

Senator John Thune

- 1) In your testimony, you mentioned the importance of ensuring that livestock mandatory reporting keeps up with the ever-changing livestock industry.

As we consider livestock mandatory reporting reauthorization, do you have suggestions to improve accounting for the decreasing portion of cattle and hogs sold in negotiated or cash markets?

Response by Dr Lusk: It is important to note that a lower share of cattle, hogs, and sheep sold in negotiated or cash markets is neither necessarily advantageous or disadvantageous for producers per se. The rising share of alternative market arrangements reflects an increasing desire of both producers and packers to reduce uncertainty and improve coordination. A challenge arises if the number of cash market transactions are “too small” to accurately represent price discovery reflecting changes in fundamental supply and demand conditions. However, the rising share of livestock sold via alternative marketing arrangements may partially reflect increased confidence in cash market reporting facilitated by LMR. The key questions going forward are how to facilitate adequate price discovery and how to convey information about the cattle, hogs, and sheep sold in alternative marketing arrangements.

In terms of price discovery, futures markets remain an important tool, and it is possible to imagine alternative markets for qualities or with different settlement methods, although thinness of markets might be a barrier to such innovations. Electronic and online auction markets are another alternative that might increase the number of negotiated transactions, and it might be worth exploring the barriers to the emergence of such alternative forms of price discovery. Another possibility to help address the thinness of the cash market is to supplement LMR data with voluntarily reported data, the latter of which might include transactions not covered by LMR.

One mechanism for addressing the problem of reporting amidst thinness in cash markets might be for the USDA-Agricultural Marketing Service (AMS) to increase the length of time included in a specific report or use weekly or rolling averages, which capture more transactions. It also appears price discovery is moving down the supply

chain, where base prices for livestock in formula contracts are calculated using composite prices of primal or cutout values, which have historically been strongly correlated with livestock prices.

It is also of interest to empower the AMS, in consultation with market participants, to alter price reporting in response to new marketing arrangements, products, and markets. Examples include the emergence of new branded and case-ready products. Reporting on such products is likely to fall under confidentiality restrictions but these differentiated products are also likely to become increasingly prevalent as the industry innovates and is responsive to heterogeneous consumer preferences.

Senate Committee on Agriculture, Nutrition & Forestry
Perspectives on the Livestock and Poultry Sectors
September 25, 2019
Questions for the Record
Mr. Burton Pfliger

Chairman Pat Roberts

- 1) We've heard mention of a number of trade challenges that face the livestock and poultry sectors. The lamb sector has undoubtedly been impacted by the ongoing trade disputes we face. Could you describe a trade priority that needs resolution and would be the most beneficial for your industry?

The current trade disruption with China has hit our U.S. wool and sheepskin industries hard. As you know, China has blocked access to U.S. lamb since the early 2000's over concerns with BSE in cattle, but Chinese manufacturers are the largest buyers of U.S. wool and sheepskins. China accounted for 72 percent of U.S. raw wool and 80 percent of U.S. sheepskin exports prior to the current tariffs. The loss of this market has taken a heavy toll on our wool prices with sales to China dropping by over 85 percent in value and even worse for sheepskins where now producers are seeing a deduction in their lamb value for the cost of disposing of this once valuable asset. However, the Wool Loan Deficiency Payment program (Wool LDP) administered by USDA/FSA could and should be available to help producers weather these market conditions. We've asked USDA/AMS market news to update prices for non-graded wool, to better reflect the market. We believe the inclusion of this price information will provide growers with some relief to offset current losses on raw wool and sheepskins. This wreck in the wool market is exactly what the wool marketing loan should address, and we ask the committee to encourage USDA ensure the delivery of this program.

Additionally, I'd like to reiterate from my written statement that as the U.S. lamb market is so heavily influenced today by foreign competition, and as we continue to make considerable domestic investment to build consumer demand, we urge the Administration to proceed cautiously on future agreements with the EU, UK, and others where we do not enjoy access and lamb production is heavily subsidized.

- 2) Included in the 2015 Livestock Mandatory Reporting (LMR) reauthorization was a directive by Congress for USDA to issue a report that describes potential changes industry may wish to consider in the 2020 reauthorization. To complete this study, USDA conducted 10 public meetings with 14 industry stakeholder groups over a year-long period. Were the topics you raised in your testimony regarding LMR reauthorization discussed in these meetings, and if so, were they addressed in the report to Congress?

The sheep industry's concerns were included in the report to Congress. To reiterate, while the confidentially guideline used to work well fairly well at the onset of LMR,

market dynamics and marketplace participation has changed in the past 17 years. ASI urged AMS to use all means at their disposal to research, investigate and evaluate, with industry deliberation, alternative methods of achieving confidentiality in concentrated markets, especially in the sheep industry. In response, AMS engaged Value Ag, LLC, to examine alternative methods to report LMR lamb data while still upholding the confidentiality guideline. Unfortunately, the study found that relaxing the LMR confidentiality guidelines was not feasible. Alternative methods were proposed and implemented by AMS, but the underlying issue with the confidentiality guideline still remains and challenges continue with reporting data under LMR.

- 3) Much of your testimony focused on the importance of Livestock Mandatory Reporting. If this authority were to lapse, what risk would you anticipate?

For lamb producers price reporting is not only valuable in making everyday marketing decisions, it is also the base of our industry's primary risk protection tool, Lamb Livestock Risk Protection (LRP-Lamb). Neither lamb nor wool are traded on the commodity market, so LRP is effectively the only tool available to insure in an ever-cyclical market. Absent LMR, our industry's producers have no safety net.

- 4) Your testimony mentioned a study conducted by Texas A&M University on confidentiality standards that are required under the Livestock Mandatory Reporting Act and the possibility of creating a unique set of confidentiality stands for sheep reporting. Can you further describe the findings of this study?

Since 2013, ASI has been working with AMS to improve LMR for lamb including the confidentiality guideline. During the stakeholder meetings, ASI urged AMS to use all means at their disposal to research, investigate and evaluate, with industry deliberation, alternative methods of achieving confidentiality in concentrated markets, especially in the sheep industry. AMS listened and commissioned Value Ag, LLC, to examine alternative methods to report LMR lamb data while still upholding the confidentiality guideline. Unfortunately, the study found that relaxing the LMR confidentiality guidelines was not feasible and the proposed alternatives do not address the underlying issue. The current confidentiality guideline is not working given the concentration of the lamb packing industry. While industry stakeholders agreed that AMS should continue to explore modifications to the current confidentiality guidelines and new guidelines that specifically meet the needs of the lamb industry, nothing has been provided or proposed to industry since the stakeholder meetings.

- 5) The 2018 Farm Bill created a new program focused on Animal Disease Prevention and Management. It is an effort of which I am very proud, and I believe it was long overdue. Details regarding USDA implementation of this program were released in the past several weeks. Can you offer any feedback on the implementation of this program?

The Sheep Industry was proud to support the efforts of Chairman Roberts, the Ranking Member and the House Ag Committee on the creation of the Animal Disease Prevention and Management Program. And we appreciate the efforts of USDA Secretary Perdue and Under Secretary Ibach in quickly rolling out implementation. We believe under their leadership and with the oversight of the Senate and House Ag Committees these resources will be dispatched strategically and equitably. Our primary concern lies in ensuring that animal health products are available for our industry, primarily under the Minor Use Minor Species program (MUMS). Access to key technologies, many of which are currently licensed for use by our international competitors but not in the U.S., is the single largest issue shared by all sheep producers regardless of geography or size of flock. We encourage Committee support of funding MUMS.

- 6) The 2018 Farm Bill created the National Animal Disease Preparedness and Response Program. This program provides \$300 million in mandatory funding for preparedness efforts against outbreaks of animal diseases. And, it directs USDA to enter into cooperative agreements with States, Universities, industry organizations and others to carry out these activities. The ongoing outbreak of African Swine Fever has highlighted the risk that U.S producers face from foreign animal disease outbreaks. Can you describe any sheep related research needs or opportunities that may exist and could be considered under this new Farm Bill program?

Again, we express our appreciation for the Chairman's leadership on this industry priority. The Sheep Industry is currently preparing its Secure Sheep and Wool Supply Plan for Business Continuity in a Foreign Animal Disease Outbreak, working with the Center for Food Security and Public Health and the Iowa State University College of Veterinary Medicine. Given the center's substantial expertise in the development of the Secure Beef, Pork, Milk, and Poultry supply plans, we believe this can be accomplished quickly and cost-effectively. While our industry has dedicated significant resources to this effort, we believe it also presents an opportunity as contemplated by the Farm Bill.

Senate Committee on Agriculture, Nutrition & Forestry
Perspectives on the Livestock and Poultry Sectors
September 25, 2019
Questions for the Record
Mr. Trent Thiele

Chairman Pat Roberts

- 1) The 2018 Farm Bill created the National Animal Disease Preparedness and Response Program. This program provides \$300 million in mandatory funding for preparedness efforts against outbreaks of animal diseases. And, it directs USDA to enter into cooperative agreements with States, Universities, industry organizations and others to carry out these activities. African Swine Fever has been a growing concern, as it has affected the swine herd in China and has impacted dozens of other countries around the world. I'm curious if you can describe any research needs or opportunities that may exist given the threat that African Swine Fever poses to the U.S.?

Research and other opportunities exist to mitigate the heightened risk of African swine fever (ASF), including:

- Better diagnostic methods for ASF, including the ability to use oral fluids as well as to pool or combine blood or tissue samples from multiple animals.
 - Better data management systems within USDA APHIS for more effective management of permitting relative animal movements in the event of an outbreak.
 - Research on methods for mass depopulation and carcass disposal in an environmentally friendly manner as well as on effective decontamination of facilities.
 - Research on sampling and testing methods for viruses in feed so that actionable results can be obtained.
- 2) Included in the 2015 Livestock Mandatory Reporting (LMR) reauthorization was a directive by Congress for USDA to issue a report that describes potential changes industry may wish to consider in the 2020 reauthorization. To complete this study, USDA conducted 10 public meetings with 14 industry stakeholder groups over a year-long period. Were the topics you raised in your testimony regarding LMR reauthorization discussed in these meetings, and if so, were they addressed in the report to Congress?

While I have not reviewed the information gathered by USDA through its public meetings, LMR reauthorization remains a critical matter for U.S. pork producers.

Producers need a transparent, accurate and timely national market reporting system to make knowledgeable business decisions about selling their hogs. Mandatory price reporting offers market information on pricing, contracting for purchase and supply-and-demand conditions for hogs, all of which enhance market transparency. Timely and accurate information is important for a competitive market to function effectively.

- 3) Much of your testimony focused on the importance of Livestock Mandatory Reporting. If this authority were to lapse, what risk would you anticipate?

Again, timely and accurate information is important for a competitive market to function effectively. Pork producers need a transparent, accurate and timely national market reporting system to make knowledgeable business decisions about selling their hogs. Mandatory price reporting offers market information on pricing, contracting for purchase and supply-and-demand conditions for hogs, all of which enhance market transparency. The current program is set to expire in September of 2020 and NPPC supports its reauthorization.

- 4) The 2018 Farm Bill created a new program focused on Animal Disease Prevention and Management. It is an effort of which I am very proud, and I believe it was long overdue. Details regarding USDA implementation of this program were released in the past several weeks. Do any of you care to offer any feedback on the implementation of this program?

The Animal Disease Prevention and Management provisions of the 2018 Farm Bill establish mandatory funding for the current and future Farm Bills. This was very welcome news. It's critical that this funding be applied as soon as possible by the USDA to establish a Foot-and-Mouth Disease (FMD) vaccine bank. FMD is an infectious viral disease that affects cloven-hooved animals, including cattle, pigs and sheep. The disease is endemic in many parts of the world and would have widespread, long-term fallout for livestock and crop agriculture, including the immediate loss of export markets. According to Iowa State University research, an outbreak would result in \$128 billion in losses for the beef and pork sectors, \$44 billion and \$25 billion, respectively, to the corn and soybean farmers, and job losses of more than 1.5 million across U.S. agriculture over 10 years.

USDA has designated vaccination as the strategy to address an FMD outbreak, yet we don't currently have fast enough to enough vaccine for this strategy to be successful. While we recognize the sourcing steps USDA has initiated to establish the bank, it can't happen fast enough.

Senator Amy Klobuchar

- 1) In Minnesota, we have seen the economic impact on farmers as a result of animal disease. That's why I worked to ensure that the 2018 Farm Bill invested \$300 million in permanent mandatory funding to create a vaccine bank and a new animal disease program based on legislation that I introduced with Senator Cornyn.

From your perspective, how are these new tools helping the Department of Agriculture (USDA) to better stay one step ahead of animal disease threats?

The Animal Disease Prevention and Management provisions of the 2018 Farm Bill establish mandatory funding for the current and future Farm Bills. This was very welcome news. It's critical that this funding be applied as soon as possible by the USDA to establish a Foot-and-Mouth Disease (FMD) vaccine bank. FMD is an infectious viral disease that affects cloven-hooved animals, including cattle, pigs and sheep. The disease is endemic in many parts of the world and would have widespread, long-term fallout for livestock and crop agriculture, including the immediate loss of export markets. According to Iowa State University research, an outbreak would result in \$128 billion in losses for the beef and pork sectors, \$44 billion and \$25 billion, respectively, to the corn and soybean farmers, and job losses of more than 1.5 million across U.S. agriculture over 10 years.

USDA has designated vaccination as the strategy to address an FMD outbreak, yet we don't currently have fast enough to enough vaccine for this strategy to be successful. While we recognize the sourcing steps USDA has initiated to establish the bank, it can't happen fast enough.

Senate Committee on Agriculture, Nutrition & Forestry
Perspectives on the Livestock and Poultry Sectors
September 25, 2019
Questions for the Record
Mr. Shane Eaton

Chairman Pat Roberts

- 1) Included in the 2015 Livestock Mandatory Reporting (LMR) reauthorization was a directive by Congress for USDA to issue a report that describes potential changes industry may wish to consider in the 2020 reauthorization. To complete this study, USDA conducted 10 public meetings with 14 industry stakeholder groups over a year-long period. Were the topics you raised in your testimony regarding LMR reauthorization discussed in these meetings, and if so, were they addressed in the report to Congress?

USCA attended and participated in the two main industry stakeholder meetings held in Washington, DC by the USDA Agricultural Marketing Service. We raised several concerns at those meeting, which can be found in the agency's report to Congress.

In addition to what was discussed during my testimony regarding a Non-Native Division being added to MPR, USCA continues to survey its Marketing and Competition Committee to find relevant solutions to increasing transparency and true price discovery. We would also recommend describing fat cattle trades in a similar manner as feeder cattle are described. If such a change were implemented, producers would have another crucial layer of transparency added to the program.

Some examples of definitions used in feeder cattle reporting that should be added to MPR to improve accounting are "Braham Cross, Fleshy, Full, Gaunt, and Thin Fleshed." These terms will help producers know why some cattle are sold at a discount in the report-outs, and that the price paid for these types of cattle are not the actual, true market value. The USDA Livestock, Poultry and Grain Cattle Terms have definitions for these terms and these definitions should flow across into MPR.

Some additional terms that should be added to help in MPR include:

- a. "Taggy", which would be a term used to describe cattle that are carrying an excess amount of mud. Fat cattle that are "Taggy" will sell at a discount, or an extreme discount; but if this term is not added to MPR, then producers selling fat cattle will not know that some cattle that were traded were sold at a discount. The "Taggy" cattle have had tremendous negative influence on the market in the spring months of the year.

b. "Heiferette" is a term used in feeder cattle reporting, but "Heiferette" is a very important term to separate and discuss. There pens of cattle sold at a discount because generally there is a percentage of "Heiferette" cattle in a pen, but there can be circumstances where an entire pen is comprised of "Heiferettes." MPR would benefit from a description of the percentage of "Heiferettes" in a pen. This description would bring much needed transparency to the live cattle trade. Again, producers see a trade and think it is the actual market, but in actuality, it was a pen that had 20% "Heiferettes" and were sold at a 2\$ discount.

- 2) Much of your testimony focused on the importance of Livestock Mandatory Reporting. If this authority were to lapse, what risk would you anticipate?

We fully support Livestock Mandatory Reporting. As the U.S. meatpacking sector becomes more and more consolidated, we see fewer animals being sold through cash negotiated trade. Instead, formula pricing, forward contracts, and other arrangements make up the majority of the marketplace.

Under the voluntary price reporting rules that were in place until 2001, these alternative marketing arrangements were not publicly disclosed. This put all the negotiating power in the hands of the meatpacking sector. If Livestock Mandatory Reporting authority were to lapse, we would see a return to this power imbalance. Livestock Mandatory Reporting creates a level playing field for both producers and packers to assess fair market prices for livestock.

- 3) The 2018 Farm Bill created a new program focused on Animal Disease Prevention and Management. It is an effort of which I am very proud, and I believe it was long overdue. Details regarding USDA implementation of this program were released in the past several weeks. Can you offer any feedback on the implementation of this program?

We support the full establishment of the National Animal Vaccine and Veterinary Countermeasures Bank (NAVVCB). A recent report conducted by the Government Accountability Office (GAO) revealed that current vaccine supplies are insufficient. The sooner we can fully implement the NAVVCB, the less risk we are assigning to the health of the domestic cattle herd.

- 4) The 2018 Farm Bill created the National Animal Disease Preparedness and Response Program. This program provides \$300 million in mandatory funding for preparedness efforts against outbreaks of animal diseases. And, it directs USDA to enter into cooperative agreements with States, Universities, industry organizations and others to carry out these activities. The ongoing outbreak of African Swine Fever has highlighted the risk that U.S producers face from foreign animal disease outbreaks. Can you

describe any bovine related research needs or opportunities that may exist and could be considered under this new Farm Bill program?

We believe that the Brucella Abortus virus is an appropriate candidate for removal from the Biological Agents and Toxins List. At this point in time, because this virus is on the list in question, research activities are limited to specific restricted government facilities to prevent the spread of the disease and to keep it out of inappropriate hands. However, there is already a somewhat substantial pool of the disease existing in bison and elk in the Greater Yellowstone Ecosystem, including parts of Montana, Wyoming and Idaho.

Additionally, from a February 2019 news report, federal health officials are investigating potential exposures to Brucella Strain RB51 in 19 states: Alabama, California, Connecticut, Florida, Georgia, Iowa, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina and Virginia.

Besides its danger to humans in the form of Undulant Fever, it has had a tremendous economic impact on livestock producers in the affected area due to a concerted effort at containment and some marketing limitations. It seems that "Pandora's Box" has already been opened and the mission should now be focused on development of an effective vaccine and efforts towards eradication. It is our opinion that Brucellosis should be reclassified so a larger research community, possibly involving private and university facilities, might be included.

Senator John Thune

- 1) In your testimony, you expressed support for establishing an industry working group to ensure the market integrity of futures contracts.

How do you envision this working group would operate?

Could you also talk about the value you think this working group would provide to the cattle market?

The creation of an industry working group remains the most critical missing piece in ensuring that the fundamentals of the cattle market are working properly and that the futures contract specifications are carefully maintained to ensure market integrity.

This working group should include representatives from at least the following organizations: American Farm Bureau Federation, Livestock Marketing Association, National Cattlemen's Beef Association, National Farmers Union, and the United States Cattlemen's Association.

The working group should meet in-person at least annually, and quarterly via conference call. Meeting records should be available publicly, and consensus points should be provided to the CME Group for consideration and implementation.

- 2) As we consider livestock mandatory reporting reauthorization, do you have suggestions to improve accounting for the decreasing portion of cattle and hogs sold in negotiated or cash markets?

The most important item to consider for improving the accounting of the cash cattle market is to fix the aforementioned loophole and count formula-based cattle trades. These trades take no market relevant discounts or premiums into account, but generally only give a premium over a weighted average price, similar to cash cattle trades.

Congress and the entire U.S. cattle industry need to be realistic about the current situation and call these type of formula trades - that have no relevant market pricing mechanisms – what they truly represent. These types of trades are used by packers to procure “captive supply” cattle and to leverage down the cash cattle price. The loophole that allows these type of formula trades to not be counted needs to be fixed; and when Congress does fix the loophole, the amount of cattle traded in the cash will increase dramatically.