

**Testimony of Joe Goggins  
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On Behalf of the United States Cattlemen's Association**

**Submitted to the U.S. Senate  
Committee on Agriculture, Nutrition, and Forestry**

**“A Review of the U.S. Livestock and Poultry Sectors:  
Marketplace Opportunities and Challenges”**

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## **Introduction**

Mr. Chairman, Ranking Member Stabenow, Members of the Committee, I am Joe Goggins, Vice President of Vermilion Ranch Co., Public Auction Yards, Billings Livestock Commission Co., Western Livestock Auction, and Northern Livestock Video Auction based in Billings, Montana, and serving thousands of ranchers and feeders across the United States. I come from a family of six kids. Most all of our spouses, children and grandchildren are involved in some aspect of running our current businesses which include ranches, feedlots, livestock auctions, a video auction and our 75 year old weekly livestock newspaper, Western Ag Reporter. I have spent nearly every day of my life involved in the production, management and marketing of livestock. I appreciate the invitation to represent U.S. cattle producers on this panel.

I am here today on behalf of the United States Cattlemen's Association (USCA). USCA represents cow-calf producers, backgrounders, and feedlot operators from across the country. USCA was founded on the idea that a grassroots effort by U.S. cattlemen can work positively and effectively with the U.S. government to reform U.S. agriculture policy and ensure a fair, competitive marketplace. USCA has spent the last decade charting a course for the long-term health and vitality of the U.S. cattle industry. Our interest is in the future of the industry—not just 5, 10, or 15 years from now, but for the century ahead.

Agriculture is the strongest card in our country's deck. The next generation of Americans will see monumental advances made in the fields of technology and energy, but none will grow to be as important as our agricultural industries. Our producers hold America's greatest strength within their operations—the ability to cultivate a safe, affordable, and abundant food supply. For this reason, we need to ensure that our producers are able to operate in a fair and virtuous marketplace. U.S. cattle producers strive every day to produce a high-quality product; let's provide them with an honest and common sense set of principles that will take the industry into the 21<sup>st</sup> and 22<sup>nd</sup> centuries with the ability to tackle the challenges and opportunities that lie ahead.

## **Background**

In the last five years, the U.S. cattle industry experienced a period of strong demand and high prices for both cattle and beef. However, within the last year, there was a steep drop in prices resulting in the largest loss of equity in the history of the U.S. cattle industry. The cattle market experienced abnormal price adjustments during this period. The following sections represent areas that have played, and continue to play, a key role in the overall state of the industry.

### **U.S. Livestock Herd**

The U.S cattle producer, feeder, and packer produce the highest quality, most affordable, and safest protein in the world. An increase in proposed import rules with countries that have a history, or direct risk, of Foot-and-Mouth Disease (FMD) is a threat to the overall health of the U.S. cattle herd. The domestic industry must not be compromised at the sake of expanded trade; we must

ensure that FMD is not brought across U.S. borders. It has been calculated by the World Organisation for Animal Health (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. USCA opposes any action that jeopardizes the health and well-being of the U.S. cattle herd.

### **Free Trade Agreements**

It is vital for the U.S. to continue to export its beef products globally. However, our trade agreements must reflect the unique nature of the cattle and beef industry. Cattle and beef are perishable products, meaning the duration and shelf life of beef products immediately decreases upon processing. Perishable agriculture products, such as beef and finished cattle, 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.

Past Trade Promotion Authority (TPA) measures have promised the inclusion of specific language for perishable and cyclical agricultural products, including cattle and beef. Unfortunately, these guidelines have not always been included in final negotiated trade agreements. The lack of guidance on this issue in the current Trans Pacific Partnership is concerning. US trade laws must represent the same policies and protocol that govern and regulate our domestic markets. Meaningful and timely countervailing and anti-dumping laws are imperative to maintain a level playing field and ensure that international trade is not detrimental to our domestic US cattle industry. These laws are in place only to address those countries not adhering to trade protocol. If countries are found to be subsidizing production which in turn creates artificially cheap products, or are dumping at below their cost of production into the US markets, then there must be mechanisms in place to correct and address these violations immediately. US trade laws, especially those pertaining to the beef industry, must recognize the highly fragmented aspect of our industry, which includes downstream players who may actually benefit from such trade violations. Additionally, more timely resolution and reactionary measures must be in place to account for the perishable nature of our industry's product. Currency manipulation must also be a component of our trade laws as it will continue to distort the flow of trade if left as-is.

The U.S. government and the World Trade Organization (WTO) must address this within any trade agreement that is negotiated and implemented. 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. Too often, trade distortions that artificially suppress domestic prices are looked at on a short-term basis as highlighted by their resulting reduction in costs to consumers. However, when reviewed over a longer period of time, the results often show the subsequent detrimental effects to the state of domestic production. This decline in domestic production compromises not only food security in this country, but also the long-term vision of encouraging production for a growing global population and production needs. The U.S. cattle industry cannot continue to give access to gain access.

## **Determining Weekly Cash Price & Volatility in the Market**

Markets are the driving force of any commodity. Over the past 12 months, the U.S. cattle industry has faced unusual volatility and uncertainty in the marketplace. Prices have risen dramatically to historic levels and then bottomed out to figures reminiscent of three years prior. The livestock industry is a historically up and down, ever-changing marketplace due to its dependence on foreign market factors, domestic and international policies, and consumer trends; however, today's marketplace has created an unstable and non-transparent arena for U.S. producers. We ask the Committee to review all of the factors contributing to today's marketplace, both the market-specific driven factors and industry concerns alike.

We must come to consensus on a more competitive, and fair, means by which weekly cash price on live fed cattle are determined. Transparency and competition must be achieved at the fed cattle level, and it must be addressed.

The futures board has always been a tool for producers and feeders to help mitigate risk. However, recent volatility in the futures market has led to uncertainty across the industry, which has consequently deterred members of the cattle industry from using these markets because of the risk of losing capital. Risk mitigation plays a key role for the entire industry; but most importantly for our average and young producers who borrow the majority of their operating funds from banks. Without confidence in the ability to hedge risk in a volatile futures market, producers will not be able to secure operating loans from lenders.

Additionally, we request this Committee work with the Commodity Futures Trading Commission and relevant market participants to ensure disruptive trading practices are prohibited so as to not compromise the foundation and role of the futures market as a risk management tool for cattle producers.

There is a severe disconnect within the cattle market as to the true fundamentals of what should be driving the prices versus what prices are actually being offered. Cattle marketing agreements and livestock commodity trading are all essential to the health and vitality of the industry.

## **Packers and Stockyards Act; Mandatory Price Reporting Law**

Every five years, the Mandatory Price Reporting law is reauthorized, presenting new opportunities to modernize the cattle industry. As producers, our members develop a product consisting of slow-changing fundamentals. However, formula cattle contracts and automated trading in the futures marketplace has introduced a new paradigm that USCA believes should be closely monitored to ensure market transparency, stability, and accurate price discovery.

The Packers and Stockyards Act (P&S Act) must continue to modernize and change as the industry evolves. I operate three livestock auction markets that are all regulated under the P&S Act; as the business has changed over the years, so too must the laws governing it. Specifically, the current

law dictates prompt payment as a check in the mail by the close of the next business day or a wire transfer of funds. Other forms of electronic payment such as ACH payments must also become an option.

As online and video auctions continue to be a prominent form of marketing cattle, clarification on whether these formats fall under the P&S Act, and how funds must be handled, is necessary. A law that exists without a definition and authority to carry it out is without standing, no matter the issue. USCA proposes long-overdue modernizations and revisions to the P&S Act via the 2018 Farm bill and the 2020 Price Reporting reauthorizing bill.

### **Opportunities in the 2018 Farm Bill**

We have seen great success in the implementation of Farm Bill programs. From supplementary conservation funding and programs to disaster-relief funds and beginning farmer and rancher support, the public-private relationships driving our industry today could not be stronger. In 2015, we saw ranchers and USDA-NRCS, along with conservation and sportsmen's groups, work together to conserve Greater Sage Grouse habitat and prevent a listing of the species. Public-private relationships and a strong industry commitment to habitat and species conservation cemented the reality of the statement "What's good for the bird is good for the herd" campaign. The successful model employed in the Greater Sage Grouse effort is now being reflected elsewhere in non-species listings, due to successful habitat conservation, such as the Lesser Prairie Chicken.

Across the country, livestock producers continue to be at the mercy of adverse weather and climate events. The importance and need for effective, and fully funded, disaster relief programs was more apparent than ever during the aftermath of the 2013 Atlas Blizzard. We worked with several cattle producers that suffered devastating losses from this storm. The availability of funds allocated specifically to feed and livestock reimbursement through the Livestock Indemnity Program enabled producers to support surviving herds and recoup losses once the storm and recovery efforts had passed. The timing of the Atlas Blizzard fell directly during the 2013 government shutdown and prior to the passage of the current Farm Bill. The importance of government support and funding of Farm Bill programs was made clear and remains a priority for producers across the country.

A true bright spot in the industry has been the success of the Beginning Farmer and Rancher program. As our industry continues to transition to the next generation, opportunities and avenues for success must be a priority. The continued inclusion of this program, and expansion on its fundamentals, must be a component of the 2018 Farm Bill.

As the industry and Congress look to drafting the next Farm Bill, the focus will be on the development of a livestock-specific title including many of the items noted above. The 2018 Farm Bill provides a vehicle to address many of the issues we are discussing today, including revised

and enhanced market reporting and market transparency; continued emphasis on public-private partnerships in conservation; and addressing industry concerns such as transportation and environmental regulations. In January of 2017, USCA will announce its livestock title overview detailing specific opportunities and partnerships designed to enhance and assist the industry.

### **Updated Federal Grazing Laws**

Public lands are intended for sustained, multi-use purposes, including hunting, hiking, and livestock grazing. The most imminent threat to our public lands are incremental decreases in federal budgets that erode the ability of agency officials to continue necessary upkeep and management of federal lands. “Special Interest” groups that “specialize” in litigating against the management of public lands remain a danger to all of those who use and enjoy public lands. Federal grazing laws must reflect the current legal environment. The success we have seen first-hand in private-public partnerships on federal lands represents a means by which to overcome the challenges of managing land for multiple uses. We can continue to build on these successes and maintain the multiple use aspect of our federal lands to the benefit of producer and the general public.

### **Commercial Livestock Hauling**

The Federal Motor Carrier Safety Administration is removing an exemption that allows livestock transporters to forgo portions of the Hours of Service rules, in the best interests of the animals on board. The lifting of this exemption will harm the commercial independent livestock haulers by requiring mandatory breaks, regardless of whether they are hauling live cattle, and placing additional regulations on what constitutes an hour of drive time, thereby decreasing their ability to travel longer distances without stopping.

Livestock are a highly perishable commodity. If we hamper the ability to move livestock quickly and efficiently, we might actually limit opportunities for producers in many parts of this country by reducing the number of people interested in buying their livestock. USCA, in coordination with other interested groups, will be forming a working task force to address the concerns of this critical segment of the beef production industry in a positive and productive manner.

### **Updated the Endangered Species Act**

It has been consistently demonstrated that wildlife, soil, and water quality all benefit when managed livestock grazing plans are implemented. However, ranchers continue to face regulatory threats and pressures due to the Endangered Species Act (ESA). The ESA must be revised to reflect the new era of conservation and partnerships between agency officials and livestock producers. Increased regulation is no longer the answer; producer-driven partnerships and producer-inspired

solutions result in the best outcomes for the land and industry. The recent successes of the Greater Sage Grouse and Lesser Prairie Chicken non-listings are testament to this work.

### **EPA's Waters of the U.S. Rule**

The Environmental Protection Agency's "Waters of the U.S." rule has proven to be a divisive issue. The livestock industry prides itself on the importance of clean water for healthy herds. The rule is currently being held up in the courts, where producers and the industry will continue to monitor its movement. The Administration and Congress must continue to involve industry stakeholders in regulation-based discussions in order to secure transparent and effective decisions. The success of any regulation is dependent on the information, facts, and stakeholder knowledge backing it; the Waters of the U.S. rule is a prime example of this disconnect.

### **Conclusion**

The next generation of agriculture is here. Changes are taking place in farming and ranching as families are transitioning roles and parts of the operation to sons and daughters and, in some instances, grandsons and granddaughters. The cattle industry needs to begin looking ahead to 21<sup>st</sup> century goals rather than short-term objectives.

My family has been an active member of the livestock industry for multiple generations. The concerns facing us today and that have been outlined above are real, but not insurmountable. I ask the Chairman, Ranking Member and all Committee Members to review and seriously consider the challenges and opportunities that face today's U.S. livestock industry. Today's laws and regulations must continue to evolve and reflect the changes in our industry. We must carefully consider new market protections and greater transparency in order to further the competitiveness and strength of our domestic market. We must keep in mind that in the years to come, the ability to produce an abundant, high-quality, safe and affordable food supply will be more important than ever. The U.S. livestock industry currently lands at the top of such producing nations and we must do everything in our power to remain.