



**STATEMENT FOR THE RECORD**

**Submitted to the U.S. Senate  
Committee of Agriculture, Nutrition, & Forestry**

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

**May 26, 2016**

**Room 216 Hart Senate Office Building  
Washington, DC**

Chairman Roberts, Ranking Member Stabenow, members of the committee,

Thank you for your work exploring the challenges facing the livestock industry today. National Farmers Union (NFU) represents roughly 200,000 family farmers, ranchers, fishermen and rural members. NFU works to improve the well-being and quality of life of family farmers, ranchers and rural communities by advocating for grassroots-driven policy adopted annually by our membership.

The livestock sector, like much of agriculture, is under economic stress with no near end in sight. Some of these stressors include low prices, consolidation, and degradation of the spot market. There is some relief being provided to livestock producers through mandatory price reporting and support of the Packers and Stockyards Act. These stressors and actions are discussed below.

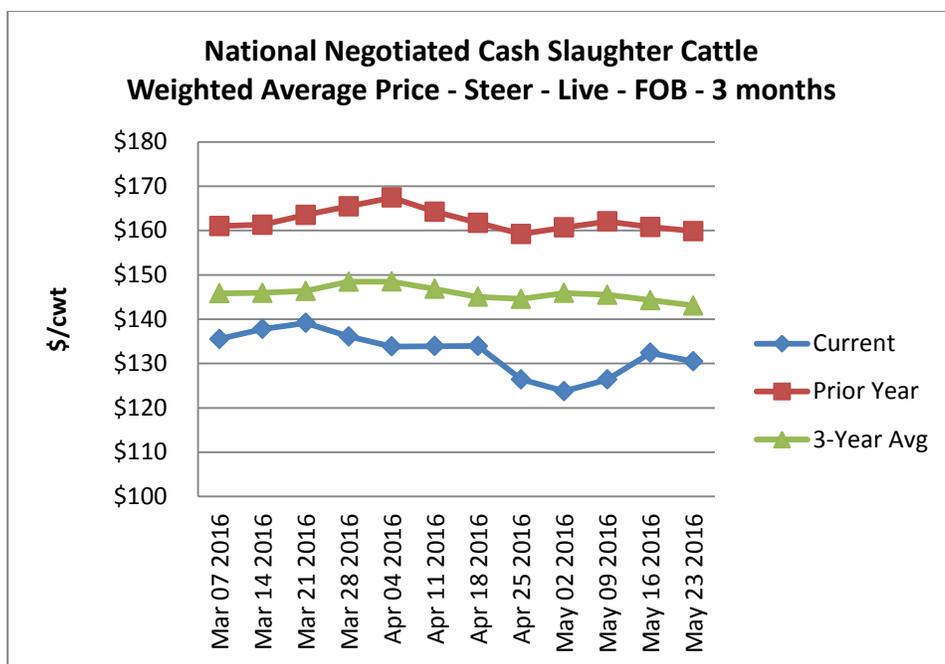
### **Low Prices**

Despite predictions of several years of higher-than-average prices for beef, producers faced a dramatic decrease in prices in 2015 and volatility throughout the year. While still in the first few years of this downturn, forecasts by the USDA point to a prolonged period of depressed prices.

Due to limited cattle supplies because of drought, the cattle industry had historically high prices in 2014. Experts predicted that high prices would continue due to the gradualness of herd rebuilding. Unfortunately, the cattle industry suffered a collapse in prices in mid-2015 and price volatility throughout the year.

In June of 2015, USDA reported that average producer returns from cattle dropped below \$0/head, indicating that cattle producers were losing money on every head of cattle, and that was before the major price drop. Estimates from November 2015 suggest that on average, industry lost \$420 per head. As of May 23, national negotiated cash average prices for live steers were 18.5 percent lower than the same week last year, and were 8.9 percent lower than the three-year average prices. This level of volatility is detrimental to farmers and ranchers, especially in light of the low prices for other commodities.

Currently, cattle prices are moving lower and supplies of cattle remain large. Beef production for 2017 is forecast at 25.8 billion pounds, four percent above 2016, which will not help to raise beef prices. According to USDA estimates, prices in 2017 are expected to average \$118-\$128 per hundredweight, which is lower than average prices in 2011 through 2015 and farmers have not seen input costs decline to reflect the decrease in price.



**Consolidation**

National Farmers Union has advocated on behalf of farmers facing a lack of competition in meatpacking for all 114 years of our existence. Consolidation in the meatpacking industry has resulted in fewer choices for ranchers. Our member-drafted policy states, “Inadequate market competition is one of the most pressing issues facing producers across the country. As evidenced by the sharp decline in the number of family farms in the past decade and the increasing trend toward horizontal and vertical concentration in the agriculture and food sector, independent producers cannot succeed in the absence of protection from unfair, anti-competitive practices.”

The U.S. agriculture sector is becoming more concentrated. Farms are consolidating into fewer and larger farms; the “big six” agriculture input companies are in various stages of proposals to become the “big four”, and many markets for farm products are becoming increasingly consolidated. For livestock, four packers account for nearly 70 percent of the value of all U.S. livestock purchased for slaughter.<sup>1</sup>

The top 4 beef packers (Tyson Foods, Cargill, Brazilian-owned JBS USDA, and National Beef) account for 85% of all beef processed in the U.S. The top 4 hog processors (Chinese-owned Smithfield, Tyson Foods, Brazilian-owned JBS-Swift, and Hormel) account for 74% of all hogs processed in the U.S.

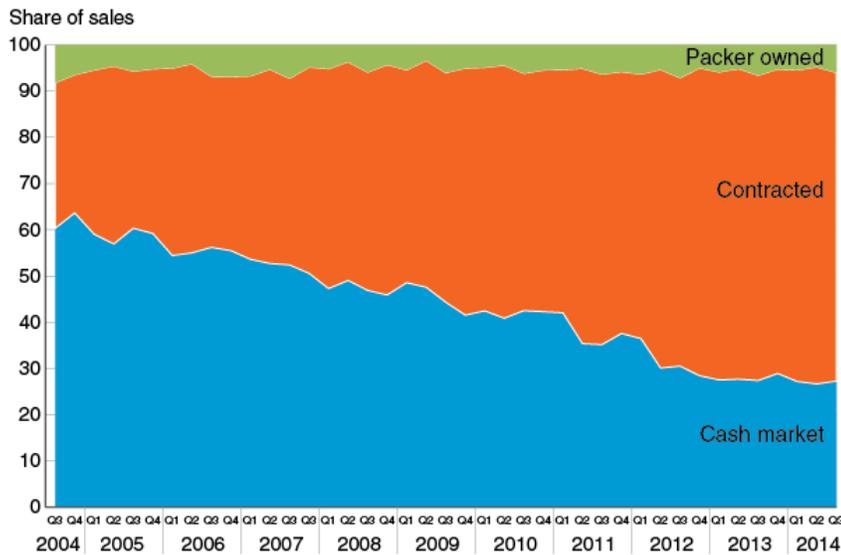
**Degradation of the Spot Market**

In addition to competitive markets, price discovery is critical for farmers and ranchers. As evidenced by the chart below, the spot market has decreased significantly in the last several years. The cash market is the basis for all other sales of cattle. Without a robust spot market, the quality of the markets decreases and family farmers suffer. The share of cattle sales made in cash fell by half from 2004 to 2014. Thin markets have fewer participants and fewer reported transactions that make it more difficult for prices to reflect information to farmers. In thin markets, packers have a distinct advantage over farmers because they interact with more farmers and have more information.<sup>2</sup>

<sup>1</sup> Adjemian, M. K., Brorsen, B., Saitone, T. L., & Sexton, R. J. (2016, March 16). Thin Markets Raise Concerns, But Many Are Capable of Paying Producers Fair Prices. Retrieved May 26, 2016, from <http://www.ers.usda.gov/amber-waves/2016-march/thin-markets-raise-concerns,-but-many-are-capable-of-paying-producers-fair-prices.aspx#.VOR8ufkrJhE>

<sup>2</sup> Ibid.

**The share of cattle sales made in the cash market fell from 2004 to 2014**



Source: USDA, Economic Research Service using steer and heifer sales data from USDA, Agricultural Marketing Service, 2015.

**Price Discovery**

Last year, mandatory price reporting was reauthorized. Mandatory price reporting is a critical price discovery tool for farmers and ranchers and will need to be reauthorized again in 2020. In the meantime, USDA will be working on a study to evaluate the efficacy and comprehensiveness of Mandatory Price Reporting. It is our goal to work with stakeholders and lawmakers to ensure that the next reauthorization includes improvements and modernization to better capture market data and reflect the changing market structure.

**Packers and Stockyards Act**

The Packers and Stockyards Act (PSA) was passed to ensure competition and integrity in livestock and poultry markets. At the time, five major meatpackers had engaged in anticompetitive practices that negatively impacted farmers and consumers.<sup>3</sup> The law is just as applicable today as it was 95 years ago. NFU supports USDA’s authority to promulgate rules based on the legislation included in the 2008 Farm Bill. When markets become so consolidated that farmers have little choice, USDA should ensure rules are fair for both farmers and companies.

**Conclusion**

There are many challenges facing agriculture today. This committee has a difficult task ahead of it as it begins to grapple with these problems. As the committee continues their consideration of the agricultural economy, I encourage you to invite cow-calf producers to share their thoughts and experiences.

Thank you.

Roger Johnson  
President, National Farmers Union

<sup>3</sup> National Agricultural Law Center. (n.d.). The Packers and Stockyards Act: An Overview. Retrieved May 26, 2016, from <http://nationalaglawcenter.org/overview/packers-and-stockyards/>